

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

May 11, 2019

11:38 a.m.

MEMBERS PRESENT

Representative Jonathan Kreiss-Tomkins, Co-Chair
Representative Grier Hopkins
Representative Andi Story
Representative Adam Wool
Representative Sarah Vance

MEMBERS ABSENT

Representative Zack Fields, Co-Chair
Representative Laddie Shaw

COMMITTEE CALENDAR

HOUSE RESOLUTION NO. 11

Supporting the renaming of Saginaw Bay as Skanax Bay.

- MOVED HR 11 OUT OF COMMITTEE

HOUSE BILL NO. 132

"An Act relating to the Alaska permanent fund; relating to the earnings reserve account; relating to the permanent fund dividend; relating to deposits into the permanent fund; relating to appropriations to the dividend fund and general fund; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 141

"An Act relating to disbursement of the permanent fund dividend; relating to transfers of permanent fund dividends into the restorative justice account; and relating to contributions from, claims against, and assignments of permanent fund dividends."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HR 11

SHORT TITLE: RENAME SAGINAW BAY AS SKANAX BAY

SPONSOR (s) : REPRESENTATIVE (s) KREISS-TOMKINS

05/08/19 (H) READ THE FIRST TIME - REFERRALS
05/08/19 (H) STA
05/09/19 (H) STA AT 3:00 PM GRUENBERG 120
05/09/19 (H) Heard & Held
05/09/19 (H) MINUTE (STA)
05/11/19 (H) STA AT 11:30 AM GRUENBERG 120

BILL: HB 132

SHORT TITLE: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

SPONSOR (s) : REPRESENTATIVE (s) WOOL

04/15/19 (H) READ THE FIRST TIME - REFERRALS
04/15/19 (H) STA, FIN
04/25/19 (H) STA AT 3:00 PM GRUENBERG 120
04/25/19 (H) Heard & Held
04/25/19 (H) MINUTE (STA)
05/11/19 (H) STA AT 11:30 AM GRUENBERG 120

BILL: HB 141

SHORT TITLE: PFD PAYMENT SCHEDULE

SPONSOR (s) : REPRESENTATIVE (s) KREISS-TOMKINS

04/22/19 (H) READ THE FIRST TIME - REFERRALS
04/22/19 (H) STA, JUD
05/11/19 (H) STA AT 11:30 AM GRUENBERG 120

WITNESS REGISTER

NATHANIEL GRABMAN, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 132, on behalf of Representative Wool, prime sponsor.

SIDHYA BALAKRISHNAN, Director of Research
Jain Family Institute
New York, New York

POSITION STATEMENT: Provided information during the hearing on HB 141.

BRUCE TANGEMAN, Commissioner
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Provided information during the hearing on HB 141.

ACTION NARRATIVE

[11:38:42 AM](#)

CO-CHAIR JONATHAN KREISS-TOMKINS called the House State Affairs Standing Committee meeting to order at 11:38 a.m. Representatives Hopkins, Story, Wool, Vance, and Kreiss-Tomkins were present at the call to order.

HR 11-RENAME SAGINAW BAY AS SKANAX BAY

[11:39:36 AM](#)

CO-CHAIR KREISS-TOMKINS announced that the first order of business would be HOUSE RESOLUTION NO. 11, Supporting the renaming of Saginaw Bay as Skanax Bay.

[11:39:52 AM](#)

REPRESENTATIVE VANCE asked for the meaning of the name "Skanax."

CO-CHAIR KREISS-TOMKINS replied that he would provide her with that information.

[11:40:38 AM](#)

REPRESENTATIVE STORY moved to report HR 11 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HR 11 was reported from the House State Affairs Standing Committee.

HB 132-PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

[11:41:05 AM](#)

CO-CHAIR KREISS-TOMKINS announced that the next order of business would be HOUSE BILL NO. 132, "An Act relating to the Alaska permanent fund; relating to the earnings reserve account; relating to the permanent fund dividend; relating to deposits into the permanent fund; relating to appropriations to the dividend fund and general fund; and providing for an effective date."

