



# State of Alaska Department of Revenue

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## SB23 and the Fiscal Health of the ERA

3/7/2019

Economic Research Group – Tax Division  
Alaska Department of Revenue

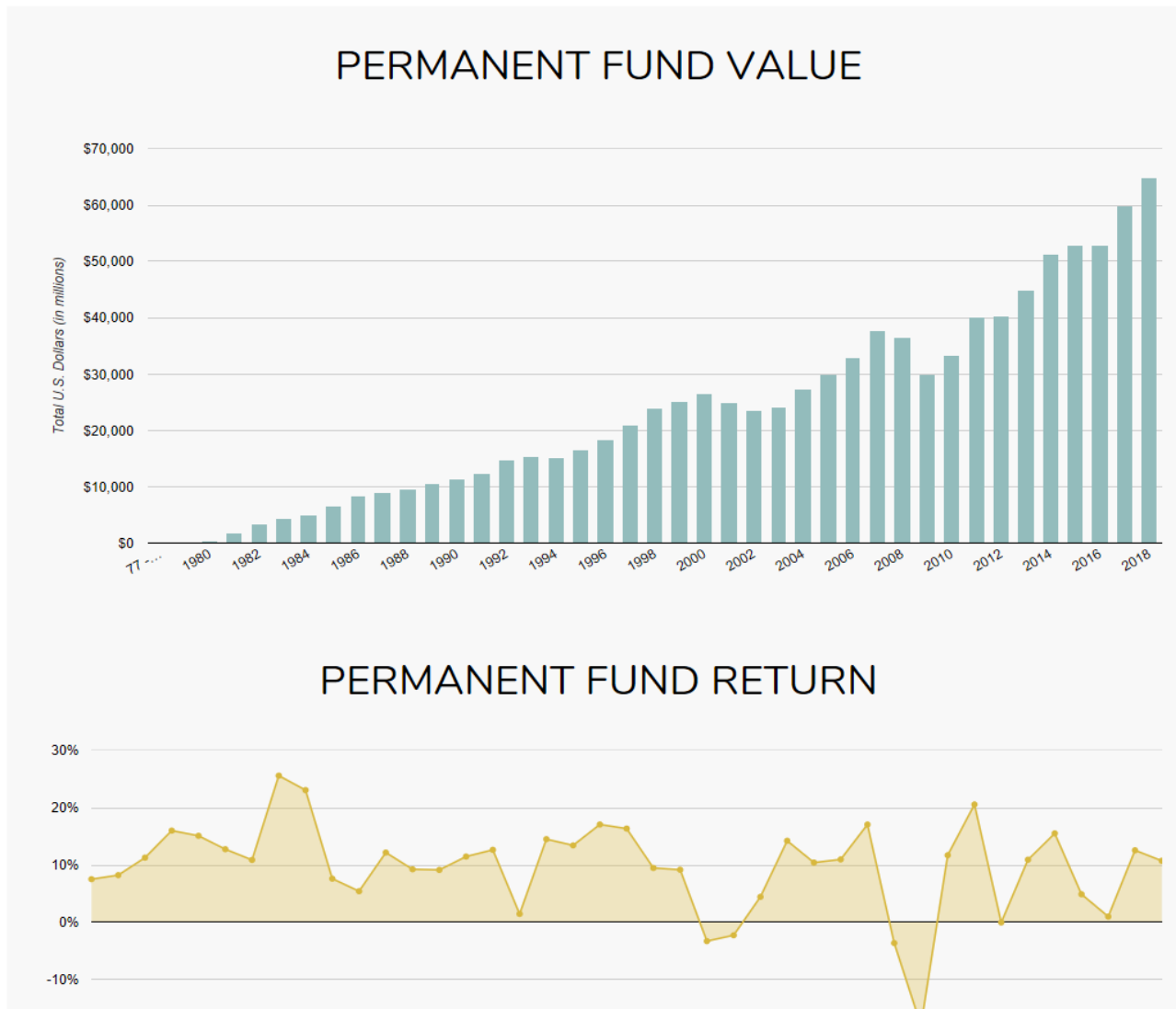


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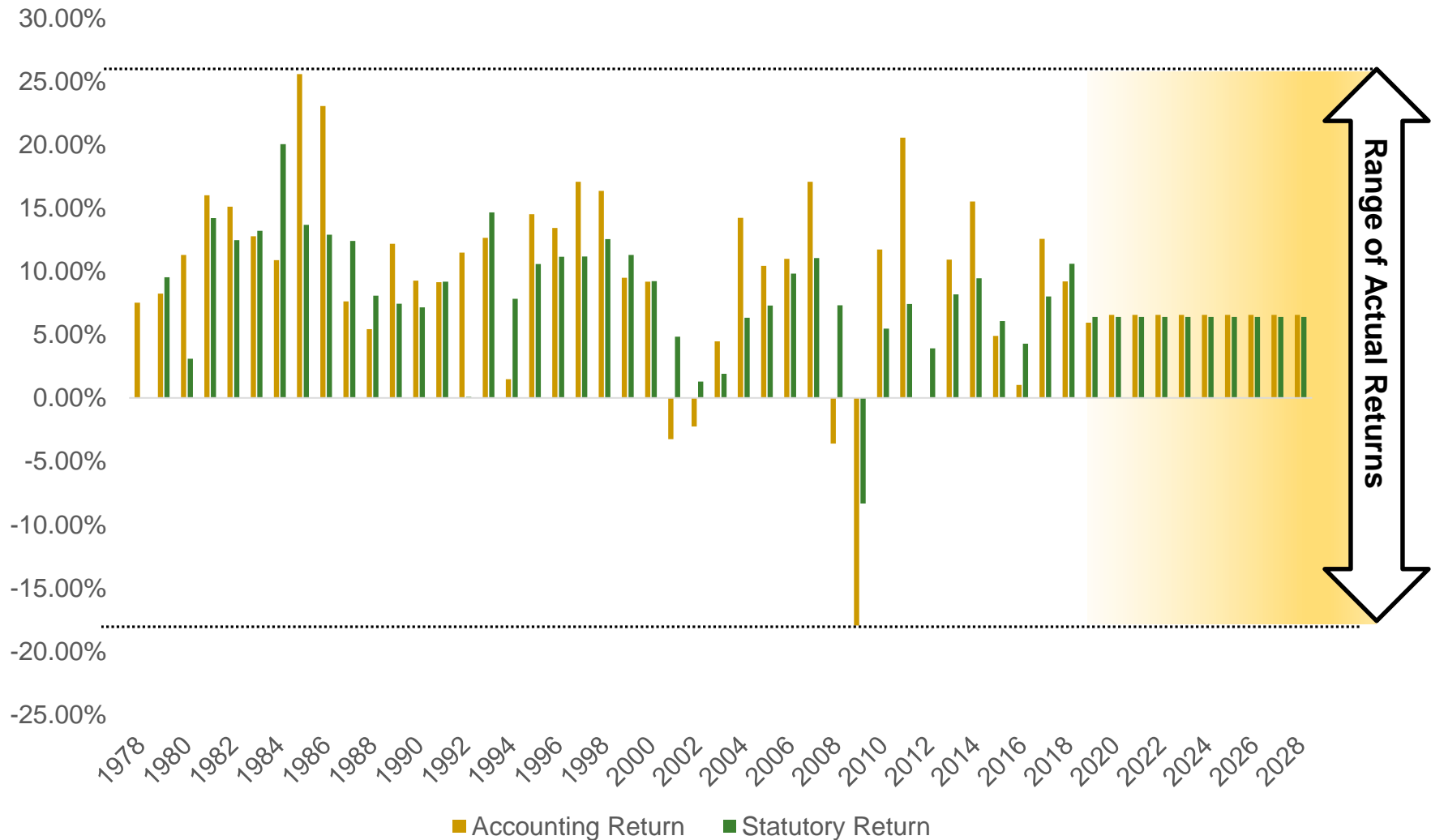
Alaska Permanent Fund Corporation

