

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

February 17, 2022

11:53 a.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Adam Wool, Vice Chair (via teleconference)  
Representative Andy Josephson  
Representative Calvin Schrage  
Representative Andi Story  
Representative Mike Prax  
Representative David Eastman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION(S): HOW ALASKA'S STATE SPENDING COMPARES TO OTHER STATES

- HEARD

HOUSE BILL NO. 259

"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; relating to funding for state aid for school districts, the state boarding school, centralized correspondence study, and transportation of pupils; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 259

SHORT TITLE: PERMANENT FUND DIVIDEND; 25/75 POMV SPLIT

SPONSOR(S): REPRESENTATIVE(S) SPOHNHOLZ

01/18/22	(H)	PREFILE RELEASED 1/7/22
01/18/22	(H)	READ THE FIRST TIME - REFERRALS
01/18/22	(H)	EDC, W&M, FIN
02/04/22	(H)	EDC AT 8:00 AM DAVIS 106

02/04/22	(H)	Heard & Held
02/04/22	(H)	MINUTE(EDC)
02/14/22	(H)	EDC RPT 3DP 3DNP 1NR
02/14/22	(H)	DP: HOPKINS, STORY, DRUMMOND
02/14/22	(H)	DNP: PRAX, GILLHAM, CRONK
02/14/22	(H)	NR: ZULKOSKY
02/14/22	(H)	EDC AT 8:00 AM DAVIS 106
02/14/22	(H)	Moved HB 259 Out of Committee
02/14/22	(H)	MINUTE(EDC)
02/15/22	(H)	W&M AT 11:30 AM DAVIS 106
02/15/22	(H)	Heard & Held
02/15/22	(H)	MINUTE(W&M)
02/17/22	(H)	W&M AT 11:30 AM DAVIS 106

**WITNESS REGISTER**

DR. MARY KOPRIVA, Assistant Professor of Health Care Economics  
University of Alaska  
Institute of Social and Economic Research  
Anchorage, Alaska

**POSITION STATEMENT:** Delivered a PowerPoint presentation about how Alaska's State Spending Compares to other states.

CARRIE HARRIS, representing self  
Anchor Point, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

DIANNE MACRAE, representing self  
Kasilof, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

APRIL ORTH, representing self  
Kenai, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

GAIL LIMBAUGH-MOORE, representing self  
Soldotna, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

TERRI LYONS, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

ED MARTIN, representing self  
Kenai, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 259.

BERT HOUGHTALING, representing self  
Big Lake, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 259.

MICHAEL GARHART, representing self  
Wasilla, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 259.

ALAPAK MOORE, representing self  
Manikopak, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 259.

JEN GUNDERSON, representing self  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 259.

KATHY SWANSON, representing self  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 259.

TIM DORAN, representing self  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 259.

DAVID HURN, representing self  
Wasilla, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 259.

JOHN LARSON, representing self  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of HB 259.

PETE HOEPFNER, Vice President  
Cordova School Board  
Cordova, Alaska  
**POSITION STATEMENT:** Testified in support of HB 259.

#### **ACTION NARRATIVE**

[11:53:35 AM](#)

**CHAIR IVY SPOHNHOLZ** called the House Special Committee on Ways and Means meeting to order at 11:53 a.m. Representatives Story, Josephson, and Spohnholz were present at the call to order. Representatives Prax, Schrage, Eastman, and Wool (via teleconference) arrived as the meeting was in progress.

**PRESENTATION(S): How Alaska's State Spending Compares to Other States**

[11:54:45 AM](#)

CHAIR SPOHNHOLZ announced that the first order of business would be a presentation on How Alaska's State Spending Compares to Other States.

[11:55:17 AM](#)

DR. MARY KOPRIVA, Assistant Professor of Health Care Economics, University of Alaska, Institute of Social and Economic Research, provided a PowerPoint presentation, titled "Alaska State and Local Spending Trends and Comparisons." She began on slide 2 and said that according to state and local expenditure data from the census in 2019, Alaska state and local spending was about \$9,000 more per person than the national average.

[11:57:15 AM](#)

DR. KOPRIVA, in reference to slide 3, said that Alaska state spending in 2019 was \$15,729 per person and local spending was \$7,175 per person. State spending was more than twice as much as local spending. Comparatively, the U.S. average state spending was \$7,630 and local spending was \$6,266 dollars per person. Based on these numbers, for the US average, state spending was about 20 percent higher than local spending. Dr Kopriva agreed in response to Chair Sponholz's observation that an explanation for the discrepancy could be because Alaska lacks counties and therefore would have less local spending in that capacity.