[11:41:45 AM](#)

REPRESENTATIVE WOOL, as prime sponsor of HB 132, explained that HB 132 would change the formula for calculating the permanent fund dividend (PFD). He stated that since the statutory formula for the PFD has not been followed for several years, the proposed legislation would replace it with one that the legislature can follow. He mentioned discussions among legislators regarding using a percentage of the percent of market value (POMV) to calculate the PFD. He relayed that his disagreement with that method is based on his belief that the POMV will increase in value over the next decades, as it is based on the performance of the [stock] market; whereas, the legislation he is proposing would derive the amount of the PFD from oil revenues, which he maintained would be safer. He said that when oil revenues are up, state revenue is healthy and the state can afford a dividend check of a set value; however, when oil revenue is down, POMV money is needed to fund state operations. The PFD amount would depend on oil revenues. He maintained that if oil revenues were to decrease precipitously, the state would not be obligated to pay out a large PFD check based on the performance of "Wall Street." He offered that oil prices tend move in the opposite direction than the U.S. and global economies; therefore, there exists an inverse relationship between the Alaska economy and the market economy. He reiterated his belief that the PFD amount should be tied to oil revenues. He mentioned that currently the proposed legislation specifies the appropriation for the PFD to be the lesser of 33 percent of oil revenues or \$1,800; there is a forthcoming amendment to change that percentage to 40 percent. He offered that as oil revenues increase, the PFD check would increase as well.

[11:45:27 AM](#)

REPRESENTATIVE STORY referred to the PowerPoint presentation, entitled "HB 132: A New Approach to the PFD," [slide 7, entitled "PFD Values, HB 132 vs. Proposed POMV Splits"], and asked whether based on current projections of oil revenue, the PFD would be about \$1,200-\$1,400 per year in the next few years.

REPRESENTATIVE WOOL deferred the question to staff.

[11:46:33 AM](#)

NATHANIEL GRABMAN, Staff, Representative Adam Wool, Alaska State Legislature, on behalf of Representative Wool, prime sponsor of HB 132, responded that based on the revenue projections from the

Revenue Sources Book Fall 2018 [Department of Revenue (DOR)], under the 33 percent, the PFD would continue to rise over time but would be a steady climb from about \$1,500 in 2020 to close to \$2,000 a decade later.

CO-CHAIR KREISS-TOMKINS indicated that HB 132 would be held over.

HR 11-RENAME SAGINAW BAY AS SKANAX BAY

[11:47:49 AM](#)

[CO-CHAIR KREISS-TOMKINS returned to HR 11 to explain the meaning of "Skanax."]

CO-CHAIR KREISS-TOMKINS recited from the application sent to the U.S. Board on Geographic Names, as follows: The recommended name, Skanax, has been used in the region since time immemorial. Skanax refers to the name of the village on the eastern shore of the bay - a village that no longer exists. It was one of three villages bombed in 1869.

HB 141-PFD PAYMENT SCHEDULE

[11:48:32 AM](#)

CO-CHAIR KREISS-TOMKINS announced that the final order of business would be HOUSE BILL NO. 141, "An Act relating to disbursement of the permanent fund dividend; relating to transfers of permanent fund dividends into the restorative justice account; and relating to contributions from, claims against, and assignments of permanent fund dividends."

CO-CHAIR KREISS-TOMKINS, as prime sponsor, introduced HB 141 - relating to the permanent fund dividend (PFD) payment schedule. He expressed his desire to air the concept of quarterly disbursements of the PFD; there is rising interest in the idea; and the Senate Judiciary Standing Committee incorporated quarterly disbursements into SJR 5 [4/14/19 committee meeting].

[11:49:57 AM](#)

SIDHYA BALAKRISHNAN, Director of Research, Jain Family Institute, relayed that she performs research on the social science perspective of quarterly payments versus annual payments of guaranteed income. She said that the ideal scenario is that a person would anticipate the annual payment and plan

accordingly; however, in poor households - ones constrained with savings and credit - people cannot anticipate how to spend the payment. She mentioned that literature is not conclusive in supporting more frequent payments; however, literature suggests, and it is her conclusion, that more frequent disbursements are needed for poor households to smooth out their consumption. For those lacking credit, money is needed more often in order to make ends meet. She recommended an "opt-in" option for frequency of payments. She emphasized the importance of people receiving money when they need it most.

CO-CHAIR KREISS-TOMKINS restated Ms. Balakrishnan's perspective: from the body of academic research, it is ambiguous that a more frequent disbursement schedule is recommended; however, she recommends giving PFD recipients the discretion for frequency of payments.

MS. BALAKRISHNAN clarified that research results are ambiguous inasmuch as the population is widely heterogenous and has a variety of restraints; people who have large investments to make can benefit from a single disbursement. She maintained that to create a policy to help the most people, an option for frequency of disbursements is best.

