HOUSE FINANCE COMMITTEE
THIRD SPECIAL SESSION
August 20, 2021
1:02 p.m.

1:02:47 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:02 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair (via teleconference)
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen (via teleconference)
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor

PRESENT VIA TELECONFERENCE

Co-Chair Kelly Merrick; Representative Sara Rasmussen.

SUMMARY

HB 3003 APPROP: OPERATING; PERM FUND; EDUCATION

HB 3003 was HEARD and HELD in committee for further consideration.

#hb3003
HOUSE BILL NO. 3003

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; making capital appropriations and supplemental appropriations; and providing for an effective date."

1:03:36 PM

Co-Chair Foster stated questions would be taken throughout the presentation.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a PowerPoint presentation titled "State of Alaska Office of Management and Budget: House Finance Committee: Third Special Session Budget Overview - HB 3003," dated August 20, 2021 (copy on file). He stated the legislation was an appropriation bill to accompany the other factors within an overall fiscal plan being discussed during the current third special session.

Mr. Steininger began on slide 2 and addressed components of the fiscal plan including constitutionally protecting the Permanent Fund, Permanent Fund Dividend (PFD), and Power Cost Equalization (PCE); establishing meaningful limits to expenditure growth; and providing for a bridge to a sustainable fiscal plan. He stated that some of the aspects required appropriations in order to enact and implement the concepts to arrive at a durable fiscal plan. The governor had introduced the bill in order to address some of the appropriation needs and to address another immediate impact to individuals within the state.

Mr. Steininger stated that in addition to addressing the fiscal plan, the bill provided some opportunities to address things in the FY 22 budget. The PFD was the first of the issues. He explained that the absence of an appropriated PFD was resolved in HB 3003. Additionally, there were impacts from the sweep [the sweep of various state fund accounts to the Constitutional Budget Reserve (CBR) at the end of each fiscal year]. He detailed that the sweep would have impacted the PCE Fund, but it had been resolved by the decision in the Alaska Federation of Natives (AFN) case; therefore, the appropriations associated with PCE had been released and carried out. The higher education scholarship and grant programs were impacted by the sweep, which was resolved by the legislation. He added there were other ongoing operating and capital budget shortfalls that were not directly addressed by the bill. He planned to address the issue in further detail later in the presentation.

1:06:20 PM

Mr. Steininger briefly summarized the sections in the bill. The bill included the PFD payment of $2,350 per Alaskan at a total of $1.53 billion. The payment was based on 50 percent of the percent of market value (POMV) draw [from the Permanent Fund Earnings Reserve Account (ERA)]. The bill also included three appropriations and associated fund source changes in the budget. The bill swapped the fund sources for the Alaska Performance Scholarship (APS) awards, Alaska Education Grants, and the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program. The fund source was moved from the Higher Education Investment Fund to unrestricted general funds (UGF) because the balance of the former fund would be swept into the CBR. Additionally, the bill included a $1.47 billion one-time transfer from ERA to the CBR. He elaborated the number reflected the balance of a $3 billion bridge fund that was a key component of the overall fiscal plan for the state.

Mr. Steininger turned to slide 4 and discussed the budget impacts of the CBR three-quarter vote failure for FY 22. He stated that HB 3003 sought to resolve some immediate issues involving scholarships and education grants that were impacting individual Alaskans. The bill resolved the problem with UGF backfill to directly support the program.

Mr. Steininger continued to address slide 4 and discussed delayed issues that were not resolved in the bill but required attention. The first were unfunded capital projects that would be delayed while they were unfunded. The second were partially funded operating items. The operating items had access to current year revenues, which allow operations until near the end of the fiscal year. He stated that most of the challenges to operations would manifest in the fourth quarter of the fiscal year, which gave time to investigate the programs and determine the best solution to each individual need. He elaborated that the solutions required a robust discussion about the programs' financial structures. He pointed out that exclusion of the items from the bill should not be interpreted as a lack of support for the programs. He referenced a list [a separate handout titled "Budgetary Issues Due to the CBR Vote Failure" dated 8/19/21 (copy on file)] and explained the administration supported the programs and had included the appropriations in its December 15, 2020, budget or in subsequent amendments. The list included governor priority items such as funding for the Council on Domestic Violence and Sexual Assault (CDVSA). He reiterated the governor's support for the items and indicated a solution would require a robust discussion. He added there were options to address the shortfalls that may or may not be the same as the option used for the scholarship and education grants.

