



Representative Mike Cronk

Sponsor Statement

HB - 359 PFD Cash Out

HB - 359 is drafted to allow a one-time opportunity for PFD recipients to receive a lump sum amount of \$15,000.00 dollars and a \$5000.00 non-transferable land credit in lieu of any future yearly payouts.

The benefit for those choosing the buyout option will be a more useful amount of money immediately and a substantial credit for future purchase of any state lands made available for private ownership.

Facts: The courts have ruled the legislature can ignore the PFD statutory requirements previously established. In response legislators have reduced PFD amounts below the statutory requirements to balance annual budgets.

It does not take artificial intelligence metrics to see how the rising cost of government affects the PFD amounts. Each year the savings accounts are being drained and rising inflation forces the legislature to reduce the PFD payout.

The question is not if the PFD will disappear, it is when will the PFD disappear? Legislators do not need economic wizards or flow charts to see where annual budgets lines meet the PFD cost line. At some point in the not-too-distant future there will be no options left and the PFD will be funded at minuscule levels if at all.

Basic Math: (Using \$1500.00 dollar PFD annual baseline) (Using a population of 600,00) (Assuming 1 in 3 PFD recipients take the buyout.)

Example: To execute the buyout provision the one-time up-front cost to the state will be **\$3 billion** dollars to buyout 200,000 PFD recipients. **(200,000 x \$15,000.00 dollars)**

With the elimination of 200,000 PFDs, the additional revenue available to the state for 20 years will be **\$6 billion dollars. (20 years X 200,000 people X \$1500.00 PFD)**

Using the same metrics those who retain the existing PFD plan for the next 20 years would receive **\$30,000.00 dollars. (20 years @ \$1500.00 per year)**

Questions of age, health, economic needs, and family will affect decisions.

I.e. For a family of four who need a down payment on a house, a car or college tuition, a \$15,000.00 lump sum may be very helpful.

As for folks still willing to pull the familiar PFD lever, the realities of Alaska's budget, and the spending patterns of legislators, should make the "Cash Out" button much more tempting.