

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

March 6, 2023

6:00 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

HOUSE BILL NO. 90

"An Act relating to income of the Alaska permanent fund and the amount available for appropriation; relating to appropriations from the earnings reserve account; relating to the amount of the permanent fund dividend; and providing for an effective date."

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 7

Proposing amendments to the Constitution of the State of Alaska requiring payment of a dividend to eligible state residents.

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 8

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and appropriations from the Alaska permanent fund.

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 90

SHORT TITLE: PERMANENT FUND DIVIDEND; \$1000 DIVIDEND

SPONSOR(S): REPRESENTATIVE(S) FIELDS

03/01/23 (H) READ THE FIRST TIME - REFERRALS
03/01/23 (H) W&M, FIN
03/06/23 (H) W&M AT 6:00 PM DAVIS 106

BILL: HJR 7

SHORT TITLE: CONST AM: PERMANENT FUND DIVIDEND
SPONSOR(S): WAYS & MEANS

03/01/23 (H) READ THE FIRST TIME - REFERRALS
03/01/23 (H) W&M, JUD
03/06/23 (H) W&M AT 6:00 PM DAVIS 106

BILL: HJR 8

SHORT TITLE: CONST AM: GUARANTEE PERM FUND DIVIDEND
SPONSOR(S): WAYS & MEANS

03/01/23 (H) READ THE FIRST TIME - REFERRALS
03/01/23 (H) W&M, JUD
03/06/23 (H) W&M AT 6:00 PM DAVIS 106

WITNESS REGISTER

REPRESENTATIVE ZACK FIELDS
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 90.

EVAN ANDERSON, Staff
Representative Zack Fields
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis and fiscal note for HB 90 on behalf of Representative Fields, prime sponsor.

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

POSITION STATEMENT: Answered questions during the hearing on HB 90 and HJR 7.

KENDRA BROUSSARD, Staff
Representative Ben Carpenter
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HJR 7 and HJR 8 on behalf of the House Special Committee on Ways and Means, sponsor, on which Representative Carpenter serves as chair.

SENATOR SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HJR 8.

ACTION NARRATIVE

[6:00:40 PM](#)

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

HB 90-PERMANENT FUND DIVIDEND; \$1000 DIVIDEND

[6:01:55 PM](#)

CHAIR CARPENTER announced that the first order of business would be HOUSE BILL NO. 90, "An Act relating to income of the Alaska permanent fund and the amount available for appropriation; relating to appropriations from the earnings reserve account; relating to the amount of the permanent fund dividend; and providing for an effective date."

[6:02:17 PM](#)

REPRESENTATIVE ZACK FIELDS, Alaska State Legislature, as prime sponsor, presented HB 90.

[6:02:41 PM](#)

The committee took an at-ease from 6:02 p.m. to 6:06 p.m.

[6:06:38 PM](#)

REPRESENTATIVE FIELDS began a PowerPoint presentation [hard copy included in the committee packet] titled, "HB 90: \$1000 Permanent fund Dividend," on slide 1. He explained that the impetus of HB 90 was made through conversations with his colleagues, who told him that the main issue is not the

permanent fund dividend (PFD) amount, but rather its predictability. He informed members that the first PFD check in Alaska was \$1,000 in 1982, and that is about what the state can afford in the future without raising new taxes. Further, he noted that \$1,000 is similar than the historic average. He acknowledged conversations in the legislature around capping the PFD at \$1,000, as some believe that the formula used in the 1982 distribution would become unaffordable. He said he wanted to offer HB 90 as a no-tax option, in that it would give the state a balanced budget and give Alaska residents PFD predictability. He moved to slides 2 and 3 to review the creation of the PFD program. In 1976, Alaska residents voted to establish the permanent fund, with the intent of making Alaskans feel vested in the program as stakeholders, and the fund would be protected and not squandered. He moved to slides 4 and 5 and noted that past oil volume was four times greater in 1982, and that the PFD distribution formula worked well up until about 2012. He further explained that at that time the state was experiencing declining revenue and oil prices. He stated that Alaska has not been able to afford the original formula in the last ten years, and that the state will not be able to afford it without new taxes.

[6:10:22 PM](#)

EVAN ANDERSON, Staff, Representative Zack Fields, Alaska State Legislature, clarified that the data on slide 5 originates from the permanent fund corporation, and that the percent change is year over year.