1:10:08 PM

Mr. Steininger relayed there was additional information available on the Office of Management and Budget (OMB) website. He was happy to answer questions.

Representative Edgmon looked at slide 2 related to a durable fiscal plan. He saw the language "constitutionally protect," but he did not see anything about a vote of the people. He presumed it was inferred when using the term constitutionally protect. He remarked that the underpinning of the governor's fiscal plan going forward was to have major items including a spending cap, new revenues, and the 50/50 plan go before Alaskan voters before they could be enacted.

Mr. Steininger agreed that the constitutional amendments would have to go to voters for approval.

Representative Edgmon surmised that with the submittal of the bill and the parsing out of two or three items outside of the PFD was a policy call by the administration of what was involved in the reverse sweep. He asked if there was a plan for rest of the items that involved a reverse sweep vote. He asked if items would just be dealt with later or if there was a plan.

Mr. Steininger answered that the programs listed on the handout required investigation on how to resolve the issues. The administration had resolved the issue with the higher education scholarship programs with a fund swap to UGF; however, it was an inelegant tool for solving all of the problems. He elaborated that the issues with some of the appropriations were not necessarily things that needed to be resolved just with a UGF fund swap. He detailed that some of the operational realities were being revealed as the sweep was implemented. He stated that many of the items were programs that over the course of the past decade had significantly more burden placed on designated revenues, more so than revenue collected in a given year. The solution to the problem may or may not be a backfill of general funds. He elaborated that it may be looking at the program structure and inherent cost. He stated that the solution for each program would involve substantial work with the departments. He relayed that the issues had always existed but had not been highlighted until the sweep started. He stated some of the programs were not as sustainable as had been thought.

Mr. Steininger explained that as the administration went through the process with the agencies to determine current year revenue in each of the programs, individualized solutions would begin to take shape. He furthered that some of the solutions may be things that needed to be addressed through the robust legislative subcommittee process. He highlighted that the shortfall for some of the programs was only 1 to 5 percent of their overall budget. He stated the amount may be challenging for program managers; however, it allowed time to go through the more robust process through the legislative cycle with a supplemental bill in the next session or possibly during the current session.

1:14:45 PM

Representative Edgmon looked at slide 3 related to the elements of the bill. He remarked that the objective at the top of the slide required the legislature to violate SB 26, the structured draw from the ERA implemented in 2018. He stated fair enough, there were individuals who would say the legislature had been violating the Permanent Fund Dividend statute as well. He stated that the two should go hand in hand. He asked Mr. Steininger to speak to the process involved with the comprehensive fiscal plan as envisioned by the administration in regard to tying in the overdraw of the ERA into the larger elements of the fiscal plan in addition to new revenues, budget cuts, and other provisions put forward by the administration and [legislative] working group. He remarked that if the bill was used to overdraw and was passed as requested by the administration, the carrot would no longer exist in terms of making tough decisions on revenues, budget cuts, and other things that were needed in order to put a durable long-term fiscal plan together. He asked about the administration's thought process regarding the issue.

Mr. Steininger replied that it was a good discussion the administration would like to have. He stated the purpose of the bill was to act as a companion to the other constitutional amendments [proposed by the governor]. He elaborated that the bill was meant to support the wider discussion around things like HJR 7, protecting the PFD, PCE, and the Permanent Fund. He stated that the aforementioned items were key issues for the state. He added that HB 3003 was not the agenda in and of itself. He did not view the bill as taking away the carrot. He suggested the commissioner of the Department of Revenue (DPR) could come before the committee to address any questions.

