

ALASKA STATE LEGISLATURE

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Sectional Analysis Senate Bill 70

“An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; relating to the Alaska permanent fund, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation and payment of permanent fund dividends; and providing for an effective date.”

*Section 1: Legislative intent that the legislature reevaluate the use of the earnings of the Permanent Fund in three years

*Section 2: Removes the reference to the current statutory appropriation limit

*Section 3: Statutory Appropriation limit:

- Unrestricted General Fund appropriations may not exceed \$4.1 billion
- Adjusts for inflation using known inflation data
- Inflation adjustment is based on the Consumer Price Index for Anchorage prepared by the United States Bureau of Labor Statistics

Appropriation Limit excludes appropriations:

- To the Alaska Permanent Fund;
- For Permanent Fund Dividend payments;
- For payment of Debt obligations of the state (e.g. - General Obligation Bonds and Certificates of Participation);
- and for Capital projects

*Section 4: Under the responsibilities of the governor, adds language requiring the governor to submit a report with the release of the December 15th proposed budget, a calculation of the statutory appropriation limit and how the budget falls within the limit

*Section 5: Dedicated deposits of royalties to the Permanent Fund are reduced from the current 25/50 split on old/new leases to the constitutional minimum of 25%

*Section 6: Requires the Alaska Permanent Fund Corporation to determine the net income of the earnings reserve account excluding the unrealized gains or losses. Deletes the existing language for determining income available for distribution from the fund "...21 percent of the net income...for the last 5 fiscal years..."

*Section 7: (b) Defines the Percent of Market Value payout as five and one-quarter percent of the average year-end market value of the Permanent Fund and Earnings Reserve Account for the first five of the most recently completed six fiscal years. The payout may not exceed the year-end balance of the earnings reserve account for the fiscal year just ended. Excludes the Amerada Hess funds from this calculation

(c) Reserves 25% of the POMV payout for dividends. The remaining 75% of the payout is subject to a dollar for dollar reduction as oil and gas revenue rises above \$1.2 billion. The reduction takes place if (1) exceeds (2):

(1) Total amount of non-dedicated royalties - oil and gas production taxes, mineral lease rentals, royalties, royalty sale proceeds, net profit shares, and federal mineral revenue sharing payments and bonuses that are deposited into the general fund in the current fiscal years

(2) \$1,200,000,000 revenue limit

*Section 8: Changes the Percent of Market Value payout from five and one-quarter percent to five percent (effective date found in section 20, July 1, 2021)

*Section 9: The Amerada Hess funds which are deposited into the capital income fund are not available for distribution under the POMV calculation

*Section 10: AS 37.13.145 is the Disposition of Income of the Permanent Fund statute

Subsection (e) allows for appropriation from the ERA to the general fund subject to the provisions outlined in Section 7

Subsection (f) provides an inflation proofing mechanism whereby any amount in the ERA over 4 times the POMV payout (less the payout just made) may be appropriated to the Permanent Fund Principal

- *Section 11: Allows for appropriation from the ERA to the Dividend fund 25% of the amount calculated for the POMV (Dividends are comprised of 25% of the 5.25% POMV)
- *Section 12: Mental Health Trust Fund may not be included in the computation of income available for distribution under the POMV
- *Section 13: Clarifies that the amount to the dividend fund is the amount appropriated (not transferred)
- *Section 14: The amount of each Permanent Fund Dividend for fiscal years 2018, 2019, and 2020 shall be \$1,000
- *Section 15: Conforms to Sec. 11, which moves money to the Dividend Fund by appropriation
- *Section 16: Once the money is in the Dividend Fund, the Department of Revenue shall annually pay dividends without further appropriation
- *Section 17: Repeals current statutory appropriation limit language and the current dividend calculation
- *Section 18: Repeals Section 14 - \$1,000 dividend for three years on June 30, 2021
- *Section 19: Transition language giving the Commissioner of Revenue and the Alaska Permanent Fund Corporation the authority to adopt regulations, policies, and procedures to implement this Act
- *Section 20: Previous section takes effect immediately
- *Section 21: Effective date for Section 8 – changes the Percent of Market Value payout from five and one-quarter percent to five percent, July 1, 2021
- *Section 22: Effective date of July 1, 2017