

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

February 8, 2023

6:00 p.m.

**MEMBERS PRESENT**

Representative Ben Carpenter, Chair  
Representative Jamie Allard  
Representative Tom McKay  
Representative Kevin McCabe  
Representative Andrew Gray  
Representative Cliff Groh

**MEMBERS ABSENT**

Representative Cathy Tilton

**OTHER LEGISLATORS PRESENT**

Representative Andy Josephson  
Representative Alyse Galvin

**COMMITTEE CALENDAR**

HOUSE BILL NO. 45

"An Act relating to contributions from permanent fund dividends to the general and permanent funds."

- HEARD & HELD

PRESENTATION(S): ALASKA'S ECONOMIC OVERVIEW

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 45

SHORT TITLE: PFD CONTRIBUTIONS TO GENERAL FUND AND PF

SPONSOR(S): REPRESENTATIVE(S) PRAX

01/25/23	(H)	READ THE FIRST TIME - REFERRALS
01/25/23	(H)	W&M, FIN
02/08/23	(H)	W&M AT 6:00 PM DAVIS 106

**WITNESS REGISTER**

REPRESENTATIVE MIKE PRAX  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 45, as the prime sponsor.

RILEY NYE, Staff  
Representative Mike Prax  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional analysis for HB 45, on behalf of Representative Prax, prime sponsor.

DAN ROBINSON, Research Chief  
Research and Analysis  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation, titled "The Foundations of Alaska's Economy and the Role State Government Plays in it."

#### **ACTION NARRATIVE**

[6:00:45 PM](#)

**CHAIR BEN CARPENTER** called the House Special Committee on Ways and Means meeting to order at 6:00 p.m. Representatives Allard, Groh, McKay, McCabe, Gray and Carpenter were present at the call to order.

#### **HB 45-PFD CONTRIBUTIONS TO GENERAL FUND AND PF**

[6:02:23 PM](#)

CHAIR CARPENTER announced that the first order of business would be HOUSE BILL NO. 45, "An Act relating to contributions from permanent fund dividends to the general and permanent funds."

[6:03:08 PM](#)

REPRESENTATIVE MIKE PRAX, Alaska State Legislature, prime sponsor, presented HB 45. He proceeded to read the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

House Bill 45 sets up a mechanism to give Alaskans the choice of donating all or portion of their Permanent Fund dividends (PFD) directly to the state's general

fund. Participants can donate from a minimum of \$25 to the full amount of their PFD in increments of \$25.

A donation to the State General fund, in some cases, can be counted as a charitable donation for federal tax purposes. It is advised, however, that Alaskan consult with a tax professional to verify how this may apply to them individually.

Donations through HB 45 are subject to a seven percent administrative fee paid to the Permanent Fund Dividend Division. HB 158 also clarifies that donations made through Pick.Click.Give. take priority over donations to the general fund if there is a shortfall.

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RILEY NYE, Staff, Representative Mike Prax, Alaska State Legislature, on behalf of Representative Prax, prime sponsor, presented the sectional analysis for HB 45 [included in the committee packet], which read as follows [original punctuation provided]:

HB 45 allows Alaskans to electronically donate their permanent fund dividend (PFD) to the general revenue fund through the Pick.Click.Give program in \$25.00 increments.

The bill amends AS 43.23 regarding the electronic application:

The addition of section AS 43.23.135 (a) requires the electronic application to have a button to allow residents to donate their PFD in \$25.00 increments to the general revenue fund. This enables Alaskans to donate \$25.00, or greater amounts, of their PFD to the general revenue fund if they so choose.

The next section (b) precludes a state agency "that can file on the behalf of a person" from donating to that same agency.

The next section (c) dictates that buttons that allow donations to the state be separated from the charitable group list posted in the Pick.Click.Give program so the state is not competing with charities.

The passage of this bill will greatly facilitate Alaskans ability to donate their PFD to the state general revenue fund. Currently, Alaskans must apply for the dividend, receive the dividend, and then return it through the US mail. By putting a button on the electronic application process, Alaskans can easily donate \$25.00 and additional increments of their PFD to the general revenue fund.

HB 45 was originally introduced in the 32nd legislature as HB 158. It was amended in House Finance in that legislature. It enjoyed 22 co-sponsors and was in House Rules when the 32nd legislature ended sine die. It has been reintroduced in the 33rd legislature in the version that came out of House Finance.

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REPRESENTATIVE MCCABE alluded to a discrepancy between the sponsor statement and the proposed bill. The bill, he observed, stated that Alaskans could donate a portion of their permanent fund dividend (PFD) to the state's general fund (GF) or the principal of the Alaska Permanent Fund, whereas the sponsor statement only made reference to the GF.