[11:53:50 AM](#)

REPRESENTATIVE STORY asked what the effect [of quarterly payments] would be on the Alaska Permanent Fund Corporation (APFC).

CO-CHAIR KREISS-TOMKINS answered that APFC has been clear that it does not have a position or predilection of the payment schedule; it needs certainty regarding the amount to be disbursed and when it is to be disbursed.

REPRESENTATIVE VANCE asked whether there will be a formal presentation on the proposed legislation before invited testimony.

CO-CHAIR KREISS-TOMKINS replied that the invited testimony is on the general question of disbursement frequency, and Ms. Balakrishnan has studied the literature of disbursement of cash transfers. He added that a formal presentation on HB 141 may be forthcoming.

REPRESENTATIVE VANCE expressed that a formal presentation on HB 141 could inform the public; it is big issue among Alaskans; and they will want input.

[11:55:56 AM](#)

REPRESENTATIVE HOPKINS asked Ms. Balakrishnan whether she is aware of other social safety net programs in which a one-time large distribution was replaced with smaller more frequent distributions.

MS. BALAKRISHNAN mentioned guaranteed income literature and the universal basic income (UBI) experiment in Stockton, California disbursing monthly payments. She relayed that there have been various proposals for the frequency of money transfers. She reiterated that the evidence is different for different people. She stated that giving people frequent payments helps smooth consumption, especially in poor households, which relates to Alaska villages.

REPRESENTATIVE HOPKINS asked whether quarterly payments of the PFD would make it more like guaranteed income payments.

MS. BALAKRISHNAN explained that most people define guaranteed income as frequent unconditional payments - enough to sustain a certain standard of living. She said a lump sum payment is close to a guaranteed income payment; however, assumptions are made as to how people will spend that money and plan accordingly depending on the size and frequency of the payment. She maintained that it is a difficult question; guaranteed income is regarded as high frequency yet is still discussed in terms of the amount of money, not the frequency of the payment.

[11:59:34 AM](#)

CO-CHAIR KREISS-TOMKINS asked for a definition of consumption smoothing.

MS. BALAKRISHNAN responded: An individual receiving income must decide how to spend it; if it is an anticipated transfer - the amount and time of payment is known - the person may plan. The goal is to consume, save, or invest at the same levels in order to avoid shocks or volatilities in income or consumption and by doing this, spread consumption across a lifetime. This is consumption smoothing.

[12:01:37 PM](#)

REPRESENTATIVE HOPKINS referred to a guaranteed income guaranteeing a quality of life. He asked whether a payment of \$3,000 or \$3,200 per year is enough to qualify as a guaranteed income.

MS. BALAKRISHNAN replied no. She stated that Alaska's PFD program has been mentioned in guaranteed income literature because it is the most long-standing unconditional payment. She stated that Alaska's PFD can be referred to as guaranteed income but not universal basic income. She maintained that guaranteed income does not refer to "minimum standard of living." Alaska's PFD is included in the guaranteed income literature because it serves as a proxy to understanding the unconditionality and the long-term effects of payments, but it is not appropriate in UBI literature.

[12:03:15 PM](#)

REPRESENTATIVE WOOL mentioned that a PFD check of \$3,000 would give a family with two adults and four children \$18,000. He suggested that this amount might be considered basic income in a rural community.

MS. BALAKRISHNAN agreed, but said she would need to look at the minimum standard of living for a household to make that assessment. She said that typically UBI is discussed in terms of \$500-\$1,000 per month payments; and Alaska's PFD amount falls short of that threshold.

[12:07:06 PM](#)

REPRESENTATIVE WOOL expressed his belief that the concept of payments over time stemmed from a desire to curb certain spending habits of recipients and activities causing social problems. He mentioned missed work, substance abuse, and domestic violence. He referred to the mention of an opt-in option and opined that the people who would best benefit from a timed payment would be the ones not to choose a timed payment. He asked whether under UBI, recipients are given the option of a monthly payment versus a lump sum.

MS. BALAKRISHNAN relayed that there is ample evidence that people in extremely constrained households do not use money unwisely. She maintained that her reasoning in recommending an opt-in option is not to change how people spend money, but because she cannot know the constraints and needs of the

recipient. As a policy maker, she is looking for ways to help people. She expressed her belief that people are the best judges of their own lives and should be allowed to make the choice of payment schedule.