# **HISTORIC FUND PERFORMANCE**

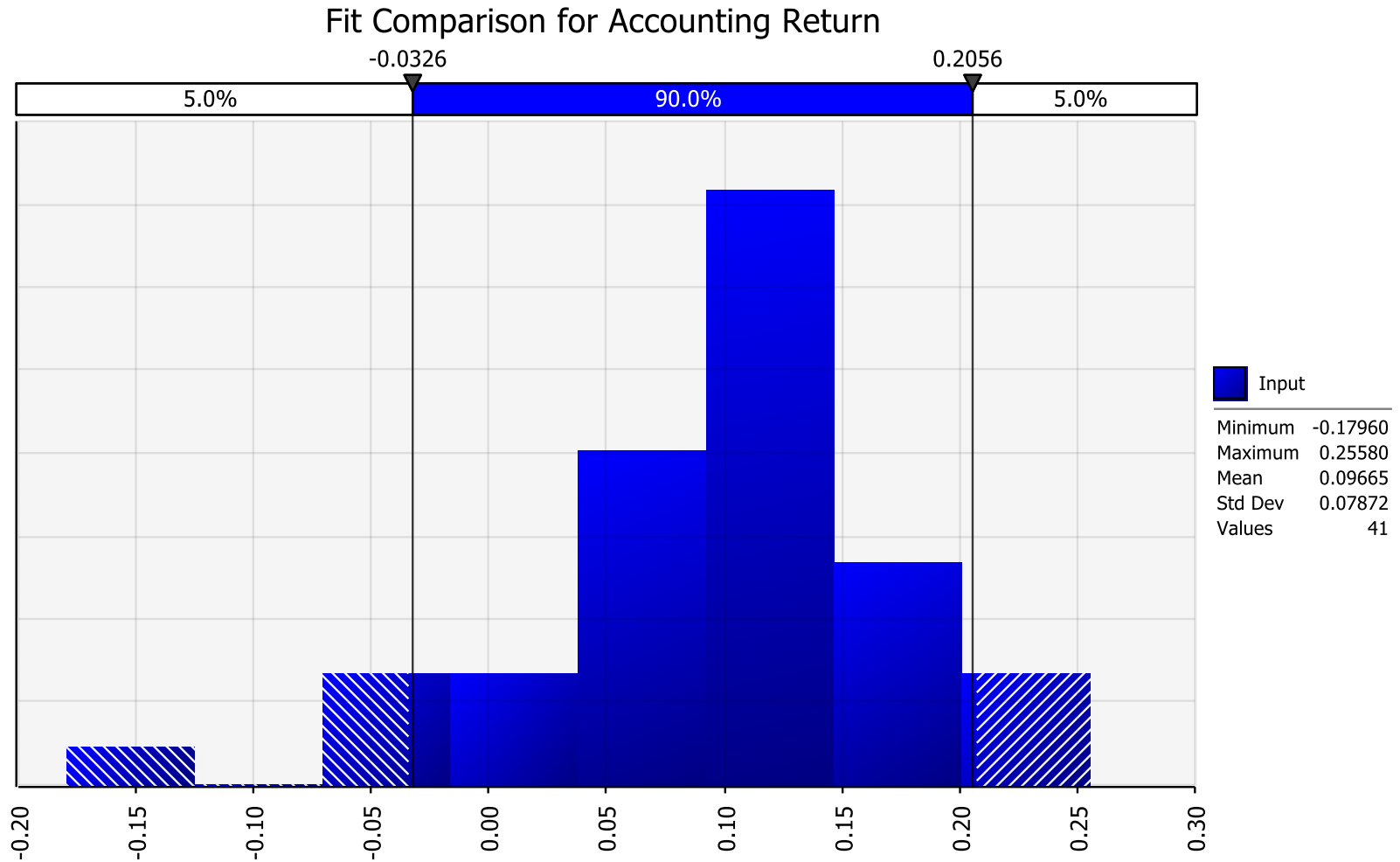
# Alaska Permanent Fund Corporation History