[6:10:42 PM](#)

REPRESENTATIVE FIELDS returned to the presentation on slide 6 to discuss legislative finance models. He reiterated that dividends distributed via the 1982 formula will not be affordable without new tax revenue. He said a 50/50 [percent of market value (POMV) split] dividend is not affordable without significant taxes, and that a 75/25 dividend split may be affordable, but is dependent upon optimistic assumptions to avoid taxes. He commented that the state would be able to afford the PFD program that uses the formula prescribed in HB 90, which he said will give residents predictability with the program, and the state would be able to maintain a low tax regime. He stated that, while his own constituents are comfortable with him voting for new taxes - if they are fair for working people - he opined that the legislature won't raise significant revenue, so HB 90 was presented.

6:12:14 PM

REPRESENTATIVE FIELDS moved to slide 7 to present fiscal modeling done by the Legislative Finance Division, which he said shows that HB 90 would be affordable if the state were to not raise any new taxes. He moved to slide 8, which shows further division modeling, but on the question of what the price of oil would need to be in order to pay a \$1,000 dividend. He said that it is reasonable to anticipate oil prices to be at the numbers show on the slide. On slide 9 he outlined the goals of HB 90 to provide PFD predictability for Alaskans, fund services consistent with constitutional intent, and to maintain low/zero tax burden. He reiterated his understanding that the legislature will not raise new taxes. He moved to slide 10 and commended last year's energy relief check to residents, and further, that the money is tax free. He moved to slide 11 and noted that proponents of last year's vote on whether to hold an Alaska constitutional convention had suggested putting the PFD into the document; residents ultimately voted no on holding a constitutional convention, which he said is an indication that what is in the Alaska Constitution is broadly supported. He stated that it is on the legislature to change PFD statute.

6:14:43 PM

MR. ANDERSON gave the sectional analysis to HB 90 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: This section amends AS 37.13.140, which defines net income of the Alaska Permanent Fund as income of the earnings reserve account. This section leaves unchanged the five percent Percent-Of-Market-Value draw for appropriations, and it limits the amount available for appropriation to no greater than the balance in the earnings reserve account described in AS 37.13.145.

Section 2: This section amends AS 37.13.145(b) to authorize the legislature to appropriate funds from the earnings reserve account to the dividend fund each year and to pay out a dividend of up to \$1,000 to each eligible individual per fiscal year.

Section 3: This section amends AS 37.13.145(c) to give the legislature the ability to appropriate additional

funds from the earnings reserve account to the principal of the Permanent Fund in order to offset the effect of inflation during that fiscal year.

Section 4: This section amends AS 37.13.145(d) replacing the words "distribution" and "transfer" with "appropriation" to conform with previous sections.

Section 5: This section amends AS 37.13.145(f), which gives the legislature the authority to appropriate funds from the earnings reserve account to the general fund.

Section 6: This section amends AS 37.13.300(c), making conforming changes to the statute that disallows the legislature from including income from the mental health trust fund in the funds available for appropriation.

Section 7: This section makes a conforming change to AS 43.23.025(a), which determines the value of the permanent fund dividend.

Section 8: This section repeals AS 37.13.145(e), which mandated a 50% draw on the earnings reserve account for annual payments.

Section 9: This section provides for an immediate effective date.

[6:17:49 PM](#)

MR. ANDERSON explained that HB 90 has an indeterminate fiscal note. He said that setting one specific dollar amount in statue could lead to budget surpluses and deficits; therefore, a fiscal note [with a determined amount] could not be made.

[6:18:35 PM](#)

REPRESENTATIVE GROH thanked Representative Fields for bringing HB 90 forward. He asked if the \$1,000 figure was not inflation adjusted, and whether there were no inflation adjustment provisions.

REPRESENTATIVE FIELDS answered yes. He explained that he sought to put forward the most fiscally conservative and predictable dividend that he believes the state could offer, which is why there are no inflation adjustment provisions. He shared that he

has no strong feelings on whether to add such a provision, but he wanted a predictable figure, which he said is \$1,000. He clarified that the figures shown in past slides are not inflation adjusted.

REPRESENTATIVE GROH shared that \$1,750 would be the historical average of the PFD, if using 2021 dollars. He asked for Representative Field's "school of thought" on who should pay the state's structural deficit.

REPRESENTATIVE FIELDS answered that in 1996 voters put the permanent fund into the constitution and turned a non-renewable resource into a renewable resource with the explicit intent of funding services. He said that was a good idea, as too was when the legislature established in statute a PFD program with the intent of growing the fund. He said the data is clear that the PFD has a positive impact on ameliorating poverty. He said that, since Alaska has four times less oil coming through the pipeline, it can't afford a 1982 formula dividend. Unless there was higher oil revenue, oil taxes, or a substantial new form of revenue, the state has to balance services and dividends; but it should recognize that the most impacted would be the working poor.

