

HOUSE FINANCE COMMITTEE
March 22, 2022
9:05 a.m.

[9:05:37 AM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division

SUMMARY

HB 281 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 281 was HEARD and HELD in committee for further consideration.

HB 282 APPROP: MENTAL HEALTH BUDGET

HB 282 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the meeting. The committee would continue the amendment process on the operating budget. He relayed the committee would pick up where it left off the previous day.

#hb281

#hb282

HOUSE BILL NO. 281

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 282

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making capital appropriations and supplemental appropriations; and providing for an effective date."

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^AMENDMENTS

[9:06:36 AM](#)

Co-Chair Foster noted the committee would begin with Amendment L7.

Representative Johnson MOVED to ADOPT Amendment L7, 32-GH2686\R.22 (Marx, 3/18/22) (copy on file):

Page 77, line 30, through page 78, line 4:
Delete all material and insert:

"(c) The sum of \$3,360,567,100 is appropriated from the earnings reserve account (AS 37.13.145) as follows:

- (1) \$1,680,283,550 to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and for administrative and associated costs for the fiscal year ending June 30, 2023;

(2) \$1,680,283,550 to the general fund for the fiscal year ending June 30, 2023."

Reletter the following subsections accordingly.

Page 78, line 8:
Delete "appropriations"
Insert "appropriation"

Page 104, line 23
Delete "sec. 26(d)"
Insert "sec. 26(c)(1)"

Page 105, line 14
Delete "and(d)-(f)"
Insert "(c)(1), (d), and (e)"

Representative Josephson OBJECTED.

Representative Johnson explained the amendment would use 50 percent for the Permanent Fund Dividend (PFD) and 50 percent for government from the statutory percent of market value (POMV) draw from the Permanent Fund Earnings Reserve Account (ERA). The amendment did not necessarily change the amount. She noted that the amendment did not address the energy rebate currently in the budget. She noted it might be appropriate to have an amendment to take out the energy rebate if Amendment L7 was adopted. She had brought the amendment forward to clarify what was included in the budget. She stated the legislature had spent a lot of time talking about the topic and building good faith with the people of Alaska on the path forward and how the legislature intended to pay a PFD. She relayed they had the chance to vote on a different plan the previous day and it had not passed. The amendment would do for the people of Alaska what the legislature had said it would do.

Co-Chair Foster believed a 50/50 dividend equated to a PFD of about \$2,500.

Representative Johnson believed it was \$2,550.

Co-Chair Foster asked Mr. Painter to address the committee.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, agreed that the under the amendment the PFD was estimated at \$2,550 per person.

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Vice-Chair Ortiz referenced the amendment sponsor's statement that the amendment was another statutory piece. He asked for clarification on what statute Representative Johnson was referring to. He was concerned the amendment put the cart before the horse in terms of what came out of the legislative fiscal policy working group. He believed the working group had discussed a fiscal plan with the goal of eventually getting to a 50/50 PFD, but there were things that had to happen first or simultaneously. He highlighted that the group had spoken about added revenue and cost reductions. He was opposed to the amendment at present because he thought it went down a path that was not clearly sustainable in the future and may set expectations in the public that it was the plan the legislature had arrived at. He remarked that the legislature had not come to the consensus of a 50/50 plan without establishing some of the other things the fiscal working group identified should be established.

Representative Josephson stated his primary concern was that they would be masking deficit spending because of oil price spikes and an epidemic. He noted those things would not be there forever. He stated his main problem with the amendment was that it ignored lessons learned from 2014 to 2021. He opposed the amendment.

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Representative Carpenter agreed that the fiscal policy working group had recommended a comprehensive fiscal plan including multiple components of fiscal reform. He pointed out that the amendment reflected what was currently taking place, but with different fund sources. He stated that the \$3.36 billion listed in the amendment was the POMV draw. He stated that currently, the funds were pulled from the ERA and transferred to undesignated general funds (UGF). He explained the amendment proposed following statute by pulling the funds from the ERA and depositing \$1.68 billion into dividend fund and \$1.68 billion for government spending. He stated that the current bill included \$800 million for the PFD and \$800 million from the dividend fund for energy relief, which totaled \$1.68 billion. He pointed out that all the amendment was doing was acknowledging that the statute specified pulling the money from the ERA and

splitting it 50/50. He elaborated the amendment just drew a different number than in the Amendment L6 discussed the previous day because there were two statutes on the books that specified how to define income. He stated that Amendment L6, the statutory PFD, drew 21 percent of net earnings. He explained it meant there was a larger transfer from the ERA. He highlighted that the 5 percent POMV transferred less from the ERA. Currently, the entire amount was transferred into the General Fund. The Amendment L7 merely specified the draw was supposed to be split 50/50.