REPRESENTATIVE WOOL relayed that Ms. Balakrishnan stated that lump sum payments don't increase temptation purchases. He asked whether she has looked at Alaska statistics. He mentioned that certain behaviors are documented to have spiked shortly after check disbursements, and anecdotally, there are stories of increases in certain behaviors.

MS. BALAKRISHNAN responded that her citations are from social science literature and research globally.

[12:13:16 PM](#)

BRUCE TANGEMAN, Commissioner, Department of Revenue (DOR), relayed that that Alaska has distributed the PFD for 37 years - from 1982-2018; the low was \$331 in 1984 and the high was \$2,017 in 2015. There was no discussion about when the check would be distributed; it always was done in October. He speculated that October was chosen because of the need for money for heating fuel. He stated that from the department's perspective, cost and technical challenges must be considered. He asked, "What's the goal?" He acknowledged different opinions on the topic. He relayed that a great deal of work goes into issuing the PFDs and some of the biggest concerns are the cost of distributing four times as many checks. He mentioned staff reductions in the PFD Division and streamlining procedures. During PFD application and distribution, it is "all hands on deck." Disbursement four times per year would require a substantial reinforcement of the division.

[12:18:19 PM](#)

REPRESENTATIVE WOOL suggested that applications would still be once per year; disbursements would increase to four.

MR. TANGEMAN agreed. He stated that the other issue relates to the thousands of PFD garnishments. He mentioned that Pick.Click.Give. would be affected as well. He suggested that the opt-in system would entail substantial costs for reprogramming the computer system. He offered that APFC is neutral on this issue; its main concern is with the percent of market value (POMV) and the cash requirements. How the money is spent is not its concern.

12:22:03 PM

REPRESENTATIVE HOPKINS asked whether quarterly disbursements would mean money stays in the earnings reserve account (ERA) longer; therefore, there would be greater earnings power over the nine months of the year before the full amount is disbursed.

MR. TANGEMAN agreed. He maintained that the way the legislature designed the POMV draw last year was very elegant; it gave DOR and APFC the latitude to determine the most efficient method of withdrawing cash as the needs arise. The APFC drew down from the Constitutional Budget Reserve (CBR) first, in the beginning of fiscal year 2019 (FY 19), then made the POMV draw from the permanent fund in the fall of that year after the dividend was paid. If the legislature does not vote to spend from the CBR, then the cash withdrawals must be made sooner from the ERA.

REPRESENTATIVE HOPKINS stated that Ed King [chief economist for DOR] discussed a jump in jobs in October, when the dividend was disbursed, but they were short-term. He asked whether Mr. Tangeman believed that quarterly PFD disbursements would result in those jobs lasting longer, therefore, stabilizing the economy.

MR. TANGEMAN acknowledged that one theory is that with quarterly payments, more money would stay in state. He offered that the consequences of a quarterly versus a yearly PFD disbursement would be interesting to study, especially if the dividend were as much as \$3,000.

12:25:38 PM

REPRESENTATIVE WOOL asked whether the impetus of the proposed legislation is to change behaviors and prevent binge spending. He referred to the administrative difficulties of making quarterly disbursements. He attested to a certain spike in negative activities when dividends are paid out once a year and asked whether there might be four spikes in this behavior under this legislature. He asked, "What is the goal of having quarterly payments?"

CO-CHAIR KREISS-TOMKINS maintained that he does not have a predetermined goal for the proposed legislation and is not convinced that a quarterly payment is good public policy given the size of the dividend at present. He expressed that HB 141 is a vehicle for conversation and inquiry.

REPRESENTATIVE WOOL responded that there have been concerns about disbursing a large check and the resulting spending behaviors. He expressed that he does not know whether the negative behaviors - increase in domestic violence and other criminal activity - is anecdotal or supported by research. He mentioned that he would be interested in hearing more about the behavioral aspect.

CO-CHAIR KREISS-TOMKINS agreed and cited experts and studies both at the Institute of Social and Economic Research (ICER) [University of Alaska Anchorage (UAA)] and Stanford University. He offered that he is also interested in the testimony of [former Alaska state legislator] Clem Tillion, who supports more frequent PFD disbursements.

REPRESENTATIVE WOOL mentioned that Ms. Balakrishnan relayed that her studies have shown no increase in temptation spending. He said that he has witnessed otherwise.

[HB 141 was held over.]

[12:31:27 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 12:31 p.m.