

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

March 1, 2023

6:01 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): PERMANENT FUND POMV STRUCTURE

- HEARD

PRESENTATION(S): PERMANENT FUND OVERVIEW

- HEARD

HOUSE BILL NO. 72

"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; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 72

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

SPONSOR(S): REPRESENTATIVE(S) ORTIZ

02/15/23	(H)	READ THE FIRST TIME - REFERRALS
02/15/23	(H)	W&M, FIN
03/01/23	(H)	W&M AT 6:00 PM DAVIS 106

WITNESS REGISTER

DEVEN MITCHELL

Executive Director and Chief Executive Officer
Alaska Permanent Fund Corporation
Juneau, Alaska

POSITION STATEMENT: Gave the Permanent Fund POMV Structure presentation via PowerPoint.

CONOR BELL, Fiscal Analyst
Legislative Finance Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Gave the Permanent Fund Overview presentation via PowerPoint; Offered information and answered questions during the hearing on HB 72.

REPRESENTATIVE DANIEL ORTIZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor presented HB 72.

LIZ HARPOLD, Staff
Representative Dan Ortiz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 72 and responded to questions on behalf of Representative Ortiz, prime sponsor.

EMILY NAUMAN, Director
Legislative Legal Services
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 71.

ACTION NARRATIVE

[6:01:07 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:01 p.m. Representatives Groh, McKay, McCabe, Allard, Gray, Tilton, and Carpenter were present at the call to order.

PRESENTATION(S) : PERMANENT FUND POMV STRUCTURE

6:02:11 PM

CHAIR CARPENTER announced that the first order of business would be the Permanent Fund POMV Structure presentation.

6:03:22 PM

DEVEN MITCHELL, Executive Director and Chief Executive Officer, Alaska Permanent Fund Corporation, introduced himself, offered his professional history, and said he would give a PowerPoint presentation.

6:04:30 PM

The committee took an at-ease from 6:04 p.m. to 6:05 p.m. to ready the PowerPoint.

6:05:05 PM

MR. MITCHELL began the PowerPoint, titled "Alaska Permanent Fund," [hard copy included in the committee packet], on slide 2, "Creating a Renewable Resource; a Decade in Alaska," which read as follows [original punctuation provided, with some formatting changes]:

1969 The Prudhoe Bay lease sale brings more than
\$900 million to the State for drilling rights
President
1971 Nixon signs Alaska Native Claims Settlement
Act (ANCSA)
1973 Congress passes Trans Alaska Pipeline
Authorization Act
1974 Pipeline Construction Begins
1976 Alaska voters approve Constitutional
Amendment establishing the Permanent Fund 2/3rds
margin 75,588 to 38,518
1977 The Permanent Fund receives its first
deposit of dedicated oil royalties
1980 The Alaska Permanent Fund Corporation is
established to manage and invest the Fund

MR. MITCHELL discussed slide 3, which read as follows [original punctuation provided]:

Alaska Constitution Article IX, Section 15

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

MR. MITCHELL added that additional contributions to the permanent fund were allowed. He discussed the consistent discipline that followed, as shown on slide 4, which read as follows [original punctuation provided]:

The Alaska Permanent Fund is recognized globally as a model for converting a non-renewable natural resource into a renewable financial resource.

APFC's Stewardship -

Honoring the vision and sacrifices of the Alaskans that created the Fund and enduring leadership committed to intergenerational benefit.

Recognizing the savings function established in the Constitution ensures that a portion of our mineral wealth is saved and invested to benefit all Alaskans, today and tomorrow.

Protecting the Principal and maximizing investment returns for the benefit of current and future generations of Alaskans.

Providing a predictable revenue stream to help balance the State's budget now and into the future.

A Renewable Financial Resource -

Through income producing investments, the Fund has generated more than \$82.1 billion of realized net earnings to the Earnings Reserve Account.

Inflation Proofing Principal \$18.0 B

Special Appropriations to Principal \$12.3 B

Alaska Capital Income, Amerada Hess ~\$0.4 B

Dividend Fund through FY18 \$24.4 B

Percent of Market Value FY19-FY23 \$15.1 B

MR. MITCHELL added that the first dividend paid out in 1982 came from the general fund (GF); subsequent dividends were from the permanent fund's earning reserve account (ERA).