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Representative Wool clarified that the amendment would use 50 percent of the POMV draw for PFDs, but it would not eliminate the existing 25 percent for energy relief [in the current bill]. He stated the PFD would end up being 75 percent of the POMV draw. He estimated the PFD would be closer to \$3,900 per person and a total of \$2.4 billion. He thought the amount was beyond the legislature's intent.

Representative Thompson asked how much was available from the ERA using the POMV formula for FY 23.

Mr. Painter answered that the full amount available for the POMV draw was \$3.36 billion as shown on line 3 of the amendment.

Representative Rasmussen MOVED to ADOPT conceptual Amendment 1 to Amendment L7 to remove the energy rebate from the budget if the amendment passed.

Representative Josephson OBJECTED. He requested to ask Mr. Painter a question. He noted that a member of the committee may have suggested there was a 50/50 law specifying that 50 percent of the draw should go to PFDs. He asked if there was such a law.

Mr. Painter replied that the current law was 50 percent of statutory net income. Additionally, there was the statute directing the POMV draw to the General Fund. The governor's proposal was to replace the PFD statute with 50 percent of the POMV draw, but it was not current statute. He explained that following statute would look like Amendment L6 [heard the previous day]. He clarified that 50/50 was not current law and was part of the governor's proposal.

Representative Wool spoke in objection to the conceptual amendment. He explained that the amendment would not change the dollar amount in the budget bill. He explained that the current bill broke the funding out into a PFD and energy relief, but the conceptual amendment would mean all of the funds were classified as the PFD. He pointed out that high oil prices would not be around forever, and the energy relief was meant to help people offset high fuel costs. He stated that the money in the current bill was for energy relief and a 25 percent PFD.

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Representative Thompson asked Representative Rasmussen to restate the conceptual amendment.

Representative Rasmussen explained that the conceptual amendment specified that if Amendment L7 passed, the energy rebate would be removed.

Co-Chair Foster clarified that when the language had been included in a previous amendment, Mr. Painter had clarified that another section would be added to remove the energy relief check.

Mr. Painter agreed. He explained that the conceptual amendment would add a section to Amendment L7 to delete Section 47, the energy relief check in the current bill.

Vice-Chair Ortiz was opposed to the conceptual amendment. He detailed that the amendment communicated to the public the legislature had arrived at a path of a 50/50 split, but that was not the case. He pointed out that they had not done the legwork the fiscal policy working group had talked about. He stated it set an incorrect and unsustainable expectations. He noted the energy relief distribution was in recognition that oil prices and fuel costs were high. He clarified it was a one-time relief payment.

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Representative Johnson provided a brief summary of the \$1,200 energy relief payment provided under former Governor Sarah Palin [in 2008]. The appropriation had been completely separate from the PFD. She explained the payment had been recognition of high energy costs that helped the Permanent Fund but hurt Alaskans. She thought the issue was

being conflated when there was discussion about not really wanting to have a PFD but there would be an energy check. She stated that energy relief was not in statute. She thought it may be a good thing to consider as she recognized there were some unbelievably energy high costs. She used filling a truck up with fuel as an example. She stated it was a good conversation to have but it was not tied to the PFD. She relayed it was a hard amendment and a big move for her to put forward. She had supported an amendment by Co-Chair Foster [the previous day]. She clarified that the amendment was not energy related, it was the PFD.

Representative Carpenter pointed out that with the exception of discussion on the removal of the energy relief payment, they were largely talking about rhetoric. He pointed out that whether the committee approved the conceptual amendment and the underlying amendment or whether the underlying amendment failed, they were still spending \$1.68 billion from the dividend fund to pay a PFD and a relief payment. He explained that either action communicated the legislature's intention to do something with the Permanent Fund earnings. He stated there were dividing lines within the legislature about which way to go. He stated that failing both of the amendments would be communicating something that no one in the fiscal policy working group agreed to. He explained it was important to recognize that either option would communicate the legislature's intention on what it chose to do with Permanent Fund earnings.