# Alaska Permanent Fund Corporation History and Projection

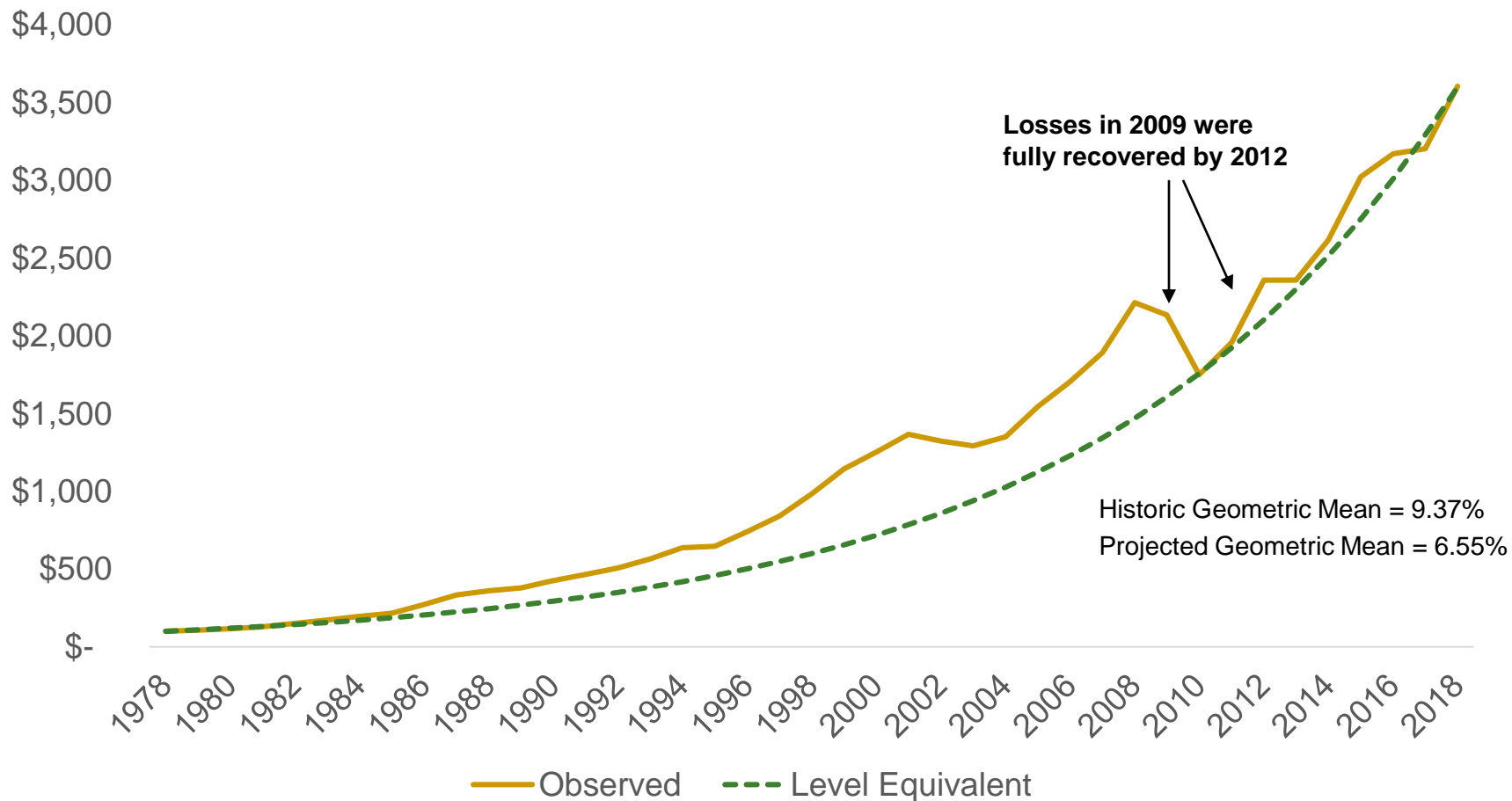


# Distribution of Historic Accounting Returns



# APFC Returns

Change in Value of \$100 Initial