[6:23:27 PM](#)

CHAIR CARPENTER asked what would make the legislature follow a statute that prescribes a \$1,000 PFD, and further, what kind of appropriation structure language is in HB 90. He inquired as to how such a law would get the state in a stable environment whether it still would be subject to appropriation.

REPRESENTATIVE FIELDS answered that if HB 90 is passed, legislators can relay to their constituents that they are highly likely to get a \$1,000 PFD. He said it is likely that oil prices will allow the state to afford the PFD, even if the price dips below the projected average. He said that HB 90 maintains the POMV spending cap law, which he supports.

[6:24:50 PM](#)

REPRESENTATIVE MCCABE inquired about the use of "may", which he noted occurs on page 2, lines 12 and 19, and on page 3, line 16 of the proposed legislation.

REPRESENTATIVE FIELDS deferred to Legislative Legal and Research Services.

[6:25:46 PM](#)

EMILY NAUMAN, Director, Legislative Legal Services, Legislative Agencies and Offices, explained that HB 90 - as well as other bills to be presented tonight - are drafted as they are in order to be consistent with *Wielechowski v. Alaska*. She said the case held that appropriation for PFDs is not mandatory, and that the legislature is free to appropriate any amount for PFDs in any given year; therefore, changing the language from "shall" to "may" makes the language consistent with that holding. Further, even as the statutes are drafted now with the word "shall", the legislature is still free to appropriate any amount for the PFD.

REPRESENTATIVE MCCABE asked, "Then why do we even need this?" Acknowledging that the legislature is free to appropriate however it likes, he asked whether inserting "shall" rather than "may" might make a future legislature less able to circumvent the language.

MS. NAUMAN answered, "I don't believe so." She pointed out that the current language states "shall" and the legislature nonetheless has chosen to not appropriate the amount prescribed in statute.

[6:27:44 PM](#)

REPRESENTATIVE FIELDS relayed that he is alright with using "shall" within the bill.

[6:28:15 PM](#)

REPRESENTATIVE FIELDS, asked about slide 5 and his previous comments regarding the figures not being inflation adjusted, acknowledged that the data on slide 5 is a typo and the historic PFD average should be about \$1,750.

REPRESENTATIVE MCKAY said that if the PFD were to be "held flat," it would be eroded. He shared that this conversation reminds him of the 1994 vote, in that Alaska residents had voted not to use the permanent fund to balance the state budget.

REPRESENTATIVE FIELDS commented that he would be in support of inflation indexing.

[6:30:40 PM](#)

CHAIR CARPENTER said it would be helpful to see inflation data on past PFD payments.

[6:30:59 PM](#)

REPRESENTATIVE GRAY commented that he likes the idea of doing energy rebate disbursements, namely because they are tax free. He asked how high the state can spend on energy rebate disbursements.

REPRESENTATIVE FIELDS responded that while the argument could be made to disburse a \$100 PFD and then disburse the rest of the revenue to residents as an energy rebate check, he is unsure as to whether the Internal Revenue Service (IRS) has provided guidance on such an action.

[6:31:41 PM](#)

CHAIR CARPENTER suggested that the committee confer with the IRS in getting an answer to the last question.

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REPRESENTATIVE MCCABE suggested the committee investigate "hold harmless" provisions. He offered the understanding that Alaska pays the federal government a certain amount of money based on the PFD for people that would normally have to pay tax on it but do not. He said if the state renamed the PFD for hold harmless portions, the savings would be \$20 million.

CHAIR CARPENTER added that both the energy rebate and hold harmless are going to have a tangential impact on the decisions the legislature makes around the PFD, so research on the topic will be done and shown to the committee.

[6:33:01 PM](#)

REPRESENTATIVE GROH stressed that there are people that would lose money by receiving the PFD if there were no hold harmless provisions, under certain circumstances.

REPRESENTATIVE FIELDS answered that he is aware of hold harmless but not that element of the legislative history.

[6:33:49 PM](#)

CHAIR CARPENTER announced that HB 90 was held over.

HJR 7-CONST AM: PERMANENT FUND DIVIDEND

[6:34:32 PM](#)

CHAIR CARPENTER announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 7, Proposing amendments to the Constitution of the State of Alaska requiring payment of a dividend to eligible state residents.

