SB 53 Sectional

(Permanent Fund statutes and advisory vote)

February 9, 2021

Section 1: This bill would establish a new statutory framework for spending of permanent fund income. The spending, based on the market value of the permanent fund, would be allocated for two purposes divided equally: 50% would be available for dividends and 50% to the general fund.

Because the bill would establish a new framework for spending permanent fund income, Section 1 would delete language from the current AS 37.13.140(a) that describes a formula to determine the amount of income of the fund that is available for distribution. Section 1 would also provide that the amount available for appropriation from the earnings reserve account is 5% of the average market value of the fund for the first five of the preceding six fiscal years including the fiscal year just ended. That percentage is a reduction from 5.25% that has been in place since SB 26 passed in 2018 although the reduction to 5% is scheduled to become effective on July 1, 2021 based on a delayed effective date in SB 26. Finally, Section 1 would amend AS 37.13.140(b) to clarify that the amount available for appropriation from the earnings reserve account may not exceed the balance in the earnings reserve account.

Section 2: This section would amend AS 37.13.145(b) to provide that of the amount appropriated each year from the earnings reserve account under AS 37.13.140(b):

- 50 percent may be appropriated to the dividend fund for dividends and
- 50 percent may be appropriated to the general fund.

Section 3: This section amends AS 37.13.145(c) to authorize an appropriation, after the appropriation to the dividend fund and the general fund, to the principal of the permanent fund for inflation proofing.

Section 4: This section regarding permanent fund income earned as a result of the *State v. Amerada Hess* case clarifies that such money is not available for appropriation to the dividend fund or the principal and that it shall be deposited into the capital income fund.

Section 5: This section clarifies that 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) as described in section 1 of the bill.

Section 6: This section clarifies that the Alaska Permanent Fund Corporation shall calculate annually the net income of the fund according to generally accepted accounting principles and excluding any unrealized gains or losses.

Section 7: This section clarifies consistent with section 2 that the legislature places money in the dividend fund by appropriation.

Section 8: This section repeals AS 37.13.145(e) and 37.13.145(f) which relate to total appropriations from the earnings reserve. The framework for appropriations from the earnings reserve are set forth in Sections 1 and 2 which provide for an appropriation from the earnings reserve account based on the average market value of the fund and that the money from that appropriation would be used based on a 50 percent and 50 percent split for dividends and the general fund.

Section 9: This section provides for an advisory vote at a special statewide election not less than 90 nor more than 120 days after adjournment of the first regular legislative session which would ask the voters whether they approve of this law providing that the legislature may appropriate five percent of the market value of the permanent fund each year which would be used as follows: 50 percent for dividends and 50 percent for government services.

Sections 10 and 11: These sections repeal the existing provisions of SB 26 related to percentage of market value appropriation from the permanent fund which are replaced by Section 2 of this bill providing for a 5 percent of market value appropriation.

Section 12: This section provides that the advisory vote provision (section 9) takes effect immediately under AS 01.10.070(c).

Section 13: This section provides that except for section 12, this Act would take effect July 1, 2021.