Investment with APFC Historic Returns



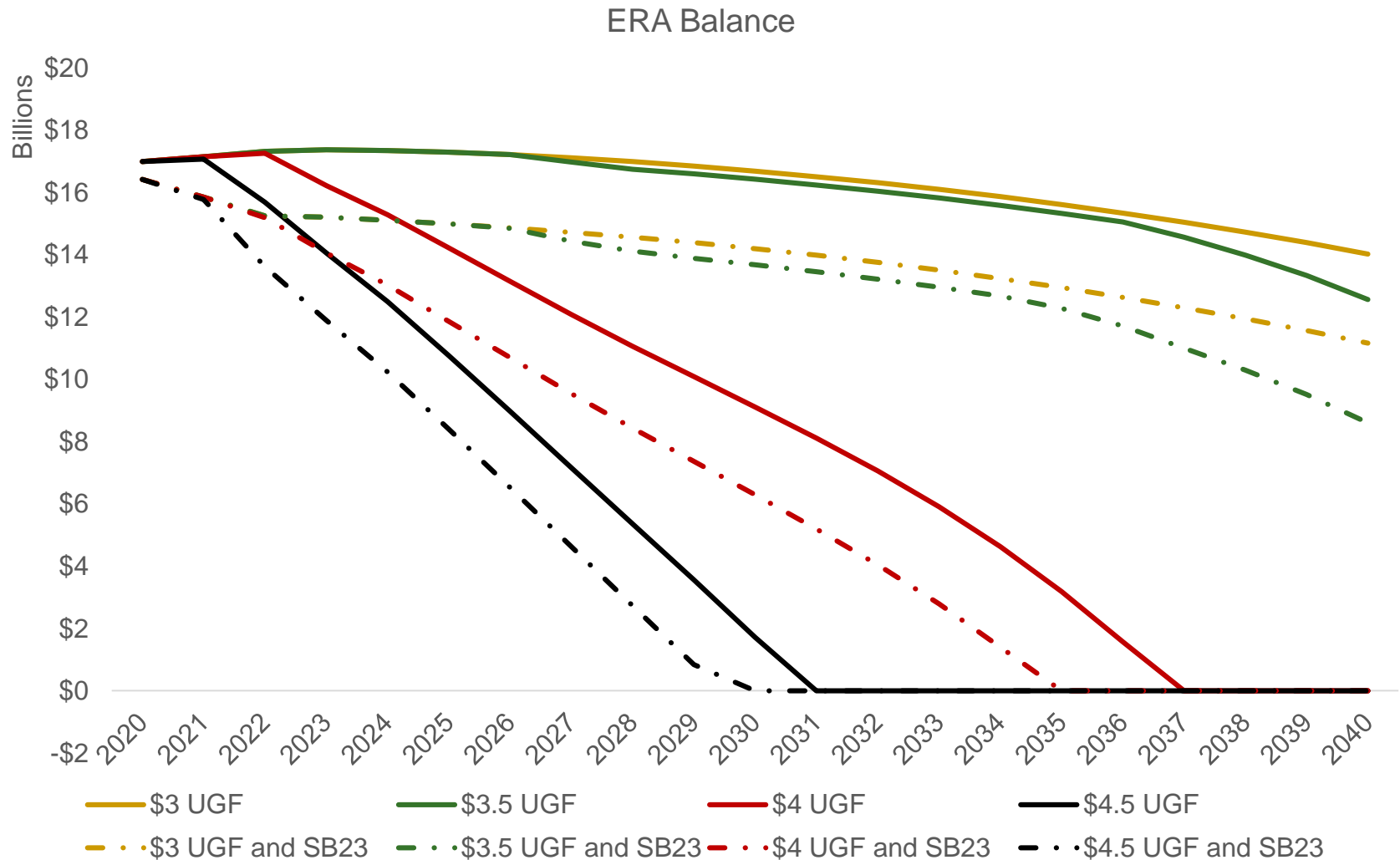
Note: There could be very good reasons for a reduced future performance projection, especially in the near term.