[6:34:19 PM](#)

The committee took an at-ease from 6:34 p.m. to 6:35 p.m.

[6:35:05 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, presented HJR 7 on behalf of the House Special Committee on Ways and Means, sponsor, on which Representative Carpenter serves as chair. She read the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

For almost thirty years, Alaskans could count on their annual dividend checks as the state legislature followed the law that directed the dividend to be paid by a statutory formula.

The trust between the government and the people of Alaska was broken in 2016 when Governor Walker vetoed a portion of the annual dividend and the Alaska Supreme Court ultimately determined that dividends were subject to the annual appropriations process. While the legislature could choose to follow the law and appropriate the dividend according to statute and separate it from the budget, they have not done so. Instead, the permanent fund dividend has been subjected to the budget process, where the dividend competes with government spending and often becomes the deficit reduction solution.

HJR7 requires the state to pay the annual Permanent Fund dividend according to a formula in statute, rather than by the whims of the annual appropriations process.

The amendments in HJR7 address the constitutional issues raised by the Supreme Court in its *Wielechowski* opinion that allowed the legislature to appropriate the annual dividend rather than pay it out by formula. Neglecting to constitutionalize the PFD would permit lawmakers to continue avoiding their obligation to address the shortcomings of Alaska's fiscal and economic planning, placing the Permanent Fund at risk. Constitutionally enshrining the Permanent Fund Dividend will provide for the maximum benefit of all Alaskans and ensure the prosperity of the Permanent Fund for generations of Alaskans to come.

[6:37:20 PM](#)

MS. BROUSSARD proceeded to read the following sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Section 1

Article IX, section 7 of the Constitution of Alaska is amended to except the payment of Permanent Fund dividends from the prohibition of dedication of funds.

Section 2

Article IX, section 13 of the Constitution of Alaska is amended to except the payment of Permanent Fund dividends from the requirement to appropriate all funds that are paid out of the state treasury.

Section 4

Article IX, Section 15 of the Constitution of Alaska is amended to require the state to pay a permanent fund dividend according to a formula in law.

Section 5

Article XV of the Constitution is amended to add a new transition section that would make the constitutional changes effective for fiscal year 2026.

Section 6

Provides that this amendment to the Constitution be placed before voters at the next general election.

[6:38:26 PM](#)

REPRESENTATIVE MCCABE turned attention to page 2, line 13, "Each fiscal year, without appropriation, the State shall pay a dividend". He asked about the use of the word "shall".

[6:38:53 PM](#)

CHAIR CARPENTER asked Ms. Nauman what the effect of putting the word "shall" would have on the resolution.

EMILY NAUMAN, Director, Legislative Legal Services, Legislative Agencies and Offices, explained that HJR 7 proposes a constitutional amendment, and that the *Wielechowski v. Alaska* decision was an interpretation of state constitution as it exists today; under that interpretation, appropriations for dividends must be made by the legislature and are subject to the legislative appropriation cycle annually. Since HJR 7 is seeking to change the constitution, the resolution itself does not need to abide by *Wielechowski v. Alaska*, so it is permissible to use the word "shall".

CHAIR CARPENTER asked whether the justices recommended that a constitutional amendment would be necessary if the legislature wanted to dedicate money to the PFD.

MS. NAUMAN responded that she does not recall the case saying anything about a constitutional [amendment].

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REPRESENTATIVE GROH sought confirmation that HJR 7 requires the payment of the PFD but does not prescribe a distribution formula.

MS. BROUSSARD answered that's correct.

[6:41:22 PM](#)

REPRESENTATIVE MCCABE shared that the Fiscal Policy Working Group held hours of conversation with Legislative Legal Services and the Legislative Finance Division about whether to put a distribution formula in the constitution. He said the group had settled on just putting language in the state constitution mandating that the state pay the PFD, while putting formula law into state statute.

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CHAIR CARPENTER asked what the reasoning was behind seeking that the language be put in the constitution.

REPRESENTATIVE MCCABE answered that it was because even if the bill language says "shall" the legislature could still violate the law. He relayed that his constituents wanted both the PFD and the formula in the constitution; however, having a formula in the constitution would not only be problematic but dangerous during a major economic downturn. He reiterated the working group's compromise: put the PFD in the constitution, because in the constitution, the word "shall" can be used, and the legislature must follow it.

CHAIR CARPENTER asked Ms. Nauman how easily the legislature could ignore the statute to which HJR 7 would refer.