REPRESENTATIVE PRAX confirmed that both the GF and the principle would be allowable options.

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REPRESENTATIVE GROH inquired about the fiscal note, asking why it showed zero after the initial year of implementation. Additionally, he asked how many people have taken advantage of the option to donate all or a portion of their PFD.

REPRESENTATIVE PRAX pointed out that the fiscal note reflected a cost of \$113,800 for programming fees in FY 24, after which there would be no projected costs because of the 7 percent deduction.

CHAIR CARPENTER restated the second part of the question, asking how many people would participate in the program.

REPRESENTATIVE PRAX said he did not know how many people may participate. He reported that 105 people had written a check to the state in 2020 and suggested advertising the program if it proves viable.

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REPRESENTATIVE GRAY asked whether there would be a mechanism to avoid the 7 percent fee.

REPRESENTATIVE PRAX directed the question to the Department of Revenue (DOR).

REPRESENTATIVE GRAY considered the scenario of donating an entire dividend. He asked whether there is an easier way to accomplish this without first receiving the dividend, counting it towards income, paying taxes on it, [and then donating it]

REPRESENTATIVE PRAX concluded that there is not a workaround. He noted, however, that if a person decided not to apply for the PFD, this portion of the dividend would be distributed to all other recipients.

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CHAIR CARPENTER announced that HB 45 would be held over.

**PRESENTATION(S): Alaska's Economic Overview**

[6:14:43 PM](#)

CHAIR CARPENTER announced that the final order of business would be a presentation on Alaska's economy.

[6:15:04 PM](#)

DAN ROBINSON, Research Chief, Research and Analysis, Department of Labor and Workforce Development (DLWD), provided a PowerPoint presentation, titled "The Foundations of Alaska's Economy and the Role State Government Plays in it" [hard copy included in the committee packet].

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MR. ROBINSON shared a quote on slide 2 by Scott Goldsmith, Institute of Social and Economic Research, University of Alaska Anchorage, which stated, "The foundation for any economy is the money it brings in by providing something the rest of the world wants to buy." Slide 3 provided a chart of Alaska's Gross Domestic Product (GDP) in 2021 by sector, highlighting a total GDP of \$57.3 billion. The largest sector was mining, quarrying,

and oil and gas extraction at 14 percent, followed by transportation and warehousing at 13.6 percent.

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MR. ROBINSON continued to slide 4, which pictured a chart of U.S. GDP in 2021, totaling \$23.3 trillion. The largest sector was finance, insurance, real estate, rental, and leasing at 21 percent, followed by professional and business services at 13 percent. Slide 5 offered a bar graph illustrating a side-by-side comparison of Alaska GDP and U.S. GDP by sector. He noted that state and local government as a percentage of GDP was larger for Alaska than it was for the country as a whole. He highlighted the small percentage of GDP attributable to manufacturing in Alaska in comparison to the U.S., citing the state's geographic location and population as factors.

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MR. ROBINSON directed attention to the bar graph on slide 6, which compared Alaska GDP and Wyoming GDP by sector in 2021. Similarly, slide 7 offered a bar graph comparing Alaska GDP and North Dakota GDP by sector in 2021. He emphasized the importance of both the military and the federal government to Alaska's overall economy. Slide 8 illustrated a comparison of Alaska GDP and Maine GDP by sector in 2021. He noted that Maine possessed the second most seasonal economy of all 50 states.

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CHAIR CARPENTER asked how many of the economic sectors listed on slide 5 to slide 8 rely heavily on federal dollars.

MR. ROBINSON said there was not much additional information on GDP, which had been collected by the U.S. Bureau of Economic Analysis (BEA). He asked the chair to clarify the question.

CHAIR CARPENTER suspected that transportation and warehousing, for example, are substantially subsidized by federal dollars in comparison to the manufacturing sector. He requested a visual aide that would quantify each sector's dependence on federal spending.

MR. ROBINSON indicated that it would be difficult to quantify, as the definition of "subsidy" would be ideological.

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MR. ROBINSON resumed the presentation on slide 9, which illustrated the change in the percentage of the real GDP for the U.S. and Alaska from 2001 to 2021. He explained that in Alaska, oil has been a significant factor in the variance of GDP over the years.

CHAIR CARPENTER sought to identify the precise years of the "great recession."