[6:09:36 PM](#)

MR. MITCHELL discussed slide 6, "Legislative Directive - Investing for the Long Term," which read as follows [original punctuation provided]:

AS 37.13.020 Legislative Findings
for the purpose of the Permanent Fund

the fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;

the fund's goal should be to maintain safety of principal while maximizing total return;

the fund should be used as a savings device managed to allow the maximum use of disposable income from the fund for purposes designated by law.

AS 37.13.120 Investment Responsibilities
The Board of Trustees objective for the Fund is to achieve the highest level of performance based on prudent investment practices.

Investment Performance

Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period (long-term target).

Investment Risk

Ability of the Fund to achieve the long-term target while conforming to the Board's approved risk appetite metric.

MR. MITCHELL compared the permanent fund to fisheries, in that there may be argument about the use, but the bottom line is to ensure the health of the fishery, as with the fund.

[6:13:04 PM](#)

MR. MITCHELL, highlighting the sacrifices made in the past, displayed a bar chart on slide 7, "Principal Contributions; Intergenerational Savings," which spans years from 1978 to 2022

[and partially 2023]. He talked about royalty deposits that were not spent on current needs but were saved for the future, regardless of whether the state was experiencing "bad times." He talked about inflation-proofing and percentages and sticking to strategies to ensure the highest probability of success.

[6:17:07 PM](#)

MR. MITCHELL drew attention to slide 8, "Long-Term Stability - Real Return; Annual investment performance adjusted for inflation indicates sustained value and purchasing power," another bar chart, which he said shows the impact of the percent of market value (POMV) transfers to the state and the volatility of oil revenue. He said the POMV transfer is predictable and has helped solve issues surrounding volatility of revenue generations.

[6:17:47 PM](#)

MR. MITCHELL, in response to Representative McCabe, said he thinks the inflation-proofing process has been followed "probably up until the traditional permanent fund dividend wasn't funded." He proffered there had been "a disconnect between what was written in statute and what the practice of the day had become," and that was challenged in State v. Wielechowski, when the court determined that statutory framework is something that "the legislature of the day has more control over than ... you might have otherwise thought." In response to a follow-up question, he said he does not think the statute has been followed to the letter since 2015.

[6:21:14 PM](#)

MR. MITCHELL, in response to Chair Carpenter, reviewed inflation-proofing under statute versus the POMV model.

[6:24:08 PM](#)

MR. MITCHELL continued the presentation by pointing out slide 10, "Distribution Calculations," which lists income-based and value-based calculations, and "Fund Growth and Returns," on slide 11. He moved on to slide 12, "State Revenues & POMV Contribution," which shows fiscal year 2018 (FY 18) through FY 22 added together, divided by 5 for an average, then multiplied by 5 percent to create the payout. He reiterated that it is predictable. He then brought attention to slide 13, "Earnings

Reserve Account (ERA)," where the red line shows "how that balance is moving." The middle of the chart shows that the ERA balance diminished, and in FY 20 there were draws through the POMV dividend transfer and inflation-proofing that exceeded the amount of the statutory net income that year. He explained that statutory net income is "the actual realized income of the fund." He compared the years as shown on the chart. He also drew attention to the effective POMV rates: 4.13 percent in FY 19; 4.5 percent in FY 20; 3.79 percent in FY 21; and 4.04 percent in FY 22. He said if the fund experiences a period of flat growth, which he said it is in "today," to the extent some of the lower growth years "fall off," the percentage will rise again, and with declining balances, the effective POMV draw will rise above 5 percent.

[6:29:55 PM](#)

MR. MITCHELL brought attention to slide 14, "Total Fund Value \$76,990,000,000 Unaudited as of January 31, 2023," which shows a comparison of principal and ERA. He said it highlights "the stress that appears to be on the ERA currently." He spoke of unrealized gain and explained there is not a good way to assign that to one category or another in statute, so it is held separately and "assigned pro rata between principal in the ERA," and he discussed the amounts shown on the slide and explained the hidden risk that is "that pro rata part." He pointed to the \$3.8 billion uncommitted realized earnings as the number the Alaska Permanent Fund Corporation (APFC) would recommend the legislature use "from a conservative perspective."

[6:32:43 PM](#)

MR. MITCHELL moved on to slide 16, "Current Structure: Two Accounts," which shows a flow chart of contributions, principal, income producing investments, sale and distribution of assets, and the ERA. He then discussed slide 17, "Constitutionalize Annual Fund Draw," noting that the APFC Board has been supportive of a shift to a POMV structure for decades, the first resolution appearing in [2003]. Mr. Mitchell showed slide 18, "Proposed: Classic Endowment Structure," a flow chart that shows contributions into the Permanent fund, APFC's investment and management of the fund, and the POMV. He then wrapped up the presentation by showing slides 19-21, and mentioning the trustees' paper and the list of resources available on APFC's website.