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MS. NAUMAN answered that it's hard to predict how the Alaska Supreme Court is going to interpret constitution or statute, but if HJR 7 were to pass, the Alaska Supreme Court would require the legislature to appropriate money for dividends according to the formula in statute. She noted that one caveat is that the court does not have a mechanism to make such an appropriation happen; the legislature must make the appropriation ultimately. If the court orders the legislature to make an appropriation, it is unclear what would happen if the legislature did not do so, she stated.

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REPRESENTATIVE GROH referenced page two, lines 13-15, "Each fiscal year, without appropriation, the State shall pay a dividend from the income of the permanent fund to eligible residents of the State, according to a formula set out in law." He shared that alternative language that focuses on the formula set out in law or statute rather than an appropriations bill or the budget, and he asked what the differences are between those two proposals.

MS. NAUMAN answered that the language that orders the state to pay a dividend but states that it is not an appropriations bill is insurance, while an appropriations bill is law; therefore, stating that a dividend shall be paid according to state law would not be sufficient to ensure that the legislature would pay a dividend according to a set formula. In the case of HJR 7,

the state pays a dividend according to formula, and it would not face the same issue.

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REPRESENTATIVE GRAY surmised that if the legislature were to pass only HJR 7, and not accompanying statutory legislation, it would be ordering the legislature to do what it has already been doing, which is paying dividends.

CHAIR CARPENTER rephrasing Representative Gray's remark into a question, asked whether, if HJR 7 were to pass, an additional piece of legislation would be required to make HJR 7 effective or current legislation would fit within the resolution.

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MS. NAUMAN answered that current statute governing the amount paid in a PFD, based on a fiscal situation, could conflict. If HJR 7 were to pass, she advised, the legislature would need to clean up existing PFD statute. In response to Representative Gray's remark, she confirmed that HJR 7 would require the legislature to pay out a PFD into the future.

REPRESENTATIVE GRAY asked for confirmation that if the legislature were to pass only HJR 7, it could change statute at any time but still would be required to pay a PFD.

MS. NAUMAN confirmed that's correct, in that the legislature could pass an appropriations bill to pay a PFD, and then make a statutory change to the formula.

[6:50:35 PM](#)

CHAIR CARPENTER recognized that HJR 7 tells the legislature that, without appropriation, the state shall pay a PFD from a statute that is established. He asked what the effect would be if the legislature attempted to pay a PFD through the appropriations process instead. Further, he asked if there would be conflict between the statute that is on the books and an appropriations bill that would pay an amount that differs from what statute orders.

MS. NAUMAN corrected her previous answer after recollecting that HJR 7 does not require a PFD appropriation; it would be a mandatory transfer without appropriation. She said that the hope is that such a situation wouldn't happen, and that the

legislative intent in making the appropriation would need to be clear whether the intention of the legislature was to appropriate for the transfer or to make an appropriation on top of the transfer.

[6:52:03 PM](#)

REPRESENTATIVE GROH asked, regarding proposed constitutional amendments, what risk there is that any amendment that is being considered in committee might run afoul with the doctrine from the Alaska Supreme Court Case, Bess v. Ulmer, regarding revision versus amendment. He requested Ms. Nauman to talk about that doctrine and how it might affect the committee's consideration of constitutional amendments.

MS. NAUMAN outlined that there are two ways to amend the state constitution, as prescribed within the document itself: first is the process happening right now, in that there is a legislative resolution followed by a vote of the people; second is via a constitutional convention. The Alaska Supreme Court conveyed that if the conditional changes are significant enough, it must go through a constitutional convention process. She said the court's analysis in Bess v. Ulmer looked at it in two ways: qualitative, the nature of changes; and quantitative, the number of changes required to rebalance government power. For constitutional amendments around the permanent fund, she said the driver of the determinations on whether the amendment would constitute a revision is how much the change impairs the legislature's already broad appropriation authority over all the money coming from the permanent fund. She said there is only one case on the issue, which is Bess v. Ulmer, which she pointed out does not provide much guidance on circumstances relating to the PFD.

[6:55:09 PM](#)

CHAIR CARPENTER announced that HJR 7 was held over.

HJR 8-CONST AM: GUARANTEE PERM FUND DIVIDEND

[6:55:22 PM](#)

CHAIR CARPENTER announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 8, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and appropriations from the Alaska permanent fund.