[11:59:12 AM](#)

DR. KOPRIVA, in reference to slide 4, mentioned that permanent fund dividend (PFD) payments of \$700 million are transferred from the Permanent Fund earnings reserve. Federal funds account for \$5.2 billion of the state budget. State and local decision makers don't have control over all the pieces of the pie; state and local revenues don't have to support all the pieces of the pie. Some adjustments may need to be made to census bureau expenditure numbers to better reflect the part of the budget over which the Alaska legislature has control and for which state and local revenues are needed to fund.

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DR. KOPRIVA referenced slide 5 and compared Alaska to states that are similarly "oil rich" with low population levels - North Dakota and Wyoming with the U.S. average. Adjustments include subtracting "other expenditures" [the PFD] from state spending because the state only serves as a conduit for the money to reach Alaska residents. Other adjustments included cost of living and spending federal grants. As of 2019 Alaska receives twice the U.S. average for federal grants.

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DR. KOPRIVA spoke about the bar charts in slides 6-7 which show spending over the last three decades. In the 1990s, Alaska spent less than the U.S. average; in the early 2000s Alaska spending and growth outpaced the US average; and from 2011-2019 growth has slowed overall, but more so in Alaska than the U.S. average.

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DR. KOPRIVA referenced slides 8-10 and said that percent change in nominal per capital state and local spending, 1990 to 2019 shows that Alaska has had the lowest overall growth in spending when compared with the other 49 states. Spending increased roughly 87 percent in nominal dollars per capital during this period, while North Dakota and Wyoming increased by 220 percent and 260 percent, respectively. Dr. Kopriva also verified an observation by Representative Josephson that Arkansas, "considered a conservative state," has quadrupled its state and local spending while Alaska's has only doubled.

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DR. KOPRIVA, in reference to slide 11, described a graph which shows real per-capita state and local spending among Alaska and the US state and local average. After adjusting for inflation, this graph shows that spending growth has increased, but only modestly when compared with the unadjusted numbers. United States average state spending has increased 70 percent and U.S. average local spending has increased 38 percent. Comparatively, Alaska has seen almost no real growth in either state or local spending across the last three decades.

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DR. KOPRIVA, in response to a committee question, affirmed that while other states have increased their spending and in Representative Josephson's words "solved problems with money" and "invested in their state," Alaska has just kept up with inflation. She also clarified that these numbers represent state spending as a whole in relation to inflation, not necessarily an individual category or program like education.

[12:20:10 PM](#)

DR. KOPRIVA, in reference to slides 12 & 13, mentioned that 1982 and 2013 saw high oil revenues and high levels of state spending. Comparatively in 2004, 2018, and 2021 there are lower petroleum revenues and less spending.

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DR. KOPRIVA showed in slides 14 & 15 that U.S. average per capita tax revenue in 2019 was \$2,959, while Alaska's tax revenue was significantly below this due to the lack of sales tax and individual income tax. In comparison with other oil-rich states the per capital tax revenue is 3 times that of Alaska.

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DR. KOPRIVA concluded that per-capita spending in Alaska is high; most of the gap can be explained by the high cost of living, rural setting, the PFD, and federal spending levels in Alaska. Alaska has high levels of state spending relative to local spending compared with other states and the U.S. average. While expenditures have increased in the past three decades, in nominal terms, once inflation is accounted for, state and local spending has in real terms remained unchanged.

DR. KOPRIVA, in response to a question about a standard measure of happiness among economists from Representative Prax, referred to measures of happiness that are used at the national scale, but not among the states.

**HB 259-PERMANENT FUND DIVIDEND; 25/75 POMV SPLIT**

[12:28:59 PM](#)

CHAIR SPOHNHOLZ announced that the final order of business would be HOUSE BILL NO. 259, "An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent

fund dividend; relating to the duties of the commissioner of revenue; relating to funding for state aid for school districts, the state boarding school, centralized correspondence study, and transportation of pupils; and providing for an effective date."

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CHAIR SPOHNHOLZ opened public testimony on HB 259.

[12:29:59 PM](#)

CARRIE HARRIS argued that putting money in the hands of the people creates jobs, and that the PFD payouts create more jobs. She urged that public officials should read written testimony sent to their emails. She emphasized that she is against HB 259 and mentioned that she plans to vote for a constitutional convention. She reiterated that a traditional PFD should be put forth so "the people" can use the money to create jobs and keep it in our local economies. She opined that the judicial council should be abolished.

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DIANNE MACRAE Emphasized that the private sector cannot compete against the government "doing everything for everyone." She mentioned that Alaska's schools are fully funded and yet are ranked towards the bottom when compared to other states which could exemplify that money does not always solve problems. She stressed that we are "destroying our children with lack of an education and more of an indoctrination." She declared her disgust with the idea of comparing Alaska's budget with other states state and local spending. She remarked that budget cuts should be made to programs that provide needles to drug users [Syringe Service Programs are non-government affiliated nonprofits].

