



# Representative Ivy Spohnholz

Chair, House Ways and Means Committee

Co-Chair, House Labor and Commerce Committee

*Serving House District 16: College Gate, Russian Jack, Nunaka Valley, & Reflection Lake*

## Sponsor Statement

House Bill 259 v. A

For nearly a decade, Alaska has suffered structural budget deficits that have impacted every facet of the state. In 2018, the legislature achieved great progress through the passage of the percent of market value (POMV) draw on the permanent fund's earnings, which 1) resolved two thirds of our deficit, 2) provides stable and predictable revenues to the state, and 3) caps the amount spent from the Permanent Fund annually to 5% of the Permanent Fund's total value during the first five of the last six years. As a result, our state's revenue situation has dramatically improved. However, the uncertainty of one its largest annual expenditures, dividends from the Permanent Fund (PFDs) for Alaskans, continues to hinder the fiscal health of our state, strains the legislature's ability to meet its constitutional obligations, stands in the way of many other important policy efforts, and creates fiscal uncertainty for Alaskans.

HB 259 proposes to solve this impasse by rewriting the formula for PFDs as a percentage of the POMV draw, which provides significant and growing PFDs, stable and growing funding for public education, (one of a few constitutionally mandated state funding items), and other essential government services.

This legislation splits the annual POMV draw from the Permanent Fund as follows:

- **25% to dividends**, which would produce a \$1,302 dividend in FY24 that would increase each year after that as the fund's value grows.
- **75% available in unrestricted general funds for essential government services split as follows:**
  - 50% to the public education foundation formula and pupil transportation, and;
  - 50% to general fund for funding other essential state services like public safety, road maintenance, the court system, state match for federal infrastructure funds, and more.

This designated funding stream for public education is critical because when adjusted for inflation, in FY22 the state spends \$500 less per child to educate Alaska's children than we did in FY2008. We are no longer doing more with less; we are simply doing less with less and our educational outcomes are starting to reflect that. In addition to providing predictable PFDs and stable funding for other essential state operations, the statutory split of the POMV draw proposed by this legislation ensures Alaskan schools a stable and growing fund source so we can invest our state's greatest natural resource – our kids.

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