

Alaska Permanent Fund Protection Act

July 13, 2016

State of Alaska
Department of Law

Bill Overview

A rule-based framework for the sustainable use of permanent fund earnings:

1. **POMV Draw Formula**

- Sustainable percent-of-market-value draw (POMV draw) of 5.25% from the earnings reserve to the general fund
- A “draw limit” reduces the draw by \$1 for every \$1 over \$1.2 billion in production taxes and royalties going to the general fund

2. **Corpus Deposits**

- Royalty deposits reduced from about 30% to 25%
- New inflation-proofing transfer mechanism
- A “savings rule” divides peak revenues between the corpus and the CBRF

3. **New Dividend Formula**

4. **APFC Fund Management Provisions**

- Transfers management of the CBRF to APFC
- Exempts APFC from procurement rules

Purposes

- **Support public services**
 - Improves reliability of public services by reducing funding variability
 - Halts wasteful cycles of developing and cutting programs and services
 - Guides expectations for the amount of UGF support the fund can sustain

- **Protect the dividend**
 - Measured use of the earnings reserve, rather than unplanned withdrawals, helps ensure funds will be available for the dividend
 - POMV element of the new formula provides a more stable, predictable funding base

- **Protect the permanent fund**
 - Long-term management plan for a long-term financial asset so the fund will continue provide for future generations of Alaskans
 - Avoids depleting the earnings reserve, which would put the corpus of the fund at risk
 - Suspends withdrawals from the fund as oil prices recover
 - Increases deposits to the fund if oil prices spike

- **Set Alaska on a better fiscal path**
 - Mitigates the “resource curse” by enabling the state to avoid fiscal practices that exacerbate economic damage caused by oil price cycles
 - A better fiscal model for Alaska’s long-term economic health