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SPONSOR STATEMENT

HB 260: PFD: 50/50 POMV SPLIT

Conflicting statutory language regarding annual withdrawals from the Earnings Reserve Account (ERA) and distribution of the Permanent Fund Dividend (PFD), paired with historic lows in revenue and divergent views on spending have resulted in years of legislative gridlock.

HB 260 seeks to reduce this gridlock by providing clear and responsible guidance for appropriating the Percent of Market Value (POMV) draw from the Permanent Fund. It maintains the 5% POMV draw, repeals conflicting statute, and implements a “50/50 contingency plan.” If 50% of the POMV draw plus revenues flat funds the calculated baseline budget, then the remaining 50% is directed to the PFD. If it does not flat fund the calculated baseline, then the split is adjusted to fill the gap. The calculated baseline budget uses a 5-year moving average with a one-year lag while adjusting for inflation and population.

HB 260 balances the importance of sustainably funding high-quality essential government services with the importance of protecting and growing the PFD. The 50/50 contingency plan temporally separates and mitigates the impact of a budget increase or decrease on the PFD by using the 5-year moving average in calculating the baseline budget. In this current fiscal climate, HB 260 serves as both a conservative spending cap and encouragement to find additional revenue.

As a standalone bill, HB 260 evolves from a 10/90 split, through a 25/75 split, and maxes at a 50/50 split over several years. If paired with a supplemental PFD schedule and/or revenue generation measures as part of a long-term fiscal plan, as advocated by the bill sponsor, the evolution to 50/50 is accelerated.

HB 260 is a compromise and a step forward. It provides advocates across the political spectrum with a “win” as we work toward a sustainable budget solution, and I urge you to join me in supporting this bill.