

Alaska State Legislature

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Representative Lance Pruitt
House Finance Member

Sponsor Statement

HB 192

An Act relating to procurement by the Alaska Permanent Fund Corporation; relating to an appropriation limit; relating to the budget responsibilities of the governor; relating to the Alaska permanent fund, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation and payment of permanent fund dividends; and providing for an effective date.

Since the collapse of oil prices and precipitous fall of Alaska's oil and gas revenues, our state has been struggling to find a solution for continued funding of critical services for Alaskans without draining our savings. While government still contains a substantial amount of spending that can safely be reduced without impacting government's essential and constitutional functions, our budget reserves can only withstand so much, and a viable, durable revenue strategy must be identified to ensure a strong economy for Alaska.

House Bill 192 addresses a series of obstacles the state must overcome before it can consider itself on a sustainable path. First, this plan requires that government reduce its footprint and cut the state's budget \$600 million over the next four fiscal years. Second, a revised government spending cap of \$4.1 billion is established and a limit is placed on the amount that can be drawn to pay for the state budget. Third, a 5.25% POMV will be drawn from the Earnings Reserve of the Permanent Fund with 50% of the draw for PFD checks and 50% for state revenue.

It is the state's responsibility to Alaskan's to ensure the Permanent Fund remains permanent. HB 192 seeks to first and foremost protect and grow the fund so it is available to benefit future generations of Alaskans. It differs from other plans by prioritizing the health of Alaska's economy and strengthening the private sector. It acknowledges the rapidly changing fiscal landscape in Alaska by requiring for this plan to be re-evaluated and re-assessed in three years. HB 192 will create a sustainable and structured framework for using our existing financial assets alongside structured reductions to the budget, without having to look to taxing Alaskan's during a recession.

Solving Alaska's fiscal gap is not an easy task, and a diversity of opinions exist as to how we can best balance our state's needs versus its desires. No solution is perfect, and this bill acknowledges that in a few years, the plan should be re-evaluated and assessed for its successes and shortfalls. House Bill 192 seeks to improve our state's use of its existing financial assets, including reducing the budget, without having to look to taxing Alaskans to solve the problem.