

# SB 21 (2017)

## “GUARD AND GROW” THE ALASKA PERMANENT FUND

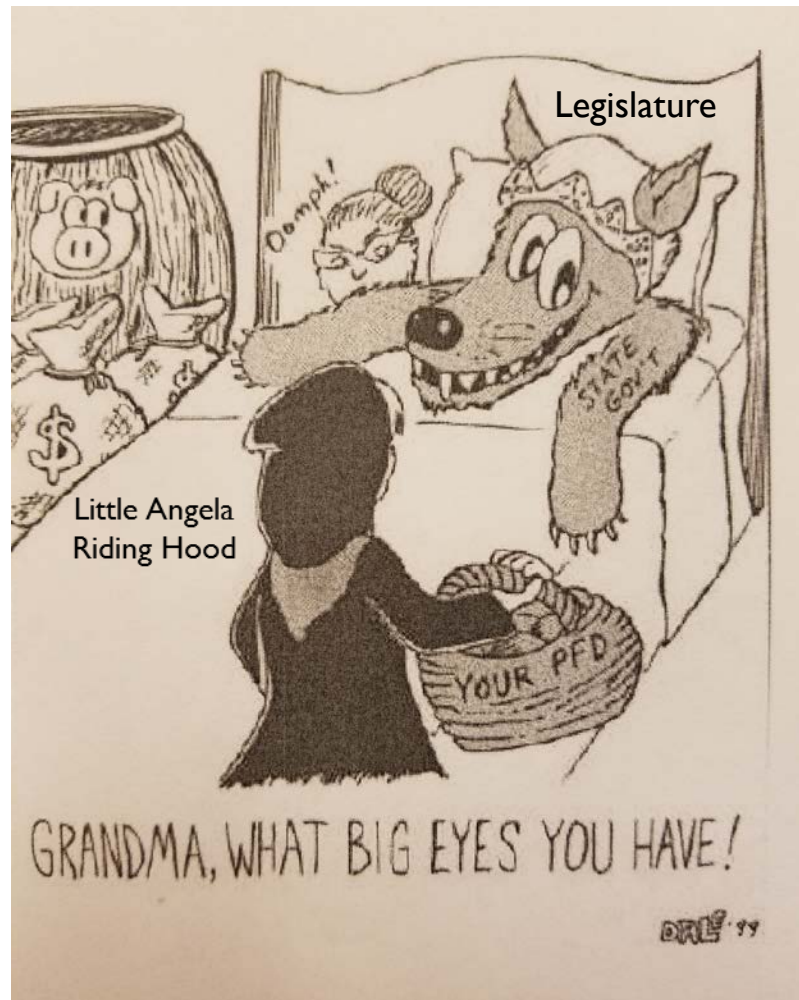
Sponsored by Senator Bert Stedman

Senate Finance Committee

February 21, 2017

## Issue:

Structuring the Permanent Fund to Guard It from Being Raided.