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Static Scenario Modeling

# **BALANCE CHANGES UNDER VARIOUS SPENDING ASSUMPTIONS**

# Earnings Reserve Balance Changes Under Various Spending Assumptions (with and without SB23)

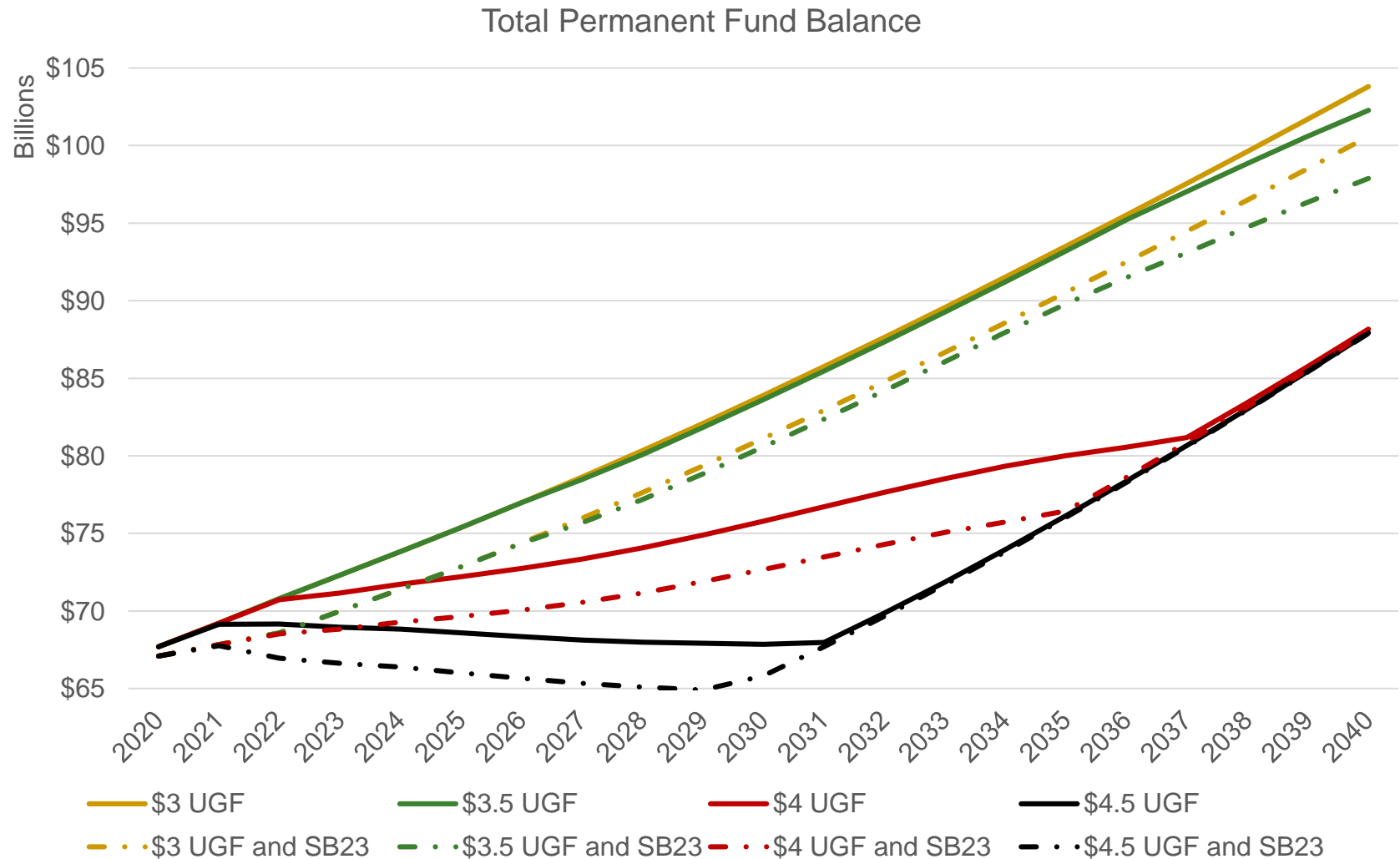


Key Assumptions: Statutory inflation proofing is appropriated and full PFD is paid.

Deficit is covered with *ad hoc* draws from ERA (POMV limit is not followed)



# Total Fund Balance Changes Under Various Spending Assumptions (with and without SB23)



Key Assumptions: Statutory inflation proofing is appropriated and full PFD is paid.