MR. ROBINSON responded that 2009 was the year that U.S. GDP fell. The same year, he noted, Alaska's GDP increased by nearly 10 percent, partially attributable to oil prices. He further noted that since 2013, Alaska GDP has underperformed the U.S. economy.

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MR. ROBINSON continued on slide 10, which charted Alaska's personal income by each major component in 2021. He reminded the committee not to confuse income with wealth, reporting that Alaska's personal income totaled \$48.2 billion. Wage and salary jobs accounted for the bulk of personal income at 62 percent, followed by transfer receipts at 21 percent, and lastly, dividends, interest, and rent at 17 percent. Comparatively, slide 11 featured a chart of U.S. personal income by major component in 2021, totaling \$48.2 billion. He defined transfer receipts as money received by Alaskans from the government for programs, such as Social Security, Medicaid, Medicare, and unemployment insurance. He noted that the permanent fund dividend (PFD) would be included in transfer receipts, as it is not considered a dividend by the BEA. He explained that because Alaska is a young state, the country as a whole has received more in transfer receipts from Social Security, Medicaid, and Medicare programs; however, the inclusion of the PFD has kept the percentage of Alaska's transfer receipts comparable.

CHAIR CARPENTER asked whether this would be a common occurrence when comparing other states.

MR. ROBINSON speculated that it would be, noting that the bulk of the transfer receipts is federal. He said the age makeup was important, explaining that Maine, for example - the oldest median age state - would have higher transfer receipts.

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MR. ROBINSON directed attention to slide 12, which pictured a comparative view of personal income trends in Alaska and the U.S. from 2001 to 2021. He indicated that the U.S. economy was hit harder by the great recession, only to grow twice as fast as Alaska's economy from 2012 to 2021. The data reinforced the suggestion that Alaska had been underperforming the country and most other states for roughly a decade.

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MR. ROBINSON addressed outmigration on slide 13, which pictured a bar chart of Alaska's net migration from 2000 to 2022. Slide 14 showed a longer-term perspective dating back to 1947. The first big dip in net migration occurred after the pipeline had been completed in the 1970s, attributable to many laborers moving back to their home states. In the late 1980s, a state-specific recession resulted in another large decrease in migration, he noted.

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MR. ROBINSON discussed one consequence of migration trends on slide 15, which displayed the percentage change in the population of the working age groups of 18-year-olds to 64-year-olds from 2013 to 2021. He reported that Alaska and Wyoming were in the negative 5 to negative 7.4 range, topped only by West Virginia in terms of a bigger percentage loss of working age people. He pointed out that baby boomers were aging out of the work force, which, in addition to declining birth rates across the country, factored into the equation. He remarked, "We're going to be talking a whole lot about population in the next year. There's a lot going on."

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REPRESENTATIVE MCCABE sought clarification on the meaning of "we" in regard to Mr. Robinson's statement.

MR. ROBINSON defined "we" as the world. He noted that in the U.S., Utah and rural Alaska are two locations with higher-than-average birth rates.

REPRESENTATIVE MCCABE relayed that Australia is encouraging immigration, as the country's birth rate had been below two [children] for a long time. Additionally, he shared his understanding that China is struggling with the aging population

in its workforce, and this indicates that [population] is not only a problem in Alaska.

MR. ROBINSON agreed. He speculated that nations will be competing for increases in immigration in the future. Further, he reasoned that the negative net migration is especially concerning in Alaska due to the higher rate of deaths than births and the aging baby boomer population.

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REPRESENTATIVE ALLARD inquired about the average age [in Alaska].

MR. ROBINSON offered to follow up with the requested information.

REPRESENTATIVE ALLARD shared her understanding that the average age [of Alaskans] is 34. She asked whether the tax base will be impacted [by population changes].

MR. ROBINSON pointed out that Alaska's tax base is unique, as it is primarily based on the price of oil and the investment market.

REPRESENTATIVE ALLARD observed that sustainability in Alaska is challenging.

MR. ROBINSON answered yes. He cited elderly outmigration as the primary reason for the young age of Alaskans, which he suspected to continue. He added that Alaskans' roots would deepen as years of statehood lengthens.

REPRESENTATIVE MCCABE suggested that, because the workforce continues to age, an income tax would be less impactful to resolve a debt or budget crisis.

MR. ROBINSON expressed uncertainty concerning this statement, adding that it would depend on the amount and structure of the income tax.

CHAIR CARPENTER expressed an interest in requesting fiscal models from the Legislative Finance Division showing proposed tax options versus population assumptions.

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REPRESENTATIVE ALLARD pointed out that many military members have moved to Alaska because their retirement would not be subject to an income tax. She asked how the implementation of new taxes might impact the migration of the military population in the state.