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Representative Rasmussen stated there was a lot of nuance in what the committee was trying to do. She remarked that everyone had associated the energy rebate in 2008 with the PFD. She did not believe the distinction would reach the majority of the public. She believed for the most part people were trying to live their lives and manage day to day. She thought making a distinction that part of the funding was a PFD and part was for energy relief would not reach the general public. She believed the important thing was that they would still be following the POMV. She stated the legislature had the power to appropriate. She reasoned that ultimately whatever amount the legislature decided on would determine the PFD. She stated there was nothing in the amendment or current budget restricting how the

legislature appropriated money in the next year. She believed that if the PFD amount was smaller the next year, which it likely would be, the public will feel the PFD was cut again even though the energy rebate was just going away. She remarked the nuance would go beyond most people. She believed the amendment was a better path forward than the current proposal.

Representative Thompson asked what happened to the \$3.6 billion POMV draw if it was not used. He asked if the money could be put back into the Permanent Fund corpus.

Mr. Painter replied that if the POMV was not appropriated to the General Fund it could remain in the ERA, which could be appropriated to the corpus of the fund. He stated that with or without the amendment the entire amount would be appropriated out, but if the legislature decided to reduce the POMV draw the funds could be left in the ERA.

Representative LeBon referenced the energy rebate paid in 2008. He asked for verification the money had been paid from oil revenues and not the ERA.

Mr. Painter confirmed the payment had been paid from the General Fund.

Representative LeBon asked for verification that in a manner consistent with the 2008 payment, the energy relief check in 2022 would be paid from the General Fund.

Mr. Painter agreed.

Representative LeBon stated that the first PFD check of \$1,000 was paid around 1982. He detailed that it had been made up of 1980, 1981, and 1982 PFDs held in litigation. The initial formula had been struck down by the court as being discriminatory for newer residents. He asked what funding source had been used to pay the first several PFDs.

Mr. Painter replied that the funding had come from the General Fund.

Representative LeBon asked if the size of the Permanent Fund and its ability to generate earnings to pay the \$1,000 was the reason it had been funded via the General Fund.

Mr. Painter answered that at the time there would have been sufficient earnings to pay out the three years under the formula, but there would not have been sufficient earnings in a year to pay three years' worth. He elaborated that at the time there had been a large surplus; therefore, the decision had been essentially to help the Permanent Fund by leaving the money in the Permanent Fund and paying it out of the General Fund instead.

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Representative LeBon recalled the same. He believed the legislature had wanted to provide the initial funding of the PFD program through the ERA, but it made more sense economically at the time to do it with UGF.

Vice-Chair Ortiz referred to Representative Rasmussen's reference to the extra energy relief distribution in 2008 that had been separate from the PFD. He considered the state's fiscal situation in 2008 compared to the current fiscal situation. He underscored it was a different ballgame. He elaborated that in 2008 the state had substantial reserves and had not spent down the CBR and other savings accounts. He stressed the legislature was supposed to be fiscally responsible in the actions it took. He agreed that the amount was the same whether they went with the amendment and changed the distribution process, but it communicated something different.

Vice-Chair Ortiz emphasized that giving an energy rebate check recognized the existing circumstances that were both positive and negative. He detailed that Alaskans were experiencing high energy and other costs, but the state had experienced a recent bump in oil prices, which provided the latitude to make the one-time distribution. He highlighted that the high prices would not necessarily continue in the future. He underscored that the energy relief payment communicated it was one-time supplement. He considered the situation in 2008 and would love to be in that situation compared to the current one. He stated it was up to the legislature to communicate the best it could that the current budget proposal was in response to the increase in price resulting in high energy cost and increased revenue for Alaska. He thought moving towards a 50/50 dividend before other work identified by the working group had been done was a bad policy.

9:36:50 AM

Representative Wool reflected on 2008 when the statutory PFD had been paid and an additional amount had been paid for energy relief. He thought people had understood there were two different payments at the time. He stated that in 2009 Alaskans had received the PFD only. He thought everyone had accepted the situation. He estimated oil revenue was around \$9 billion in 2009, which had been a record year. He noted much of the money had gone into the Constitutional Budget Reserve (CBR), which the state had ended up using between 2014 until recently. He recalled there had been an idea to tie the one-time energy relief in 2008 to purchasing oil, but it had been too complicated. He reiterated it had been understood the amount was separate [from the PFD] due to high oil prices. He wanted to keep it that way.