[6:36:30 PM](#)

MR. MITCHELL, in response to Representative McCabe, said there is no move by investors to invest for [environmental, social, and governance] (ESG) [investing] rather than maximum monetary performance; it is not part of the corporation's mandate.

[6:38:52 PM](#)

MR. MITCHELL, in response to Representative McKay's expressed concern about ESG investing destroying Alaska's oil and gas driven economy, explained that any divestiture requirement would have the potential of negative impact to performance; therefore, the corporation would advise against it.

[6:42:56 PM](#)

MR. MITCHELL, in response to Representative Groh, said he thinks the "spirit of saving" still exists. He said he thinks there is a challenge before the legislature, and he offered any support he could give toward its decision making.

PRESENTATION(S) : PERMANENT FUND OVERVIEW

[6:44:31 PM](#)

CHAIR CARPENTER announced that the next order of business would be the Permanent Fund Overview presentation.

[6:44:58 PM](#)

CONOR BELL, Fiscal Analyst, Legislative Finance Division (LFD), Legislative Agencies and Offices, began the PowerPoint presentation, titled "Permanent Fund Draw Comparison," [hard copy included in the committee packet], drawing attention to the disclaimer on slide 2, which read as follows [original punctuation provided]:

Scenarios in this presentation were requested by the Committee Chair. LFD is policy neutral and does not endorse a particular fiscal plan.

MR. BELL covered slide 3, which read as follows [original punctuation provided]:

POMV Draw Versus Income Available for Distribution

- Percent of Market Value (POMV) Draw
 - AS 37.13.140(b)
 - 5.25% of lagged five-year average fund value (excluding Am-Hess) for FY19-FY21
 - Lowered to 5% beginning FY22
- Income Available for Distribution
 - AS 37.13.140(a)
 - 21% of five-year average statutory net income
 - 50% of calculation is for statutory PFD
 - Other 50% is available for other state spending, though this has never been used historically

MR. BELL, regarding the income available for distribution, clarified: "And then there is the income available for distribution, which is 25 percent of the five-year statutory net income; the average - so that is a mistake in the slide - is a total statutory net income for the past five years, multiplied by 21 percent." He noted that the legislature has the ability to use either one of the aforementioned statutes or ignore them. In response to a question from Chair Carpenter, he said up until the percent of market value (POMV) statute, the other 50 percent was kept in the permanent fund, drawn only for dividends.

MR. BELL moved on to slide 4, "Actual POMV Draws Compared to Calculated Income Available for Distribution," and noted that the columns on the left show actual POMV draws appropriated from the permanent fund. He noted that the \$3.5 billion for FY 24 is included in the governor's budget and is in line for the 5 percent POMV [draw rate]. He explained that the numbers on the right half of the slide show income available under AS 37.13.140(a). If the state had followed "the income available statute" for FY 19, he said, it would have drawn \$3.8 billion. He explained that the FY 24 amount is estimated, since it will include FY 23 returns in the calculations. He explained that by "effective POMV draw rate" he is referring to the equivalent POMV rate that would have been required to get to \$3.8 billion in FY 19. In response to Chair Carpenter, he confirmed that the income available statute refers to the previous slide where it read that 50 percent of that "was identified for a purpose for the PFD" and the other 50 percent was "for something else."

[6:49:19 PM](#)

MR. BELL discussed slide 5, "Projected Impact of Volatility on POMV Draw and Income Available for Distribution," which he said shows risk analysis and the potential projected volatility of the POMV draw and income available for distribution. He paraphrased the information at the bottom of the slide, which read [original punctuation provided]:

Assumes POMV draw from ERA in both scenarios, so only PFD payment differs. Risked analysis applying Callan's projected 7.05% projected return and 13.25% projected annual standard deviation. Assumes annual statutory net income is equal to 20% of the unrealized gain balance plus 2% of the prior year's total fund value. Assumes no ERA overdraws occur.

MR. BELL highlighted parts of the graphs on the slide to show examples of the range of percentages of amounts in various fiscal years under the 50/50 POMV PFD shown on the left and under the statutory PFD shown on the right. He then covered slide 6, "Projected Impact of Volatility on POMV Draw and Income Available for Distribution."