MR. ROBINSON expressed the opinion that Alaska is the most "tax friendly" state. He speculated that some of the migration would be impacted by the tax favorable environment.

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REPRESENTATIVE GRAY referenced slide 5 through slide 8 and inferred that, because Alaska's healthcare costs were double than the average costs in the U.S., in relation to the education sector, the state's GDP was less than the country's GDP, and he pointed out that it was less than that of Wyoming and North Dakota.

MR. ROBINSON acknowledged that Alaska's healthcare is especially expensive; however, he expressed uncertainty how this would factor into the analysis of GDP.

REPRESENTATIVE GRAY turned to slide 12 and suspected that Alaska's personal income would be much lower when adjusted for the raw purchasing power of the dollar and the cost of living in the state.

MR. ROBINSON pointed out that the data was not adjusted for inflation. He acknowledged that adjusting for Alaska's higher costs would be important for per capita personal income; however, the high cost of living is not relevant to the measure of change over time.

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CHAIR CARPENTER asked how Alaska compares to other states in terms of the cost of living.

MR. ROBINSON reported that Alaska has "come back to the pack" over time. He added that because housing is much more expensive in Seattle, New York, and Honolulu, Alaska's cost of living is not so obvious.

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REPRESENTATIVE GROH questioned the variation in wages for providing medical services in Alaska.

MR. ROBINSON responded in the affirmative. He reported that the highest earners are proprietors.

REPRESENTATIVE GROH sought to confirm that Alaska is the only state without a broad-based tax; furthermore, he questioned whether two-thirds of all 50 states have both a statewide sales tax and an income tax.

MR. ROBINSON confirmed that both statements are true.

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REPRESENTATIVE ALLARD shared her understanding that many states with an income tax and a sales tax had substantially lower property taxes. She remarked, "I don't want to go up in taxes."

REPRESENTATIVE GROH shared his understanding that an annual study conducted by the government of the District of Columbia analyzed the total state, local, and federal tax burden for three to four income groups in the largest city of every state. He expressed the understanding that each year Anchorage had the lowest tax burden of any city. He questioned the validity of this statement.

MR. ROBINSON expressed uncertainty concerning the specific study. He shared his interest in combining state and local [data] when calculating the tax burden.

REPRESENTATIVE GROH confirmed that the study combined state, local, and federal [data] for the largest cities in all 50 states plus the District of Columbia. He reiterated that Anchorage was always the lowest tax burden at every level of income, including property taxes.

MR. ROBINSON asserted that DOR is the expert on taxes.

[6:56:25 PM](#)

REPRESENTATIVE MCCABE questioned how the PFD has been characterized in terms of income and taxes.

MR. ROBINSON said the work conducted by DLWD did not require a characterization of the PFD. He reminded the committee that the

BEA characterizes the PFD as a transfer payment. He added that the consideration of the PFD as a tax is a philosophical debate.

REPRESENTATIVE MCCABE pondered whether the PFD would be considered a classic dividend, an endowment fund, a retirement fund, or a sovereign wealth fund. He commented on the challenges of defining the PFD.

CHAIR CARPENTER expressed the belief that the struggle revolves around the stabilization of government funding in Alaska.

MR. ROBINSON defined the PFD as a "category of one," emphasizing its uniqueness. He agreed that the problem is challenging.

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REPRESENTATIVE MCKAY opined that the PFD debate is not complicated. He reasoned that the PFD should be categorized as income because it is taxed by the federal government as income. He identified Alaska as a resource development state, as it relies on natural resources to pay taxes. The dividend, he said, connects Alaska residents to the resource economy and the happenings of state government. He referenced Norway's sovereign wealth fund in addition to the country's medical care and tax structure. He opined that resource development should be the state's focus to reverse the outmigration trends and to create high paying jobs in the private sector.

REPRESENTATIVE ALLARD remarked, "Just a few words, the Willow Project."

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MR. ROBINSON pointed out that many people hold different "simple" conceptualizations [of the PFD]. He touched on the cost of inaction and the state's role on slide 16, which read as follows [original punctuation provided]:

Economically, state government can help the broader economy by:

- Providing stability to institutions, businesses, and citizens
- Competently administering core state government functions (public safety, public education, road construction and maintenance, public assistance, court system, etc.)

- Investing in the types of things that make people want to live in a state (this one's partly subjective)

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MR. ROBINSON continued to slide 17, which featured an article from Alaska Economic Trends on the importance of confidence and stability to an economy.