6:55:35 PM

MS. BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, presented HJR 8 on behalf of the House Special Committee on Ways and Means, sponsor, on which Representative Carpenter serves as chair. She read the sponsor statement, [included in the committee packet], which read as follows [original punctuation provided]:

For almost thirty years, Alaskans could count on their annual dividend checks as the state legislature followed the law that directed the dividend to be paid by a statutory formula. The trust between the government and the people of Alaska was broken in 2016 when Governor Walker vetoed a portion of the annual dividend and the Alaska Supreme Court ultimately determined that dividends were subject to the annual appropriations process. While the legislature could choose to follow the law and appropriate the dividend according to statute and separate it from the budget, they have not done so. Instead, the permanent fund dividend has been subjected to the budget process, where the dividend competes with government spending and often becomes the deficit reduction solution.

House Joint Resolution 8 aims to enshrine the PFD program in the Alaska Constitution to create stability for Alaskans who rely on their annual dividend, and to create stability for the long-term fiscal plan of the state. Without stability, those who receive state funding, through the dividend or from government programs, cannot plan for their businesses or their lives for a duration of more than a year.

HJR8 adds protection against overspending of the Fund by moving the balance of the Earnings Reserve Account, which currently holds the Permanent Fund's investment earnings, into the Fund corpus, where all future earnings will be retained and thereby safeguarded from access.

HJR8 then limits the permissible draw from the Fund to five percent (5%) of a five-year averaged market value of the Fund. The people would then be apportioned either fifty percent (50%) of the draw value or the amount of the historic calculation formula—whichever

is greater. In this way, the people will always receive first call on the earnings of the Fund, ahead of government. Failing to constitutionalize the PFD would enable a disproportionate distribution of Alaska's oil wealth to growing government at the expense of Alaskan citizens.

Neglecting to constitutionalize the PFD would permit lawmakers to continue avoiding their obligation to address the shortcomings of Alaska's fiscal and economic planning, placing the Permanent Fund at risk. Constitutionally enshrining the Permanent Fund Dividend will provide for the maximum benefit of all Alaskans and ensure the prosperity of the Permanent Fund for generations of Alaskans to come.

[6:58:11 PM](#)

MS. BROUSSARD moved on to the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Section 1.

Eliminates the earnings reserve account of the Permanent fund. All income of the Permanent Fund that is not directed to the dividend payment or to the general fund shall be retained in the corpus of the Permanent Fund.

Section 2.

Article IX, Section 15 of the Constitution is amended to provide for a draw from the Permanent Fund of five percent of the market value (POMV) of the Fund.

Section 2 then requires the state to pay a permanent fund dividend that is the greater of two calculations: the traditional PFD calculation or fifty percent of the five percent POMV.

The remainder of a five percent POMV may be appropriated by the legislature for state government.

Section 3.

Article XV of the Constitution is amended to provide for transition timing of effective actions once voters approve this amendment to the Constitution.

At the end of fiscal year 2023, the balance of the earnings reserve account would be transferred into the corpus of the Fund.

The substantive provisions would be effective beginning fiscal year 2026.

Section 4.

Provides that this amendments to the Constitution be placed before voters at the next general election.

[6:59:36 PM](#)

CHAIR CARPENTER said that HJR 8 differs in effect from HJR 7.

[6:59:46 PM](#)

REPRESENTATIVE GROH thanked Chair Carpenter for introducing the two resolutions. He pointed out that HJR 8 would constitutionalize the POMV rules and create a single account structure - a change he supports. He noted that the constitutional amendment proposed in HJR 8 would set out alternative formulas as a way of figuring out what the PFD would be in future years. He said that HJR 8 does not address revenues; it is said that if there's a 50/50 POMV split per allocation between PFDs and general government, that creates a hole that the Senate Finance Committee estimated to be \$800 million a year. He asked if the sponsor could address the policy question of why HJR 8 does not address revenues.

CHAIR CARPENTER answered that the intent of HJR 8, as it is drafted, was not to address revenue options; the intent of the committee is to address revenues, if necessary, with other accompanying legislation, and model all of the propositions before the committee to see how they interact. He said it is premature to have a conversation based on what was presented to other committees, but HJR 8 was not meant to deal with new revenues, which he said was a recommendation of the Fiscal Policy Working Group.

REPRESENTATIVE GROH commended members of the working group, whose recommendations included a variety of proposals. He advised members that if the 50/50 POMV formula is put in the constitution, there must be revenues for public services, ergo, why the working group recommended revenues of between \$500 million to \$775 million a year.

