

ALASKA STATE LEGISLATURE

SESSION

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SPONSOR STATEMENT

SB 21 (2017)

SB 21 (2017) would establish a percent of market value (POMV) approach that “guards and grows” the Permanent Fund. It guards the Permanent Fund from legislative appropriations in several ways.

First, it limits a draw or annual payout to a sustainable 4.5% of the average annual market value of the fund for the first five of the last six fiscal years. At 4.5% the fund can continue to invest and perform at a similar level as it is now for future generations. Also, at no more than 4.5% the fund will continue to grow and generate greater returns and dividends in the future.

Second, by allocating a *minimum* of 2.25% for dividends (and possibly more), it provides Alaskans a fair dividend.

Third, it provides flexibility for the remaining 2.25%. SB 21 (2017) gives the Legislature the option to allocate the remaining 2.25% to increase dividends, to the permanent fund for investment, to public services, or a combination of purposes, depending on the fiscal circumstances present.

Critically, the maximum amount of the draw available to pay for public services would be 2.25%. This “cap” on funding acts as an effective spending limit – it simply limits the money available for appropriation by the legislature. This keeps downward pressure on the operating budget while ring fencing the permanent fund for current and future generations.

SB 21 (2017) and its new framework for the permanent fund is the essential foundation of a fiscal plan. Additional budget solutions can and should be considered by the legislature and “bolted on” to the framework.

District R

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