

FISCAL NOTE

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Bill Version _____
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) 0513-DOR-APFC-07-07-16 Dept. Affected Revenue
 Title Alaska Permanent Fund Protection Act Appropriation Alaska Permanent Fund Corporation
 Allocation APFC Investment Management Fees
 Sponsor Rules by Request of the Governor
 Requester _____ OMB Component Number 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY17 Appropriation Requested	Included in Governor's FY17 Request	Out-Year Cost Estimates				
			FY18	FY19	FY20	FY21	FY22
OPERATING EXPENDITURES	FY17	FY17	FY18	FY19	FY20	FY21	FY22
Personal Services							
Travel							
Services	14,800.0	0.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	14,800.0	0.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1105	PF Gross (Other)	14,800.0	0.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
1007	I/A Rcpts (Other)							
1178	temp code (UGF)							
		14,800.0	0.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	383,640.0		380,100.0	362,160.0	344,720.0	326,070.0	304,750.0
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Estimated SUPPLEMENTAL (FY16) operating costs 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY17) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended, or repealed? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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 Agency Alaska Permanent Fund Corporation

Phone (907)796-1520
 Date/Time 7/7/16 12:00 AM
 Date 7/7/2016

FISCAL NOTE ANALYSIS

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BILL NO. 0

Analysis

This bill transfers management of the Constitutional Budget Reserve to APFC.

For the purposes of this fiscal note, it is assumed -

- earnings are being spent and there would be no change to the CBR principal balance.
- the CBR is invested in the same asset allocation as the Fund.
- this transfer would result in a net increase of assets under management of approximately \$5 billion, or approximately 10% of the total fund.

The projected increase in management fees is based on a 10% increase over the current FY17 Operating Budget APFC Investment Management Fees Allocation of \$148,191,000.

In addition, the bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25% of the average market value of the fund, including earnings reserve, for the first five of the preceding six fiscal years. This draw would be allocated between the Dividend Fund and the General Fund. Managing toward this liability may change the asset allocation of the Permanent Fund, however at this time it is difficult to forecast if it would impact the asset allocation to a degree that would require additional investment staff, accounting staff or related resources.

Anticipated earnings on the CBR have been added to reflect change in revenues.

CBR Projected Revenue Assumptions -

- Callan 10-yr return assumption 6.9%
- Initial transfer occurs on 7/1/16
- Deposit and draws occur on 7/1
- Beginning balance, deposits, and draw amounts provided by Department of Revenue.