1:18:06 PM

Representative Rasmussen appreciated that the administration had included the Alaska student scholarship and grants. She believed it was extremely unfair to all of the students who had worked hard to earn the scholarships by earning grades in the top 10 percent of their high school. She remarked on the importance of the WWAMI program to Alaska, especially in light of the current shortage of healthcare workers. She asked whether the administration had considered the oil tax credits the state was obligated to pay at a statutory level. She believed that with a fund source change, the credits may not have been paid. She asked if the proposed one-time transfer considered the $4 billion transfer made after the budget process. She asked what the ERA balance would be if the bill passed.

Mr. Steininger answered that the purpose of including the scholarships and grants versus other unfunded operating appropriations such as oil and gas tax credits, was due to the very immediate impact on individual Alaskans. He stated there was no ability to delay on the scholarships and grants to find an alternative solution. He relayed that on September 1, WWAMI students would receive full tuition bills if the appropriation was not made. He remarked that while the oil and gas tax credits impact Alaskan businesses, there was bit more ability to delay while a solution was determined. He believed the balance of the ERA was approximately $20 billion on June 30. He detailed that with the $4 billion transfer to the Permanent Fund corpus, the $3 billion POMV draw, and the proposed $3 billion bridge fund draw in HB 3003, the remaining balance would be approximately $10 billion. He noted that the proposals for consideration in the current special session would roll the entirety of the ERA into the fund corpus and constitutionally protect it to ensure the only amount coming out was the sustainable 5 percent draw over time. He expounded that the bridge fund and $3 billion draw in the bill was to allow the state to work through the time period as transitions were made in its fiscal structure.

Representative Rasmussen appreciated the urgency given to the scholarship and higher education programs; however, it was her understanding that many of the oil companies had been holding off on final investment decisions on many large projects. She highlighted the Pikka project as an example, with a potential for 150,000 barrels per day. She believed paying the amount was prudent, given companies were making $1 billion-plus investment decisions in the next couple of months.

Co-Chair Foster recognized Representatives Kevin McCabe, Ken McCarty, Mike Cronk, Tom McKay, and Harriet Drummond in the audience.

1:22:51 PM

Vice-Chair Ortiz referenced the proposed $1.47 billion one-time transfer from the ERA to the CBR. He asked if the bill indicated the governor no longer wanted to see a $3 billion transfer to act as a bridge to a long-term fiscal plan.

Mr. Steininger clarified that the $3 billion transfer was net of the PFD payment and the CBR deposit. He referenced DOR modeling for FY 22 showed the SB 26 POMV draw splitting between the PFD and government and the $3 billion transfer coming out. He elaborated that because HB 69, the FY 22 appropriation bill already included the full POMV draw, HB 3003 showed the bridge fund split between the PFD and CBR for technical and drafting reasons. He stated the net effect was the same as the DOR presentations.

Vice-Chair Ortiz asked about the governor's intention for the FY 22 PFD amount.

Mr. Steininger pointed to the top of slide 3 and detailed that the calendar year 2021 (FY 22) PFD would be based on a 50 percent calculation of the POMV draw. He expounded that the proposal aligned with the proposed constitutional amendments currently before the legislature, rather than the current statutory formula.

Vice-Chair Ortiz believed the [fiscal policy] working group had recommended trying to accomplish a fiscal plan with one bill or several bills simultaneously so that all of the different parts were taken care of in one particular effort. He asked if HB 3003 contributed to solving the problem with one shot.

Mr. Steininger replied affirmatively. He explained that the other items before the legislature under the current special session to accomplish the entire fiscal plan. The bill was a supporting appropriation bill to support the constitutional amendments. He stated that the bill was not meant to be taken on its own, it was a part of the overall package. He remarked that it was not possible to write a single that would implement all of the different policies; therefore, separate bills were necessary to implement the policies together during the current special session.