[6:52:47 PM](#)

MR. BELL moved on to slide 7, "Income Available for Distribution 'What If' Scenario," which read as follows [original punctuation provided]:

- This historical "what if" scenario does not take secondary impacts into account. It is intended as a rough hypothetical illustration.
- Due to historical changes in Permanent Fund accounting practices, this analysis has some margin for error in replicating the Fund's history.
- Assumes statutory PFD was paid in all years.
- Assumes the other 50% of 'Income Available for Distribution' was drawn annually to pay for government services.

MR. BELL covered slides 8, 9, and 10: "How Would The Permanent Fund Balance Have Been Different?"; "How Would PFDs Have Been Different?"; and "How Much of the Permanent Fund Would have been drawn and spent on Government Services?," respectively.

[6:56:18 PM](#)

MR. BELL, in response to Representative Groh, confirmed that oil revenue, which had been strong from 1980, fell substantially somewhere in 2015, and nonpermanent fund revenues plummeted. He explained that the analysis is a simplified scenario to show "how the permanent fund would have grown." In response to a follow-up question regarding tension between the income approach and the POMV approach, he said there is more volatility basing [the PFD] on amount of earnings versus the amount in the fund; he indicated adjustment can be made based on investment returns. To another follow-up question, he confirmed there is more volatility in the income-based calculations.

[6:59:24 PM](#)

MR. BELL, in response to Representative Gray, revisited slides 5 and 6 for clarification purposes.

HB 72-PERMANENT FUND DIVIDEND; 75/25 POMV SPLIT

[7:01:31 PM](#)

CHAIR CARPENTER announced that the final order of business would be HOUSE BILL NO. 72, "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; and providing for an effective date."

[7:01:48 PM](#)

REPRESENTATIVE DANIEL ORTIZ, Alaska State Legislature, as prime sponsor, presented HB 72. He read the sponsor statement, [included in the committee packet] which read as follows [original punctuation provided]:

The purpose of this bill is to settle the age-old debate over which statutes to follow when it comes to determining the size of a Permanent Fund Dividend (PFD). If adopted, it will reconcile the current two competing statutes regarding the dividend amount.

House Bill 72, the Protecting Future Dividends Act (PFD Act), will put into statute the percent of money from the POMV dedicated to a PFD. It establishes a 75/25 split in which 75 percent of the Percent of Market Value (POMV) draw goes into the general fund and 25 percent of the POMV draw goes to the dividend

fund. It's simple, and most importantly it's sustainable.

The POMV draw is the largest single source of Unrestricted General Funds these days. Revenue that the state receives from natural resource development no longer consistently makes up the majority of our revenue. Instead, we rely on the POMV draw. As long as we continue to rely on the POMV draw, this bill will continue to provide a PFD into the future.

Based on current projections, this bill allows us to balance our budget without needing to come up with new revenue sources. Over the next ten years, if we pass and follow HB 72, and if resource revenue remains stable and our state budget grows as anticipated, we won't have a budget deficit and we will have a PFD.

This bill does not make stipulations on how the money will be spent after the POMV draw is sifted 75/25 into the general fund and dividend fund. It simply provides structure as to where the POMV is appropriated.

[7:06:25 PM](#)

LIZ HARPOLD, Staff, Representative Dan Ortiz, Alaska State Legislature, on behalf of Representative Ortiz, prime sponsor, gave the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Sec. 1 Establishes a short title: The Act may be known as the Protecting Future Dividends Act.

Sec. 2 Amends AS 37.13.140(a) to delete language that describes a formula to determine the amount of income of the fund that is available for distribution. Amends AS 37.13.140(b) to clarify that the amount available appropriation from the earnings reserve account may not exceed the balance in the earnings reserve account.

Sec. 3 Amends AS 37.13.145(b) to provide that of the appropriation each year from the earnings reserve account under AS 37.13.140(b) will go to the general fund, and then 25% of that total amount will go to the dividend fund.

Sec. 4 Amends AS 37.13.145(c) to authorize an appropriation, after the appropriations to the general fund and dividend fund in AS 37.13.145(b), to the principal of the permanent fund for inflation proofing.

Sec. 5 Amends AS 37.13.145(d) to clarify that the permanent fund income earned as a result of the State v. Amerada Hess case is not available for appropriation to the dividend fund or general fund or the principal and that it shall be deposited into the Alaska capital income fund.