Representative Carpenter stated they were making a policy call to split the dollar figure into two payments. He stated the legislature was making a policy call to refer to part of the funding as an energy relief payment. He wondered what an eight year old was supposed to do with a relief payment. He asked if they were supposed to save it in a college fund. He did not believe the people really cared whether they got two separate checks with the same dollar figure. He thought it was largely semantics what the legislature was communicating. He would rather the legislature communicate it was following the statute and that it was trying to get to some agreement on what to do with the PFD. He remarked there were obviously portions of the legislature that did not agree on a 25/75 split of the PFD. He was opposed to communicating that as the message to residents. He did not believe the majority of Alaskans wanted a 25/75 split of Permanent Fund earnings for the PFD and state government respectively.

Representative Josephson MAINTAINED the OBJECTION to conceptual Amendment 1.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Carpenter, Johnson, Thompson, Merrick
OPPOSED: Wool, Edgmon, Josephson, LeBon, Ortiz, Foster

The MOTION to adopt conceptual Amendment 1 to Amendment L7 FAILED (5/6).

Co-Chair Foster returned to Amendment L7. He shared that his constituents had indicated their desire for a full PFD; they did not want a compromise PFD. He remarked that until statute was changed there could continue to be negotiations for a smaller and smaller PFD. He would support paying the full PFD until statute was changed. He did not support Amendment L7.

Representative LeBon opposed the amendment due to the fiscal uncertainty facing the state. He highlighted it was only necessary to look back several months to see a price of oil under \$40 per barrel and the legislature had been faced with the decision to overdraw the ERA above the 5 percent POMV draw or roll out a broad-based tax. He reminded committee members it had not been long ago that the legislature had been talking about the necessity of implementing a broad-based in the near-term. He recalled the only question to be answered had been whether the tax would be on sales or income. He asked if anyone was talking taxes at present. He suspected the price of oil would someday modify itself. He underscored legislators should all have learned that predicting oil prices was difficult at best. He was concerned that locking in a 50/50 PFD meant someday facing overdrawing the ERA or implementing a broad-based tax.

[9:43:58 AM](#)

Representative Johnson provided wrap up on the amendment. She requested to have someone from the Office of Management and Budget (OMB) address the specific statutes at a later time. She stated the 50/50 plan was in statute, but the legislature was currently working under the POMV. She remarked there were many comments about how wonderful the work by the fiscal policy working group had been; however, she noted that unfortunately the report had never been accepted by the legislature. She pointed out that the ERA draw had not been based on oil prices in the past, but on Permanent Fund earnings. She highlighted that the Permanent Fund had been going "gangbusters," but it did not seem to matter what the earnings were, the legislature had shied away from paying a full PFD whether it was the POMV or the original Hammond plan.

Representative Johnson stated it was not about oil prices going up and down or the volatile stock market. She

highlighted the legislature could come up with all kinds of reasons to not pay, but there was a statute that had brought the legislature to a standstill over the last four years. She stated that she was hearing perhaps committee members did not want a 50/50 PFD, but they had not moved off of it. She emphasized there had been no statute to change anything about the disbursement. She highlighted that the governor had proposed a 50/50 POMV draw that worked for the budget and did not leave holes. She thought an energy rebate seemed silly to her. She remarked that providing an energy rebate along with the PFD equated to paying a 50/50 PFD.

Representative Johnson stated that every year was a different ballgame and every year there were different circumstances. She stated it was the reason for statutes to hold the line on "where we're going and what we're doing." She elaborated the legislature had thoughtful considerations and she hoped they stood on the shoulders of those who came before. She stated legislators could not know everything, but they could learn from the past. The economy and people were currently uncertain. She highlighted the pandemic and businesses that were uncertain where things were going and how they would stay afloat once the federal money ended. She discussed it was very difficult for a small business. She shared that she is a small business owner and discussed the uncertainty.

Representative Johnson stressed that people needed the full PFD. She stated it was not about money anymore but about philosophy. She emphasized the current discussion was about the same amount of money. She emphasized the legislature owed the public to act in good faith. She stressed that no one wanted to see Alaska go under and the public was willing to stand with the legislature when it said it had to make hard decisions. She stated the legislature was losing credibility. She remarked that her constituents did not want to have games played with them.

[9:50:19 AM](#)

Representative Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Carpenter, Rasmussen

OPPOSED: Thompson, Wool, Edgmon, Josephson, LeBon, Ortiz, Merrick, Foster

The MOTION to adopt Amendment L7 FAILED (3/8).

HB 281 was HEARD and HELD in committee for further consideration.

HB 282 was HEARD and HELD in committee for further consideration.

Co-Chair Foster relayed that amendments would continue in the afternoon meeting.

#

ADJOURNMENT

[9:51:52 AM](#)

The meeting was adjourned at 9:51 a.m.