

# ALASKA PERMANENT FUND PROTECTION ACT

## Sectional Analysis SB 5001

### FOR THE SENATE STATE AFFAIRS COMMITTEE

- \*Section 1: Legislative intent to reevaluate the use of permanent fund earnings in three years.
- \*Section 2: Directs the Alaska Permanent Fund Corporation (APFC) to adopt regulations similar to the state's procurement code.
- \*Section 3: Adds the APFC to the list of state agencies that are exempt from the procurement code.
- \*Section 4: Transfers the authority to manage and invest the constitutional budget reserve fund (CBRF) from the Department of Revenue to the APFC.
- \*Section 5: Requires the APFC to report the balance and returns of the CBRF annually.
- \*Section 6: Dedicated deposits of royalties to the corpus are reduced from about 30% of the total received to the constitutional minimum of 25%.
- \*Section 7: Requires the APFC to determine the net income of the earnings reserve account (ERA) and excludes unrealized gains or losses from "net income".
- \*Section 8:
  - (b) Provides the first part of the draw formula – the POMV. Defines the maximum amount available for distribution each year as 5.25% of the average year-end market value of the Permanent Fund (including the ERA, but not the *Amerada Hess* funds) for the first five of the last six years.
  - (c) Provides the second part of the draw formula – the limit. Under the draw limit, for every \$1 over \$1.2 billion of variable oil and gas revenue (production taxes and royalties) received in the general fund, \$1 is subtracted from the POMV calculation in (b). The limit does not apply to the 20% of the POMV that goes to dividends.
- \*Section 9: Conforming amendment: the *Amerada Hess* funds are not included in the draw calculation in Sec. 8.
- \*Section 10:
  - (e) Plans an annual appropriation from the ERA to the general fund in an amount not to exceed the amount determined by the draw formula in Sec. 8.
  - (f) Plans for funds in the ERA over 21% (4 times 5.25%) of the fund's value to be transferred to the corpus.
- \*Section 11: Establishes a new dividend formula. Dividends are comprised of 20% of the full 5.25% POMV in Sec. 8 and 20% of prior year UGF royalties.  
  
Establishes a "savings rule" that plans for excess UGF revenues (those exceeding UGF appropriations) to be deposited in the CBRF and the permanent fund corpus.

- \*Section 12: Conforming language: APFC to adopt regulations implementing Sec. 2.
- \*Section 13: Conforming language: excludes mental health trust fund income from draw formula in Sec. 8.
- \*Section 14: Conforming language: formula for amount of individual dividend checks uses the amount appropriated to the dividend fund from the ERA.
- \*Section 15: Permanent fund dividends will be \$1,000 for fiscal years 2017, 2018, and 2019.
- \*Section 16: Conforming amendment: reflects that funds are appropriated to the dividend fund.
- \*Section 17: Once funds are appropriated from the ERA to the dividend fund, the Department of Revenue shall pay dividends each year without a separate appropriation.
- \*Section 18: Repeals provisions relating to the CBRF subaccount, the former dividend formula, and the inflation proofing calculation.
- \*Section 19: Repeals Sec. 15 (\$1,000 dividend) after three years.
- \*Section 20: Transition Language: The Commissioner of Revenue and the APFC may adopt regulations, policies and procedures to implement this Act.
- \*Section 21: Retroactive effective date of July 1, 2016 for Sec. 6-11 and 13-18.
- \*Section 22: Immediate effective date for remaining sections.