Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	SB 26
Fiscal Note Number:	3
(S) Publish Date:	1/18/2017

Identifier: DOR-TAX-1-17-17
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: GOVERNOR

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2018**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1250 UGF Rev (UGF)		2,587,900.0	2,739,000.0	2,856,500.0	2,918,600.0	2,968,800.0	3,066,500.0
1251 Non-UGF (Other)		(2,587,900.0)	(2,739,000.0)	(2,856,500.0)	(2,918,600.0)	(2,968,800.0)	(3,066,500.0)
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 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If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable; initial version.

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Division: Commissioner's Office Date: 01/17/2017 10:45 AM
Approved By: Randall Hoffbeck, Commissioner Date: 01/17/17
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

This legislation makes several changes to various aspects of the Permanent Fund program, including changes to the dividend calculation, changes to how Fund earnings are used, and changes to how royalty revenue is shared among various governmental funds. These changes do not directly impact revenue received by the Tax Division, but this fiscal note has been prepared in an attempt to represent all changes as a result of this legislation in a single fiscal note. All amounts shown are based on a combination of the Department of Revenue's Fall 2016 revenue forecast, and assumptions used by the Office of Management and Budget for development of the FY 2018 budget proposal. For purposes of this fiscal note the impacts are shown beginning with FY 2018; however the legislation has an immediate effective date and would also apply to FY 2017 funding if passed during the first session of the 30th Alaska Legislature.

One provision of this legislation is to reduce the share of minerals bonuses, rents, and royalties that are deposited to the Permanent Fund from 50% to 25% for certain leases. The Alaska Constitution mandates that 25% of all minerals bonuses, rents, and royalties be deposited into the Permanent Fund. However, for leases issued after February 15, 1980, a higher 50% of bonuses, rents, and royalties are deposited into the Permanent Fund. This legislation would reduce the contribution rate to the Permanent Fund for those leases to the constitutionally mandated 25%. Based on the Department of Revenue's Fall 2016 production and price assumptions, this provision of the bill would increase deposits to the General Fund by approximately $55 million to $77 million annually, while reducing royalty deposits to the Permanent Fund principal by the same amount.

The bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25 percent of the average market value of the fund, including the 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. Based on the Fall 2016 revenue forecast for royalty deposits (only the constitutionally mandated 25%), and assuming a 6.5% rate of return on the Permanent Fund (an assumption used for budget development; this may not match the official return forecast from the Permanent Fund Corporation), this provision of the bill would increase deposits to the General Fund by approximately $2,507 million to $2,965 million annually. This legislation would reduce the balance of the Permanent Fund Earnings Reserve Account by the same amount.

In total, revenues to the General Fund would be increased by $2,587 to $3,067 million annually based on the stated assumptions. Additional FY 2018 UGF revenue is broken out as follows:
5.25% POMV Draw from the ERA: $2,507.0 million
Reclassification of Amerida Hess revenue: $26.0 million
Royalties previously deposited into the Permanent Fund: $54.9 million