Sec. 6 Amends AS 37.13.300(c) to clarify that the net income of the mental health trust fund is not included in the computation of the amount available for appropriation from the permanent fund earnings reserve account under AS 37.13.140(b).

Sec. 7 Amends AS 43.23.025(a) to clarify that the legislature appropriates money to the dividend fund consistent with section 3.

Sec. 8 Repeals AS 37.13.145 (e) and (f) which related to total appropriations from the earnings reserve.

Sec. 9 Establishes an immediate effective date.

MS. HARPOLD told committee members she had spoke with Legislative Legal Services about a possible committee substitute (CS) which would change "distribution" to "appropriation" on page 2, line 20, to conform to a previous section of the bill, and "add a reference to subsection (b), on page 2, line 21."

[7:08:38 PM](#)

The committee took an at-ease from 7:08 p.m. to 7:10 p.m.

[7:10:04 PM](#)

CONOR BELL, Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, showed a slide, entitled "Legislative Finance Division Fiscal Model," [hard copy included in the committee packet]. He said the model assumes a 25 percent of market value (POMV) permanent fund dividend (PFD),

and the governor's fiscal year 2024 (FY 24) amended budget with 2.5 percent annual agency operations. He pointed to a chart in the top-right showing savings balances, with the constitutional budget reserve/statutory budget reserve (CBR/SBR) ending balance and the realized earnings reserve account (ERA) balance. He said, "Since there is no draws from the ERA or other savings accounts, that's unaffected." He continued as follows:

The budget summary is showing our baseline budget, and the reason there's that negative scenario change in our budget summary of \$449 million negative in FY 24, that's because the Legislative Finance [Division] baseline is currently using ... last year's capital budget, growing with inflation, which would be \$750 million, and so that's the biggest change there is that the scenario's using the governor's budget versus assuming there would be a \$750 million capital budget growing with inflation each year. And otherwise, it's ... inline with what the governor's budget is proposing. So, based on those assumptions, there are surpluses throughout the period. ... The surplus before the PFD is \$2 billion, and then the PFD appropriation in FY 24 is \$881.5 million, which is \$1,300 per person; and the pre-transfer surplus is \$1.1 billion in FY 24. That is basically the surplus before there's transfers between accounts, such as the revenue replacement from the American Rescue Plan Act. By the end of the period, the PFD has grown to \$1.1 billion, which would be approximately ... \$1,700 per person, and the ... surplus at the end of the period would be \$226 million, estimated. And I should add that this is based on the ... fall revenue forecast, which has declining revenues throughout the period; that's why the surpluses are getting so much smaller is because they're ... based on the oil futures markets, which have slowly declining prices. You're seeing those lower revenues throughout the period in our baseline forecast.

[7:13:35 PM](#)

REPRESENTATIVE MCCABE asked whether the division's budget baseline includes money for the base student allocation or defined benefit plan, for example.

MR. BELL answered that the division does not include any policy changes in its analysis that could lead to higher or lower expenditures.

[7:14:14 PM](#)

MR. BELL confirmed a clarification from Chair Carpenter that the budget assumption in this fiscal model is what the governor has presented as his budget, "plus the amendments to his original budget." He added that the division is adding the 2.5 percent annual growth for inflation.

[7:14:36 PM](#)

REPRESENTATIVE MCCABE surmised that if policy changes were made, then "the PFD would go down significantly."

CHAIR CARPENTER responded that the intent of the committee would be to answer that question later with another model.

[7:15:38 PM](#)

REPRESENTATIVE GRAY pointed to the pre-transfer surplus deficit line, and observed that after FY 24 there would be a \$1.17 billion surplus, so theoretically a base student allocation increase could be paid with that surplus.

MR. BELL answered that's correct.

[7:16:34 PM](#)

REPRESENTATIVE MCKAY asked whether this model includes production from the Willow [Project] and the Pikka [oil field].

MR. BELL explained that the division uses the Department of Revenue's revenue forecast, which uses the Department of Natural Resources' production forecast. He mentioned the percentage used in calculation and said presumably there is some proportion of Willow and Pikka included in the forecast.

[7:17:50 PM](#)

REPRESENTATIVE GROH asked the bill sponsor to address who, under HB 72, would pay for "the structural deficit."

REPRESENTATIVE ORTIZ answered that everyone who receives a PFD of a potential larger amount pays for that potential deficit by "giving up some of the PFD now." He said the committee could choose to amend HB 72 to scale the split down to 50/50 when revenue is greater. However, another option if there are surpluses created under the 75/25 split, could be to invest in long-deferred infrastructure projects.

