Permanent Fund Protection Act

February 1, 2017

The Permanent Fund Protection Act (PFPA) proposes a long-term plan for how we use fund earnings. The purpose of the plan is to protect the fund and the dividend by ensuring withdrawals are sustainable and that the fund maintains its inflation-adjusted value over time. In addition, the plan will help avoid future year-to-year swings in general fund revenue. By tempering that revenue volatility, the plan will also reduce associated fiscal inefficiencies and negative long-term impacts on the state economy.

The plan consists of a series of formulas: a draw formula, a dividend formula, and two formulas for deposits to the corpus.

Draw Formula: the amount to transfer from the ERA to the general fund

1. POMV Draw:
    - 5.25% of the average value of the fund in the first 5 of the last 6 years
2. Draw Limit:
    - Reduce the POMV draw by one dollar for every dollar that general fund production taxes and royalties exceed $1.2 billion

Dividend Formula: how much to appropriate from the general fund to the dividend fund

1. $1,000 per person for first 2 years
2. Then, 20% of general fund royalties plus 20% of the POMV draw

The 20/20 formula is expected to produce dividends around $1,000 per person.

Corpus Deposits: how much to put into the constitutionally protected corpus each year

1. Inflation Proofing Mechanism
    - Any balance of the ERA that is over 4 times the full POMV draw (currently annual transfers are made based on the rate of inflation in the prior year)
2. Royalty Deposits
    - Reduce to 25% (currently at about 30%)

Questions? Contact Emma Pokon at emma.pokon@alaska.gov or (907) 269-5215 for more information.