## Opportunity:

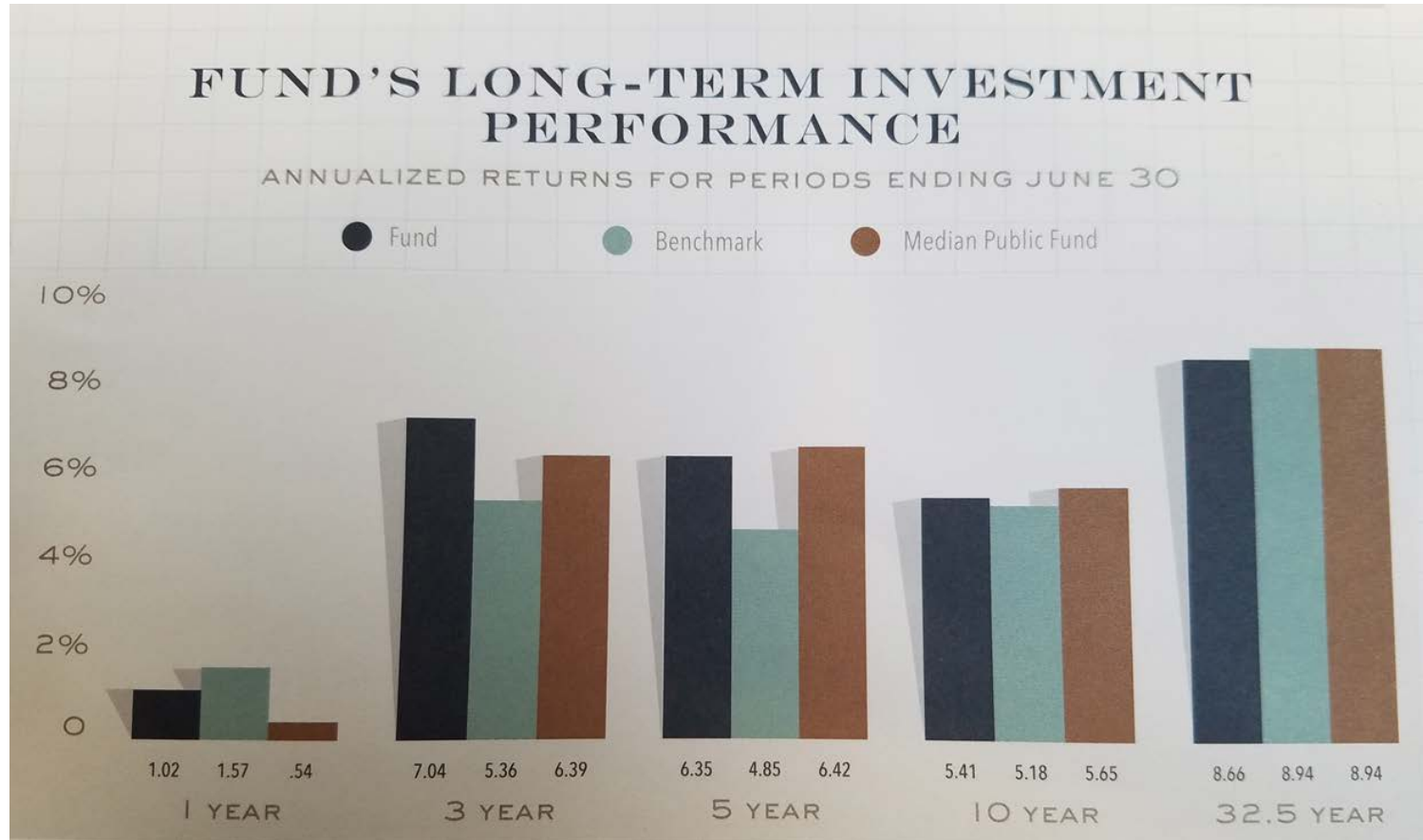
Build a New Fiscal Framework

- Continues the Proper Management of the Fund,
- Provides a Fair Dividend,
- Allows for Transfers Back to Principle of Fund, and
- Limits Use For Public Services.

## CURRENT PRINCIPLES FOR THE PERMANENT FUND

- **A “Permanent” Savings Account:** The fund should conserve part of the state’s revenue from resources to benefit all generations. AS 37.13.020(1)
- **The Fund’s Principle Should Be Protected While Prudently Invested** The fund should be managed to protect the principal while maximizing total return. AS 37.13.020(2)
- **The Fund’s Purchasing Power Over Time Should Be Preserved While Maximizing Return** AS 37.13.120(a)

# CURRENT PRINCIPLES WORK – 8.66% ANNUALIZED RETURNS FOR LAST 32.5 YEARS (\$734,000 IN 1977 TO \$57,304,500,000 2/21/17)



SB 21 (2017) PROTECTS THE PERMANENT FUND UNDER CURRENT PRINCIPLES: INVEST PRUDENTLY, PROVIDES A FAIR DIVIDEND, ALLOWS FOR REINVESTMENT, AND **LIMITS THE AMOUNT FOR GOVERNMENT!**

- Sets up a 4.5% payout based on a rolling 5 year average. (Uses first 5 of the last 6 fiscal years)
- Splits the 4.5% payout and sets a minimum 2.25% allocation for dividends
- The remaining 2.25% of the payout can be allocated towards increased dividends, returned to the permanent fund for investment, or to the general fund for state services.
- Sets a maximum of 2.25% on the amount of the payout that can be used for government services.

# SB 21 (2017) - PROJECTED 4.5% DRAW, DIVIDEND AMOUNTS, AND OTHER FUNDS

FISCAL YEAR	DRAW - 4.5% PAYOUT	MINIMUM DIVIDEND – 2.25%	REINVEST, INCREASE DIVIDEND, PUBLIC SERVICES – 2.25%	ENDING TOTAL FUND VALUE
FY 2018	\$2,178,000,000	\$1,089,000,000 / \$1,700	\$1,089,000,000	\$56,616,000,000
FY 2019	\$2,308,000,000	\$1,154,000,000 / \$1,790	\$1,154,000,000	\$58,333,000,000
FY 2020	\$2,414,000,000	\$1,207,000,000 / \$1,850	\$1,207,000,000	\$60,281,000,000
FY 2021	\$2,478,000,000	\$1,239,000,000 / \$1,880	\$1,239,000,000	\$62,204,000,000
FY 2022	\$2,546,000,000	\$1,273,000,000 / \$1,910	\$1,273,000,000	\$64,195,000,000

# SB 21 (2017) – SAFEGUARDS THE FUND SO IT CAN GROW AND LAST FOR GENERATIONS

- SB 21 (2017) is not intended to fill the entire fiscal gap. It's primary focus is guarding the permanent fund so it can grow for future generations while keeping downward pressure on government spending.
- Other pieces that address the fiscal gap, like budget reductions, efficiencies, and revenue enhancements may be bolted onto the fiscal framework in the near future.



# QUESTIONS?