1:26:33 PM

Representative Wool shared concerns voiced by Representative Edgmon regarding an overdraw of the 5 percent ERA draw under SB 26. He knew some individuals had mentioned a potential willingness to consider the idea if a formula change was implemented. He observed the administration was not proposing a formula change, but an amount based on a changed formula. He remarked that the working group had come up with several suggestions. He listed some of the concepts Mr. Steininger had mentioned including a constitutional amendment for the 5 percent [draw], a 50/50 PFD, some budget cuts, and some revenue. He believed the working group wanted to implement solutions simultaneously. He added that the items could not be considered isolated in a vacuum. He asked why revenue was not being presented for a durable fiscal plan. He stated that the bridge was to a sustainable fiscal package; however, even the working group had determined revenue needed to be part of the package.

Mr. Steininger replied that revenue was included in the special session call, which provided the ability for revenue measures to be introduced. He stated that [DOR] Commissioner Mahoney would be glad to share some of the analysis her team had done with the committee. He relayed that he was present to discuss the appropriation bill.

Representative Wool referenced the retroactive to July 1 clause on page 5 of the bill. He asked if the concept was acceptable to the administration.

Mr. Steininger answered assuming that a two-thirds vote for the effective date clause in the bill was approved, the appropriations could be enacted immediately upon being signed.

1:29:45 PM

Representative Josephson referred to Mr. Steininger's testimony regarding the balance of the ERA after the SB 26 draw and the proposed draw in HB 3003. He was concerned that Mr. Steininger had not mentioned the unrealized earnings. He stated his understanding that the ERA balance would be closer to $9 billion after factoring in those components. He asked for explanation.

Mr. Steininger answered he had been trying to do math in his head and he apologized for any inaccuracy.

Representative Josephson asked for verification that the $10 billion provided by Mr. Steininger had excluded a reduction for unrealized earnings.

Mr. Steininger replied that he would have to make the calculation on paper to ensure its accuracy. He had been trying to provide a rough estimate for the committee.

Representative Josephson stated the other component was the transfer of $4 billion to the corpus of the fund. He highlighted that APFC was consistent and fairly adamant about its desire for three times the draw remaining in the ERA. He was uncertain the proposed legislation would have that result. He looked at the handout and observed it separated partially unfunded items from fully unfunded items. He asked for verification it was due to a continuing cycle of revenue and up to at least the fourth quarter they were self-perpetuating/self-funded.

Mr. Steininger agreed. He elaborated that because revenue was collected throughout the fiscal year, access to expenditures on appropriations was allowed up to the amount of projected revenue.

Representative Josephson thought there were scores of other funds that were swept that were not included in the handout.

Mr. Steininger replied that the sheet aimed to represent only the places where the sweep impacted an existing appropriation. He expounded that other funds that were swept but had sufficient revenue in the fiscal year to meet the whole appropriation were not included because there was no operating issue associated with the sweep. Additionally, funds that were swept that had no connection to budgetary revenues of appropriations were not included because they did not impact an operating appropriation. He explained that the handout reflected items where the problems resided when operating state government in a "post-sweep world."

1:33:23 PM

Representative Josephson returned to the context of Representative Rasmussen's question about oil and gas tax credits. He thought there was some merit to Representative Rasmussen's remarks that paying the tax credits owed by the state was felt imminently by the industry. He highlighted that Mr. Steininger did not include school debt reimbursement of $4.1 million or community assistance in the unfunded category of the handout. He stated that if because of the failure of the three-quarter reverse sweep, the legislature and administration were appropriately willing to spend over $20 million on students, he wondered why the other aforementioned items should not be included.

Mr. Steininger replied because the community assistance program had been funded from PCE, based on the AFN decision the appropriation had been released by the administration. He relayed that the deposit was being made into the community assistance fund. He referenced school bond debt reimbursement and the oil and gas tax credits and wanted to ensure his comments on the immediacy and impact to individual Alaskans should not be taken as a lack of support or lack of sympathy for the impacts of the other appropriations. The administration was looking at the fact that on September 1, real people would feel an impact due to the lack of the appropriation. The administration was looking to resolve the specific issue. He agreed that the other problems needed solving as well. The bill attempted to address the most urgent issues to keep the focus on the larger fiscal plan issues before the legislature in the current special session.