CHAIR CARPENTER offered that another perspective would be that it adds economic growth in the state that would provide new revenue to the state.

[7:04:06 PM](#)

REPRESENTATIVE MCCABE relayed that HJR 8 essentially limits the earnings reserve account (ERA). Speaking on revenues, he said there is no way - except perhaps a large income tax - that the revenue from the citizens of Alaska could make up the budget shortfall. He shared that the working group investigated an income tax structure for Alaska extensively, but "it just doesn't work with our tax base."

[7:05:11 PM](#)

REPRESENTATIVE GROH recounted that the State House of Representatives had passed a bill to raise an income tax, which the Department of Revenue estimated to generate \$700 million in revenues in 2017. He said he is supportive of development projects that raise revenues, but if PFDs and distribution formulas are inserted into the state constitution, there must be a way to ensure that there are revenues for public services.

[7:06:34 PM](#)

REPRESENTATIVE GRAY asked why the sponsor chose to pair the elimination of the ERA with a fixed PFD formula.

CHAIR CARPENTER relayed two recommendations from the working group: consolidate to a single fund source for the permanent fund and constitutionalize the permanent fund program. He stated that putting both of those items into one resolution is the way to carry them out.

[7:07:43 PM](#)

REPRESENTATIVE ALLARD asked Representative Groh if he is suggesting that the state underspends on public services and takes money out of the PFD before it cuts the budget.

REPRESENTATIVE GROH answered no, but said he is looking out for the views of those that make \$20-\$25 an hour, despite people advising him to look out for people making \$2,000 an hour. He said that the people within his district are more likely to have a second job than a second home. He shared that he would like to see a balanced approach, like what the working group recommended in 2021.

[7:09:29 PM](#)

CHAIR CARPENTER stated that the goal of today's meeting was to hear three separate and unique bills and said that the committee will get to Representative Allard's question when it sees the other proposals that come from components of the working group's work.

[7:10:28 PM](#)

REPRESENTATIVE GRAY said that as a new legislator, he is trying to reconcile all the bills the committee has heard in the unlikely event that they all pass. In considering a 75/25 POMV split, a \$1,000 PFD, and the two proposed constitutional amendments, the amendments would trump statutory related policy. He said all the bills cannot be reconciled together. He asked Chair Carpenter how he can see the whole legislature working together.

CHAIR CARPENTER responded that one criticism of the working group's report was that it was just theoretical recommendation, not a bill or resolution to be taken up by the legislature. He said the group could have developed a recommendation towards a piece of legislation and submit it for consideration. He said that this committee is seeking to bring options so the conversations are no longer theoretical. He stated that he does not envision all the bills passing because some compete with each other through varying actions; what he hopes the House Special Committee on Ways and Means will do is pick something one which members agree. Further, the intent in weeks to come is to use a legislative finance tool to "plug" in the different proposals to see how each of them intersect.

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CHAIR CARPENTER asked Senator Shelley Hughes to speak as a member of the working group, as well as a member of the previous PFD group. She was asked to share her thoughts now that the committee has the measures before them.

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SENATOR SHELLEY HUGHES, Alaska State Legislature, Juneau, Alaska, shared that she was a member of a bicameral PFD working group, as well as the recent Fiscal Policy Working Group. She explained, in considering the varied legislation before the committee, that all the different pieces must come together, and that once one bill passes, another bill must pass in order to function. She advised that resolutions that propose

constitutional amendments are more difficult to pass, but determine what is left over for the budget, which is what leads to the revenue and reduction questions being raised. She said that passing measures that settle the PFD and provide a spending cap provide a framework for which the other pieces of legislation can be carried out. She said that whatever is put forward has to appear fair to the people and receive their approval. She said this is the reason she likes the resolutions that offer what the PFD would be; however, if the sponsor can get the votes only within the state capitol, she feels more comfortable with that now than when fund drawing began in 2016. Further, for about eight years now there has been no bill passed aimed at changing the PFD formula, she said. She acknowledged the talks around workforce recruitment and retention of public employees, as well as school funding concerns. She stressed that fiscal certainty in the state should be addressed first. She shared that Milton Friedman was consulted as to what to do with the permanent fund and recommended that some of the funds should go out to the private sector. She said, "Anything that goes into the budget, whether operating or capital, ultimately is serving some special interest group." She further quoted Milton Friedman as stating that offering a permanent fund is moving away [from special interests] because everyone is treated equally by receiving the money, and "a dollar in the private sector economy has a higher multiplier than in the government sector."