CHAIR SPOHNHOLZ reminded testifiers that the testimony is not about the previous presentation, but instead about HB 259.

[12:34:56 PM](#)

APRIL ORTH testified in opposition to HB 259 and mentioned that the PFD was not intended to be used to fund the government and is meant to be used for the people. She reminded the committee that the PFD is meant to be shared wealth that is constitutionally mandated.

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GAIL LIMBAUGH-MOORE testified in opposition to HB 259. She remarked that the 25/75 split is unacceptable to her and gave her preference for a 50/50 split.

[12:37:07 PM](#)

TERRI LYONS testified in opposition to HB 259. She opined that money will not solve problems in our education system. She stated that, according to statute, the PFD cannot be used on education. She postulated that attempting to use the PFD for education is a front to take the PFD away from Alaska residents.

[12:38:22 PM](#)

ED MARTIN testified in opposition to HB 259. He recollected paying a school tax of \$10 in the 1970s. He argued that the PFD currently benefits all Alaskans, and that the proposed bill would instead benefit "some special interest teachers union." He also mentioned the current rate of inflation.

[12:40:43 PM](#)

BERT HOUGHTALING testified in opposition to HB 259. He suggested that the House Ways and Means Committee is attempting to subvert the rights of Alaskans for the PFD. He commented on past bills that have attempted to utilize the PFD in ways other than directly paying Alaskans. He insisted that the PFD belongs to the citizens of Alaskans. He claimed that the school districts have 10 percent fewer students and that their budget is not cut.

[12:42:45 PM](#)

MICHAEL GARHART testified in opposition to HB 259. He argued that the proposed split does not benefit all Alaskans. He spoke in favor of the current 50/50 split. He insisted that that the state has stolen from the PFD and that it has negatively impacted the state's economy. He alluded to Senator Shower's bills to protect the PFD and expressed his disappointment that those bills have not been spoken of in committee meetings.

[12:44:00 PM](#)

ALAPAK MOORE testified in opposition to HB 259.

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JEN GUNDERSON testified in support of HB 259. She noted the necessity to find a sustainable way to fund our schools. She commented that to have thriving schools, school districts must have reliable and consistent funding. She mentioned that in Fairbanks, Alaska they are facing a \$19 million deficit, schools are closing, the student to teacher ratio is increasing and teachers are being offered contracts that reduce their pay and healthcare coverage. She stated that we can't expect our teachers to stay in a system where they are unfairly compensated, especially given the recent difficulties of their jobs due to the pandemic. She emphasized that it is the constitutional duty of the committee to provide adequate funding for Alaska's schools.

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KATHY SWANSON testified in opposition to HB 259. She commented about her preference to return to the statutory formula. She commented that spending money on education may not result in improvements. She referenced that Alaska currently "spends the most, with the worst results." She suggested spending money on reading specialists instead of on schools as a whole. She commented that PFD money as it is currently spent, goes "right back into our economy." She suggested that household income has a significant impact on children's proficiency in school.

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TIM DORAN testified in favor of HB 259. He declared that now is the time to invest in Alaska's public education system and its students. He referred to a degradation in the base allocation, primarily due to inflation. He noted that in Fairbanks, three schools had to close, and there have been reductions in support staff and issues in recruitment and retention. He noted that HB 259 is a step towards fulfilling the state's constitutional responsibility for education. He insured that investment in education pays off.

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DAVID HURN testified in opposition to HB 259.

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JOHN LARSON testified in support of HB 259 and mentioned that Alaska is falling behind in keeping up with inflation regarding public education. He commented that HB 259 provides an eloquent and equitable solution to the dual questions of funding the PFD and funding public education. He remarked that the "P" in PFD stands for "permanent" and includes all generations of future Alaskans. He mentioned that providing more funding to the schools will result in smaller classes which can lead to better education and less crime. He concluded with the thought that "if you think education is expensive, try ignorance."

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PETE HOEPFNER, Vice President of the Cordova School Board, testified in support of HB 259. He listed many negative factors that school districts face today including the cost shifting from the state to communities, withdrawing the school bond debt reimbursement, teacher retention/recruitment issues, the current retirement system that incentivizes teachers to leave the state after 5 years, declining base student allocation funding, and the rising cost of health care. Mr. Hoepfner mentioned that HB 259 could help to stabilize education funding. HB 259 would address the recommendations of the legislative fiscal working group and create a workable solution to fund the PFD, allow a stable source of revenue for education, and allow districts to concentrate on education, innovation, and student achievement rather than continuing to reduce programs and staff while classroom sizes increase beyond capacity.

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CHAIR SPOHNHOLZ closed public testimony on HB 259.

[HB 259 was held over.]

[12:58:20 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Ways and Means Committee meeting was adjourned at 12:58 p.m.