1:35:35 PM

Representative Carpenter shared that he had been a member of the Fiscal Policy Working Group. He corrected the record that while the group agreed a singular comprehensive plan needed to be considered, there had never been a discussion that the action would take place in one vehicle (i.e., one bill or one resolution). He elaborated that a comprehensive plan would likely be a constitutional amendment, statute changes in a bill, and appropriations to address items that needed appropriation. He pointed out that all of the unfunded programs reflected on the handout could be funded with an amendment to the appropriations bill. He stated his understanding that the legislature just had to decide where the funds would come from. He asked for the accuracy of his last statement.

Mr. Steininger agreed.

Vice-Chair Ortiz asked Representative Carpenter for verification that the working group had agreed that a solution would be done at one time.

Representative Carpenter confirmed there had been agreement on the need for a comprehensive package with multiple components to be agreed upon and acted on at one time.

1:37:43 PM

Representative LeBon observed that the need for a large draw from the ERA was a requirement in HB 3003. He estimated it was about a 10 percent draw against the POMV formula. He highlighted that the SB 26 formula called for a 5 percent draw. He asked for verification that drawing another $3 billion [as proposed in the bill] would mean a [total] draw of approximately 10 percent.

Mr. Steininger agreed; however, he noted that the $3 billion bridge fund was a one-time draw that was part of a structural reform. He explained it was not an unsustainable continued draw from the ERA. He elaborated that it was a one-time draw in order to implement the constitutional change protecting the ERA. He detailed that when the ERA was moved into the corpus of the Permanent Fund, a bridge was needed to get to a point of reaching a sustainable fiscal picture as changes were implemented such as spending reductions or new revenues.

Representative LeBon addressed sustainability of a model. He asked if the administration considered a stair step model to soften the draw rate to help sustain the Permanent Fund for years to come. He highlighted that a public purpose endowment required managing with fiscal discipline. He detailed that fiscal discipline meant setting and holding to a draw rate. He asked about the compelling argument to deviate from the set rate. He suggested that it was very rare to deviate from set fiscal discipline draw rate for most public endowments.

Mr. Steininger replied that the committee was asking good questions that he believed would be ideal for a more robust discussion with Commissioner Mahoney. He stated the administration's proposal protected the Permanent Fund in perpetuity by bringing the ERA into the corpus and not leaving the ERA available for simple appropriation. He stated the action would protect the Permanent Fund over time.

1:41:33 PM

Representative LeBon stated he was not trying to debate on the philosophy of an endowment. He suggested that the fund would be impaired over the long-term at some level. He stated that it was possible to argue when looking at the next two years that the impact would be in the distant future. He pointed out that if the fund's future growth capability was impaired, generationally there would be a day when the question would need to be answered. He remarked that for the immediate gratification and reward for overdrawing the ERA, individuals would argue it was the right time while there was money in the fund to do so. He emphasized that public purpose endowments rarely took that action and tried to avoid it for long-term generational reasons.

Representative Carpenter asked what percentage the proposed bridge fund draw equated to in relation to the overall value of the ERA.

Mr. Steininger responded that the proposed $3 billion bridge draw from the June 30 ERA balance of $20 billion was 15 percent.

Representative Carpenter asked if the legislature had the authority to deviate from statutory appropriation language.

Mr. Steininger replied that the legislature had appropriation authority and could appropriate from the ERA.

Representative Carpenter clarified his question. He asked if the legislature had the authority to deviate from appropriation related statutory language.

Mr. Steininger replied in the affirmative. He relayed that any amount could be appropriated from the ERA. He stated that the legislature had the authority to appropriate more than the 5 percent POMV draw.

Representative Carpenter asked what gave the legislature the authority.

Mr. Steininger replied that he did not want to go out of his depth into a legal analysis.

Co-Chair Foster recognized Representative David Nelson in the audience.

1:44:43 PM

Representative Josephson supported the administration's proposal to fund the Alaska student scholarships and grants [listed on slide 3 of the presentation]. He assumed the administration remained concerned about the sweep. He was reminded that the Higher Education Investment Fund had a balance of $344 million one year back and had a current balance of $420 million because it was managed wisely. He asked for verification that the 20 percent growth [experienced in the Higher Education Investment Fund in the past year] would be reduced to 2 percent in the CBR. He recognized that the 20 percent growth was not sustainable.