SENATOR HUGHES referred to a document authored in 2021 by herself and former Representative Johnathan Kriess-Thompkins, which addressed a larger PFD, and that in looking at HJR 8, the legislation calls for a larger PFD, so the document is applicable. She said that the data within the report suggests that a \$3,000 PFD results in \$2-\$3 billion income to Alaska residents, positive impacts on employment, 10,000 to 17,000 jobs, and 36,000 to 45,000 residents out of poverty. She said that the Institute of Social and Economic Research (ISER) studies suggest that about \$750 out of a \$3,000 PFD would go to nondurable goods, like food, entertainment, and travel. She quoted segments of the ISER report that emphasize the relationship between policy uncertainty, the recession, and "significant negative effects on aggregate investment and on employment". She said economic policy uncertainty can explain up to 32 percent of the drop in corporate investment. She continued, "The decline in spending due to policy uncertainty would indicate that waiting is not a costless option, in fact, the losses due to uncertainty are important, and similar in magnitude to the ones the economy would experience due to

attacks or due to further government cuts." She shared that the state's lack of having its fiscal house in order has cost the state half a billion dollars.

SENATOR HUGHES said a sizeable PFD impacts the business sector. According to the University of Alaska Anchorage's Business Enterprise Institute, 64 percent of start-ups will go to families first for capital; therefore, if there is a sizable PFD, the state will see more start-ups, as well as other businesses, expand. She said that 23 percent of start-ups begin with \$10,000 or less, and that for a family of four receiving PFDs, the total they accumulate would be \$12,000. She stressed that if the legislature settles the PFD issue, it will increase Alaskans' income, reduce poverty, improve health, expand businesses, increase employment, increase jobs, and increase private investment.

[7:26:16 PM](#)

SENATOR HUGHES asked whether HJR 8 is like legislation drafted by Senator Wielechowski.

CHAIR CARPENTER indicated that HJR 8 mirrors SJR 1.

SENATOR HUGHES stated that if the PFD issue were settled through the state constitution, then that would provide more certainty than if it were settled in statute.

CHAIR CARPENTER asked if Senator Hughes could provide the documentation referred to in her presentation.

SENATOR HUGHES agreed to share the information.

[7:27:29 PM](#)

SENATOR HUGHES, in response to Representative Gray, indicated that ISER had conducted a study showing that a larger PFD resulted in the birth of larger babies.

REPRESENTATIVE GRAY commented that he would like to see the study.

[7:28:09 PM](#)

REPRESENTATIVE GROH said that, as someone who assisted in creating the PFD, he is happy to hear all the substantial benefits. He relayed that business leaders have impressed upon

him the need of fiscal stability to help grow the economy. Further, such leaders stressed the need for amenities and basic services; such factors are important to them in deciding where to locate businesses and attract employees. He asked whether Senator Hughes had done the research on this.

SENATOR HUGHES answered that she has, and that business leaders like HJR 8 because it is a comprehensive approach, since they too want to ensure there are good schools and roads so that the state doesn't apply heavy taxes on the businesses.

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CHAIR CARPENTER asked whether it would take investment earnings or economic growth in the future to pay for good roads and services. He said the committee is figuring out what is the most stable system to create.

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REPRESENTATIVE MCCABE pointed out that money in the private sector returns nine times the amount invested; conversely, government investment returns are at 1:2. He said the idea is that the jobs need to be created first, then the roads. He illustrated an example from Phoenix, Arizona, in which people came, moved in, built houses, and then everyone complained because there were no roads, despite having the tax base to build one. He said the "chicken or the egg" question will be a big part of the upcoming conversation.

SENATOR HUGHES recounted a "crash" in Alaska in the 1980s which emptied homes. She said there must be an economy to support the services.

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REPRESENTATIVE GRAY said he supports growing the economy, but that if the economy is not sending money to government to pay for services, then no matter how big it gets, it would not pay for services.

CHAIR CARPENTER explained that the structure the state has now pays for services from its "one-trick pony" [oil], and that it may be years from now when the state finds a revenue alternative. He said the point is that if the state is known only for oil revenue, then the state is in a "pickle." He pointed out that the legislature has not been having the

conversation on how to incentivize economic growth. He opined that if the state wishes to incentivize such growth, it shouldn't have high corporate taxes, and rather there should be a positive environment in which businesses are able to take risks.

[HJR 8 was held over.]

[7:35:33 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:35 p.m.