



REPRESENTATIVE MATT CLAMAN

End of Session Newsletter

July 2021

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Dear Friends and Neighbors,

We have finished the first regular session of the 32nd State Legislature and two special sessions. We passed a budget that reflects our values and takes important steps to maintain essential services and provide stability as the economy recovers. The budget funds constitutionally-mandated services, protects the Permanent Fund's principal, provides critical relief to local communities and businesses affected by COVID-19, and maintains a six-year trend of flat spending. The governor's line item vetoes focus on his priority that the state should pay a much larger dividend and overdraw Permanent Fund earnings. We will return to Juneau for a third special session in August. Please continue to let us know the questions, concerns, and priorities for you and your family. I always welcome the opportunity to hear from you.

Sincerely,

Protecting the Permanent Fund

Alaska faces long-term financial challenges. FY2021 is the ninth straight year of deficit spending, and our reserve accounts are dwindling. Every year, the budget debate revolves around the dividend. Should we protect the Permanent Fund or protect the dividend? Should we raise taxes to keep paying large dividends?

Alaskans established the Permanent Fund—our savings account—by approving a constitutional amendment in 1976. The Alaska Constitution has never provided for a dividend. The legislature authorized paying dividends in the early 1980s by passing laws. The Alaska Constitution allows spending Permanent Fund earnings, but it does not allow spending the Permanent Fund principal.

Permanent Fund earnings account for over 65% of funding for state government, and it is imperative we protect the Fund for years to come. In 2018, the legislature passed a law (SB 26) that caps the annual withdrawal from the earnings at a sustainable level: 5% of the total value of the Permanent Fund—called the percent of market value or “POMV” draw. The legislature

“Overdrawing the Permanent Fund, continuing to pay statutory dividends, and not raising substantial new revenue is not a responsible action plan. In his 10-year fiscal plan, released in December 2020, the governor proposed approximately \$1 billion in new revenue in FY2023. But he has not proposed any plan on how to do it.”

- Rep. Claman on the budget.

passed this law to make sure earnings from Alaska's last savings account is available to maintain essential services for future generations.

The law caps the legislature's appropriation authority by constricting the funds available for expenditure. In his line item vetoes and press statements, however, the governor wants to break this law by overdrawing the Permanent Fund earnings reserve account for the purpose of paying a larger dividend. I believe overdrawing the earnings reserve is not a responsible solution to Alaska's financial challenges.

The Alaska Supreme Court has consistently ruled that statutes establishing a formula for certain expenditures, including the dividend formula, do not require appropriations according to the statutory formula. Instead, recognizing state government has limited funds, the dividend program and other programs "must compete for annual funding." In contrast to laws that provide a formula for expenditures, the Alaska Supreme Court has not considered a law like SB 26 that places a cap on the funds available for expenditure.



Rep. Claman speaking with Rep. Schrage on House Floor.

Looking ahead to the third special session in August, the legislature will continue this debate: protect the Permanent Fund or protect the dividend? Affordable dividends or new taxes? I am optimistic we can make progress toward a responsible action plan for Alaska that addresses our long-term financial challenges. The continuing divisiveness surrounding these issues highlights the need to work together.

Moving forward, we welcome your comments, questions, and suggestions.

Common Sense Budget

FY2022 Operating Budget

House Bill 69

The legislature passed a compromise budget that does not overdraw our earnings and pays an affordable dividend. HB 69 appropriated:

- **\$1.29 billion for K-12 education funding** to support our public schools;
- **\$107 million for Pioneer Homes** and **\$21 million for Senior Benefits** to make sure the elders who built our state live with dignity;
- **\$158 million for the Alaska State Troopers** to improve public safety;
- **\$2.2 million for Veterans Services** to support Alaskan veterans; and
- **\$3 million for Therapeutic Courts** and **\$1 million for the court system** to manage the additional workload created by more prosecutors and police.

This month, the governor announced over \$800 million in vetoes to the budget including:

- \$682.5 million for the **Permanent Fund Dividend** (the entire dividend);
- \$38.9 million from **Community Assistance**;
- \$2.5 million for **Pre-Kindergarten Grants**;
- \$31.5 million for **University of Alaska** maintenance and upgrades;
- \$8.5 million from the **Alaska Marine Highway System**; and
- \$17.5 million from **Medicaid**, a \$1.25 million reduction to **public health nurses**, and a \$3.5 million reduction to **hospitals serving uninsured and Medicaid patients**.

Passed Legislation

House Bill 36: Motor Vehicle Dealers — Applications & Insurance

House Bill 36, legislation sponsored by my office, strengthens Alaska's motor vehicle dealer license requirements by modernizing the law and incorporating reasonable standards for obtaining a motor vehicle dealer's license without creating barriers to entry into the field or restricting competition.



House Judiciary Committee Chair Rep. Claman speaking with members of the public.

Alaska's lenient registration requirements make it too easy for unscrupulous actors to obtain dealer licenses and gain access to dealer-only auctions where used cars are sold at discounted rates. Purchasing a car may be one of the largest investments a consumer ever makes, so we need to ensure reasonable standards for becoming a dealer are in place, as well as financial protections should problems arise with a sale.

HB 36 passed the House and Senate and now goes to the governor for his signature.

House Bill 109:

Extend Bar Association Board of Governors

House Bill 109, legislation sponsored by my office, extends the sunset or termination date for the Board of Governors of the Alaska Bar Association until 2029. The Board is currently scheduled to sunset this year.

The Division of Legislative Audit conducted an audit of the Board of Governors and determined the Board is operating in

the public's interest and has complied with its duties and responsibilities to the public. It recommended the legislature extend the sunset date to 2029. The Board of Governors serves an important public service by regulating the practice of law, promoting reform in the law and in judicial procedure, facilitating the administration of justice, investigating complaints, requiring continuing legal education for membership, and increasing the public service and efficiency of the Bar.

HB 109 passed the House and Senate and now goes to the governor for his signature.

Child Tax Credits

Starting on July 15, approximately 39 million American families will be eligible for monthly child tax credit payments of up to \$300.

Congress authorized the payments in March through the American Rescue Plan Act (ARPA). Married parents filing joint returns as well as qualifying widows or widowers with incomes under \$150,000 are eligible for the full refunds.

Payments will vary depending on income determined by 2020 tax returns. The federal government will make deposits from July through December. If you've filed tax returns for 2019 or 2020, or if you signed up to receive a stimulus check from the Internal Revenue Service, you will get this tax relief automatically. You do not need to sign up or take any action.

[Childtaxcredit.gov](https://childtaxcredit.gov) — Visit for more information and easy sign-up for low-income families, including those who have not made enough money to be required to file taxes.



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Capital Budget

House Bill 69 also funds the capital budget. The legislature appropriated the funds required to receive federal matching funds and to ensure Alaska continues with important capital projects. Highlights include:

- **Salvation Army Clitheroe Center** — \$4.7 million for safety improvements and remediation to the center and for renovating a second site;
- **Elections** — \$1.1 million for voting system replacement and security, redistricting, and Ballot Measure 2 implementation; and
- **ARPA funding** — \$50 million for local governments with significant revenue loss due to COVID-19 and \$90 million for tourism and local businesses to offset revenue loss or respond to COVID-19.

Let's Keep in Touch!

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My staff is ready to help
you:

Facilitate communication
between you & your legislators

Research bills and issues

Answer questions related to
state agencies

Work on neighborhood
concerns