



Alaska State Legislature

Representative Matt Claman

June 2021 Community Council Update

End of First Regular Session — The First Regular Session concluded last month. Both the House and Senate approved budgets with significant differences. The governor issued a proclamation calling the legislature into two special sessions. The first special session has begun and directs work on three topics:

- FY22 Operating Budget & Mental Health Budget ([HB 69/HB 71](#))
- FY22 Permanent Fund Dividend ([HB 72/SB 52](#))
- Constitutional Amendment addressing the Permanent Fund, dividend, and Power Cost Equalization ([HJR 7/SJR 6](#))

The governor also called a second special session in August and directs work on four topics:

- Constitutional Amendment to establish an appropriation limit ([HJR 6/SJR 5](#))
- Constitutional Amendment to prohibit new state taxes without voter approval ([HJR 8/SJR 7](#))
- Appropriations of federal relief funds, including American Rescue Plan Act (ARPA) funds
- Potential measures to increase state revenues

Special Session Update — The Conference Committee is working on a compromise between the House and Senate versions of the budget. In the coming days, I'm optimistic that the legislature will pass a budget and give Alaskans a measure of certainty for the upcoming year. Meanwhile, the House Judiciary Committee is considering [HJR 7](#), legislation that would constitutionally guarantee an annual Permanent Fund dividend, cap annual transfers from the Permanent Fund to the state treasury, and constitutionally guarantee a subsidy for energy prices in parts of the state.

HJR 7 presents a number of concerns for all Alaskans. Alaska law limit withdrawals from the Permanent Fund Earnings Reserve (ERA) to 5% of the total value of the Permanent Fund principal and the ERA, but the governor has proposed breaking the law and overdrawing the ERA. The governor is proposing a \$3 billion overdraw as a "bridge" fund and would use half of that \$3 billion overdraw (\$1.5 billion) to pay a \$2,300 dividend this year. He suggests overdrawing the ERA now and later amending the constitution as part of a financial plan, contending that overdrawing is the first step to amend the constitution.

I invited the Department of Law and Attorney Joe Geldhof to speak to constitutional and statutory issues raised by a potential overdraw of the ERA. [LAW argues](#) that the POMV law passed by the legislature is merely a guideline because the Alaska Constitution's prohibition on dedicated funds allows the governor and the legislature to ignore Alaska law in the statutes books. [Mr. Geldhof argues](#) that the legislature and the governor should follow the law—or the legislature should change the law if it wishes to overdraw the ERA. I believe we should not break the law in order to make the law. Based on analysis from multiple experts, the governor's proposal is not fiscally sustainable without substantial budget cuts, substantial new revenue, or a reduced dividend. Overdrawing the ERA is a short-term solution—not a responsible action plan for Alaska.

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