CHAIR CARPENTER returned to slide 16 and asked whether "stability" would mean the same thing to institutions, businesses, and citizens.

MR. ROBINSON discussed the importance of stability to businesses, institutions, and citizens, adding that the revenue picture of most states is more stable than Alaska.

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CHAIR CARPENTER recalled that Mr. Robinson had stated that Alaska's revenue could be sorted by oil revenue, federal dollars, and investment earnings, defining the concept as the "three-legged stool."

MR. ROBINSON clarified that the "three-legged stool" is a basic sector concept. Conversely, the largest revenue categories are the percent of market value (POMV), oil [revenues], and oil-related taxes.

CHAIR CARPENTER pointed out that the three sectors are all relatively unstable. He argued that the ability to create wealth in the state could drive economic growth and asked how Alaska compares to other states in this regard.

MR. ROBINSON acknowledged that wealth generation, which is often facilitated by the government, produces income.

CHAIR CARPENTER requested a slide which compares wealth generation in Alaska to other states.

MR. ROBINSON offered to follow up with the requested information.

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MR. ROBINSON concluded on slide 18, which featured a 2019 article from Alaska Economic Trends. He stated that it addressed the difficult choices which lie ahead for the state.

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REPRESENTATIVE GROH inquired about the concept of the "Alaska disconnect."

MR. ROBINSON said it refers to the concept that economic growth does not create revenue growth in Alaska, which is challenging for a growing population with stagnant revenue.

CHAIR CARPENTER sought to confirm that "revenue growth" refers to state revenue growth.

MR. ROBINSON answered yes.

CHAIR CARPENTER pointed out that increasing his peony sales, for example, resulted in higher federal taxes, as opposed to more state revenue.

MR. ROBINSON said, "That's, I think, part of the point." He expounded that in other states, revenue would increase by virtue of the broad-based taxes; however, this is not the case in Alaska.

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REPRESENTATIVE GRAY returned to slide 3 and slide 4 and asked why Alaska's construction sector was comparable to that of the U.S in 2021, in terms of the percentage of GDP.

MR. ROBINSON clarified that the construction sector in Alaska included oil and gas and military.

REPRESENTATIVE CARPENTER asked whether future stability would be dependent on the continuation of federal dollars and the increase of earnings of the Permanent Fund.

MR. ROBINSON opined that both are important to Alaska's future; however, it is out of the state's control.

CHAIR CARPENTER restated his question. He asked whether Alaska's stability is contingent on federal dollars and the fund's investment earnings and whether this provides "false hope."

MR. ROBINSON said because of the volatility of the state's revenue streams, it is hard to [make a fiscal] plan. He pointed out that the forward funding of education is an effort to provide stability to an institution; however, [forward funding] changes when oil prices change, which highlights the difficulty of planning based on a volatile revenue source.

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REPRESENTATIVE MCCABE suggested that the crux of the problem is the lack of control over military spending, oil revenue, and the Permanent Fund earnings. He questioned what factors the state could control to offer stability.

MR. ROBINSON answered that the factors are the dividend, revenue sources, and the level of state government.

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REPRESENTATIVE MCCABE deduced that by "revenue sources," Mr. Robinson referred to the creation of an income or sales tax. He pointed out that the outmigration of military members could be a consequence of new taxes and asked whether this would be "a wash" in terms of revenue.

MR. ROBINSON said the key question is whether the benefit of [the dividend, revenue sources, or the level of state government] is hypothetically connected to the military population in Alaska, or the performance of international investment markets. He acknowledged that an exorbitant tax would impact the economy.

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REPRESENTATIVE GRAY characterized the dividend as effectually paying people to live in Alaska. He directed attention to slide 14 and asked whether increasing the dividend would be the answer to increasing the population in Alaska, and if not, he asked how to stop outmigration.

MR. ROBINSON reiterated that economic health, such as good jobs and high wages, drives migration trends. Additionally, within the state's control, he said, is the quality of schools, the quality of institutions, and the quality of life.

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CHAIR CARPENTER asked whether wealth creating opportunities has been included in the definition of "jobs."

MR. ROBINSON emphasized the importance of job availability. He added that the entrepreneurial climate would be hard to analyze.

REPRESENTATIVE ALLARD, in response to Representative Gray, contended that Alaskans are not paid via the dividend to live in the state. She emphasized the importance of education, asserting that the appropriate use of funds could provide an incentive for people to raise their families in Alaska.

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CHAIR CARPENTER thanked Mr. Robinson for the robust conversation and his willingness to dialogue with the committee.

[7:32:20 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:32 p.m.