Mr. Steininger agreed that 2 percent was the long-term outlook for current CBR investment.

Representative Josephson asked if the administration agreed the CBR sweep was untenable as a long-term method. He believed there had to be reform of the 1990 amendment or a reverse sweep.

Mr. Steininger replied with an emphatic yes. He stated that one of the administration's constitutional amendments dealt with the structure of the CBR and the repayment provision. He agreed that a reduced investment earning was an issue. He pointed out that the administration had proposed in its December budget to reverse the sweep; however, it had not been enacted. Therefore, the administration was looking for other solutions to the discreet problems such as the scholarships and grants. The administration recognized that looking at the structure of the CBR was a key part of the overall fiscal plan for Alaska. He relayed it was part of a proposed constitutional amendment that also addressed looking at how the state could increase spending over time and ensuring there was a meaningful constitutional spending limit.

Representative Wool stated that the PFD amount in the bill was based on a calculation of 50 percent of the POMV draw, which would necessitate an overdraw of the 5 percent. He asked if the administration had calculated what the maximum PFD amount would be without an overdraw of the ERA. He remarked that many people were opposed to violating SB 26, certainly in the absence of a comprehensive fiscal package.

Mr. Steininger answered that the administration had proposed a statutory dividend or the dividend in the bill that matched the administration's proposed fiscal plan. He stated that a surplus dividend was not a policy perspective supported by the administration.

1:48:28 PM

Representative Edgmon asked if the ERA draw in the next fiscal year was $3.2 billion.

Mr. Steininger believed it sounded about right.

Representative Edgmon believed it was in the range he had previously stated. He reasoned if there was a $3 billion draw for a bridge fund, it was possible there would be a PFD that was lower than $2,350 the following year because of revenue sideboards in place. He remarked the one unknown was oil revenue because even though prices were up, production and prices varied. He elaborated that based on what he was hearing and seeing [in the presentation], the next year's dividend would also be $2,350; however, the reality was, the amount depended on expenditures. He highlighted there was a large chunk of money the state hoped would come via the federal infrastructure legislation that should take shape prior to the end of the year. He noted the federal funding could require a match. He stated the match had been 10 percent for every 100 percent in Department of Transportation and Public Facilities projects. He believed there could be a smaller PFD the next year because the expenditure side could be a much different number than was currently known.

Mr. Steininger answered that the bill was a companion to other changes, including the proposal to change the PFD program to be 50 percent of the POMV draw.

Representative Edgmon emphasized that the proposed change would have to go to a vote of the people, which would not go into effect until FY 24.

Mr. Steininger responded that the administration's intention was to adhere to the proposed suite of constitutional amendments and the appropriations bill upon passage, prior to approval from voters. He agreed that it would take time for voters to vote the items into the constitution, but the administration would still prepare a budget and treat state finances as if the items were in place because the bills were the plan put forward by the administration. He stated that putting a plan in place and immediately not following it would undermine the purpose of the plan. He reiterated that the appropriation bill was associated with the other components and if the change to the dividend, HJR 7, was voted on and passed by the legislature, the administration would seek to follow it even though it would not be constitutional law in the coming year.

1:52:02 PM

Representative Edgmon thought that would be rising above the legislature's ability to appropriate. He pointed out the agreement would not be official and would be more informal until approved by the people. He characterized it as an unofficial compact between the legislature and the administration. He cited the Wielechowski case, which specified the legislature clearly has the ability to appropriate. He stated the ability rose above any statutory obligations and any other compacts (i.e., the compact with the university). He stressed that the change would not be the law of the land until it was voted on by the people. He underscored that if the proposal passed [the legislature] it was not written in stone that the PFD would be $2,350 in the next year because it was not possible to know what the legislature would do next session or what oil prices, production, and the markets would do. He pointed out that in the force majeure events of the world, there could be one-time occurrences on the expenditure side that could not be anticipated at present. He wanted to be clear to his constituents about the reality of the situation.