[7:22:11 PM](#)

REPRESENTATIVE MCCABE directed attention to bill language on page 2, lines 15 and 24, and asked the bill sponsor why he used "may" instead of "shall".

REPRESENTATIVE ORTIZ deferred to his staff to answer.

[7:22:50 PM](#)

MS. HARPOLD suggested Emily Nauman, from Legislative Legal Services, was available to give feedback about the bill language.

[7:23:11 PM](#)

EMILY NAUMAN, Director, Legislative Legal Services, Legislative Agencies and Offices, stated that HB 72 uses "may" rather than "shall" because the Constitution of the State of Alaska requires that the movement of money out of the ERA into the permanent fund requires appropriation by the legislature under the dedicated fund clause, and that was reaffirmed in State v. Wielechowski. In response to a follow-up question as to whether amending the constitution would be effective, she first explained that whether the statute says "may" or "shall", the legislature retains the authority to appropriate whatever amount for dividends or out of the ERA in any given year; therefore, using "may" is more accurate to how the laws are applied and interpreted. Regarding the idea of a constitutional amendment, she indicated it would depend on how it was worded.

[7:25:53 PM](#)

REPRESENTATIVE ALLARD asked Ms. Nauman for the legal difference between "shall" and "may".

MS. NAUMAN answered that "shall" - in this case, "and if it were constitutional" - means the legislature would be required to

appropriate a certain amount for a dividend; the word "may" is permissive and means the legislature may or may not "do that action."

[7:27:02 PM](#)

MS. HARPOLD, in response to a question from Representative McKay, clarified that HB 72 would amend the original statute that pertains to the income of the permanent fund. She said it would leave the definition of income as is but "it's not what will be used as a basis for ... an appropriation." She stated that AS 37.13.140(b) is the POMV portion of statute, and HB 72 would add that the legislature cannot take more than what is available in the ERA. In Section 3, the bill would amend statute to say that the legislature may appropriate to the GF an amount available for appropriation under AS 37.13.140(b); it could take the 5 percent draw and put it into the GF, and then 25 percent of that would go into the permanent fund. She added, "And so we are basically taking those previous statutes away, and it helps simplify what's there; and that's part of the goal of having this piece of legislation is to take ... potentially competing or conflicting statutes out of the way."

REPRESENTATIVE MCKAY concluded that the intent was "to simplify the conflict that we've been having for so long."

REPRESENTATIVE ORTIZ responded, "Absolutely."

[7:30:01 PM](#)

MS. HARPOLD, to a previous question, confirmed that HB 72 would not include policy decisions; it would indicate how much of the POMV would go toward the PFD or state services.

[7:31:00 PM](#)

REPRESENTATIVE MCCABE asked for confirmation that the state could pay the 50/50 now and it would not become a problem until about 2028.

[7:31:57 PM](#)

REPRESENTATIVE ORTIZ answered yes, but underlined that this assumes the current governor's budget with no increases in the base student allocation for the next eight years and

continuation of the capital budget at a flat level for eight years, for example.

[7:33:09 PM](#)

REPRESENTATIVE GROH suggested that a 50/50 plan put in the constitution may be harder to address in the future than if it were in statute.

REPRESENTATIVE ORTIZ concurred. Notwithstanding that, he mentioned that the [Fiscal Policy Working Group] had supported a constitutional amendment that states that "a PFD will be paid, as provided by law". He said the key there is that whatever is put in the constitution needs to be sustainable, and he opined that the 50/50 model is not sustainable in the future.

[7:35:59 PM](#)

REPRESENTATIVE ALLARD asked the bill sponsor if he is saying he wants to take money from the PFD to pay for the base student allocation.

REPRESENTATIVE ORTIZ answered that the bill is "agnostic to that issue."

CHAIR CARPENTER assured the committee that there would be opportunity to "plug this bill into a moving diagram" to see the policy choices in relation to HB 72 and other proposed bills.

[7:37:31 PM](#)

REPRESENTATIVE GRAY asked if the legislature could use the aforementioned surplus to "make a bigger PFD."

[7:37:48 PM](#)

MS. HARPOLD answered yes; the bill does not state how the 75/25 split must be used.

[7:38:14 PM](#)

REPRESENTATIVE ORTIZ thanked the committee for hearing HB 72.

[HB 72 was held over.]

[7:39:06 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:39 p.m.