Representative Edgmon referenced Representative Carpenter's comments as a member of the working group on the holistic nature of all of the pieces going together. He believed it indicated there were other bills to follow because on the revenue side it was a big component of the whole comprehensive package needed in order to get to the bridge funding period two years down the road where additional bridge funding or overdrawing the ERA was not needed. He looked forward to seeing some of that, perhaps as time permitted from the committee as well. He stressed it was a much bigger picture envisioned by the administration than HB 3003 itself. He highlighted that promising a $2,350 PFD also implied certain things had to happen the next year to get to that number. From his perspective, there were many variables that were currently out of their control.

1:54:34 PM

Representative Carpenter understood the skepticism by Representative Edgmon. He relayed there had been plenty of skepticism about comprehensive plans during the working group discussion. He thought it would be helpful for the committee to see the models that the Legislative Finance Division had shared with the working group. He believed the information could potentially answer some of the questions that had been raised during the meeting.

Vice-Chair Ortiz referred to the proposed $1.47 billion transfer [to the CBR] shown on slide 3. He stated he did not understand why there was not another $1.53 billion overdraw transfer to reach the proposed $3 billion bridge.

Mr. Steininger clarified that the $3 billion draw from the ERA (in HB 3003) was split into two pieces. He explained that $1.53 billion would pay the PFD and the other portion would be deposited into the CBR. Prior models presented to the working group showed the proposal as a $3 billion transfer to the CBR, including a $1.53 billion payment of the PFD from the normal POMV and the remaining deficit paid from the CBR to the operating budget. He explained that the drafting mechanics appeared slightly differently in the current presentation because the operating and capital budgets had been appropriated before the dividend was appropriated. The current presentation showed the bridge fund going to the PFD and the CBR. He explained that it was still the same $3 billion bridge fund, but the presentation showed the remainder of the bridge fund necessary for deposit into the CBR as $1.47 billion and the first portion of the bridge fund would pay the FY 22 PFD.

1:57:53 PM

Vice-Chair Ortiz asked for verification that the 5 percent draw under SB 26 would generate about $3 billion in the current year.

Mr. Steininger agreed.

Vice-Chair Ortiz stated that a portion of the draw would go to the PFD and a portion would go to the operating budget. He asked for verification those funds were spoken for.

Mr. Steininger answered that was the way DOR had modeled it. He explained that the appropriation in HB 69 used the entire $3 billion POMV to pay for the state operating budget.

Vice-Chair Ortiz asked if the funding was not going into the CBR.

Mr. Steininger replied that the SB 26 POMV draw was not going into the CBR.

Vice-Chair Ortiz surmised it meant drawing [an additional] $3 billion from the ERA to put into the CBR. He remarked the draw was above the standard 5 percent draw.

Mr. Steininger agreed.

Vice-Chair Ortiz asked for verification it was a $3 billion transfer.

Mr. Steininger agreed.

HB 3003 was HEARD and HELD in committee for further consideration.

Co-Chair Foster set an amendment deadline of 9:00 a.m. on Sunday. The next meeting would be on Sunday at 11:00 a.m.

2:00:41 PM

Representative Josephson asked Co-Chair Foster to revisit the rules pertaining to votes. He asked for verification on his understanding of the voting rules.

Co-Chair Foster confirmed the rules.

Representative Rasmussen asked if the committee would hear public testimony on Sunday.

Co-Chair Foster replied that public testimony was not planned. He relayed that the bill primarily focused on the PFD and there had been significant public testimony on the topic in the past.

Representative Rasmussen requested to hear public testimony on the bill.

Representative Josephson suggested that if the chair decided to hear public testimony, it could happen the following day.

Co-Chair Foster agreed it was a possible option.

2:03:04 PM
AT EASE

2:04:01 PM
RECONVENED

Co-Chair Foster shared that the fiscal working group had extensive public testimony on the 50/50 plan. He explained the reason for moving quickly on the bill. He relayed the House and Senate would start losing members later in the coming week.

#
ADJOURNMENT

2:04:51 PM

The meeting was adjourned at 2:04 p.m.