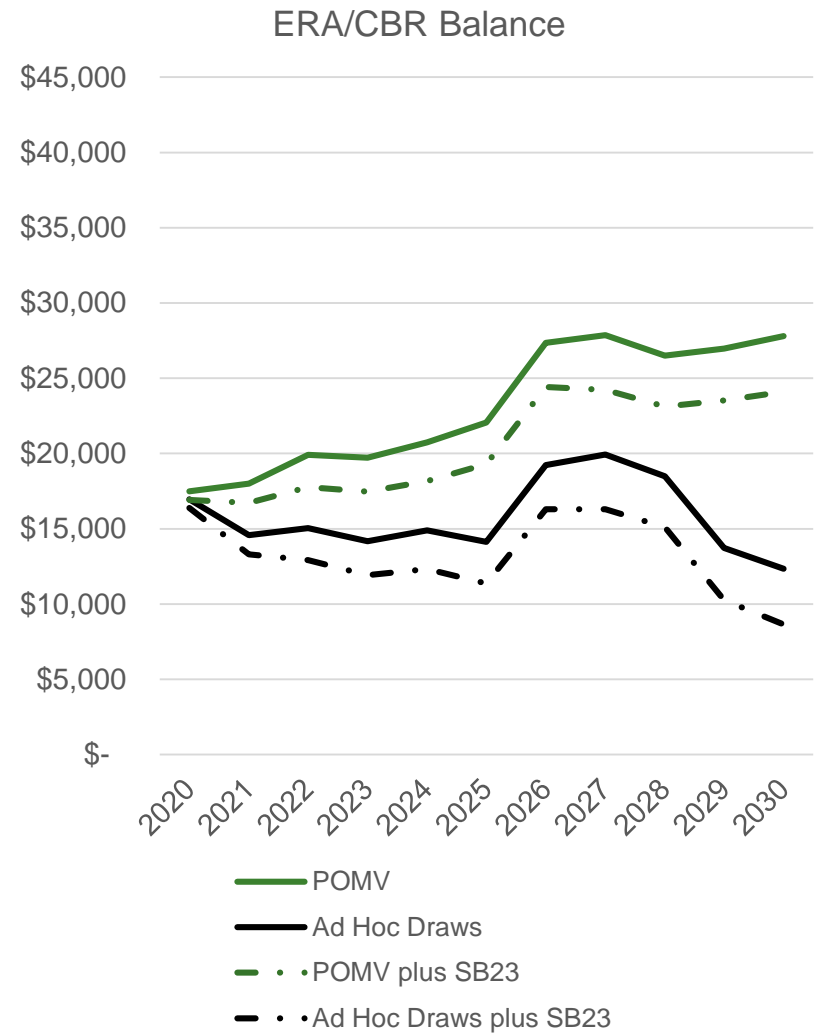
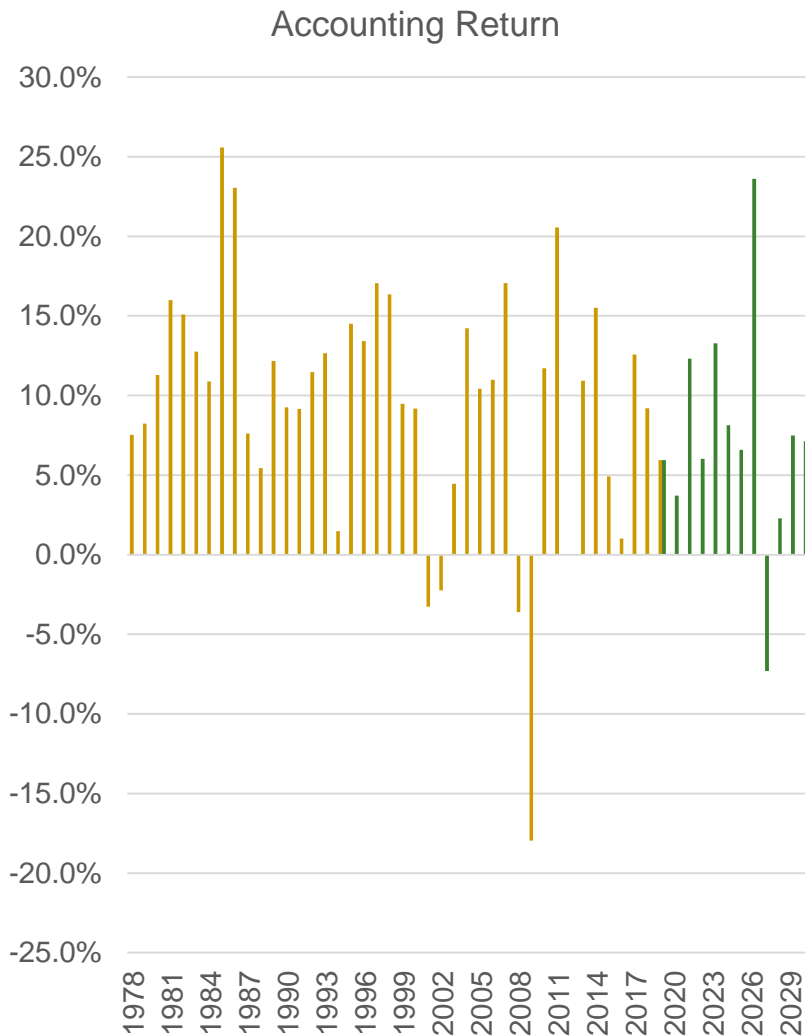
Deficit is covered with *ad hoc* draws from ERA (POMV limit is not followed)

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Sample Randomly Generated Futures

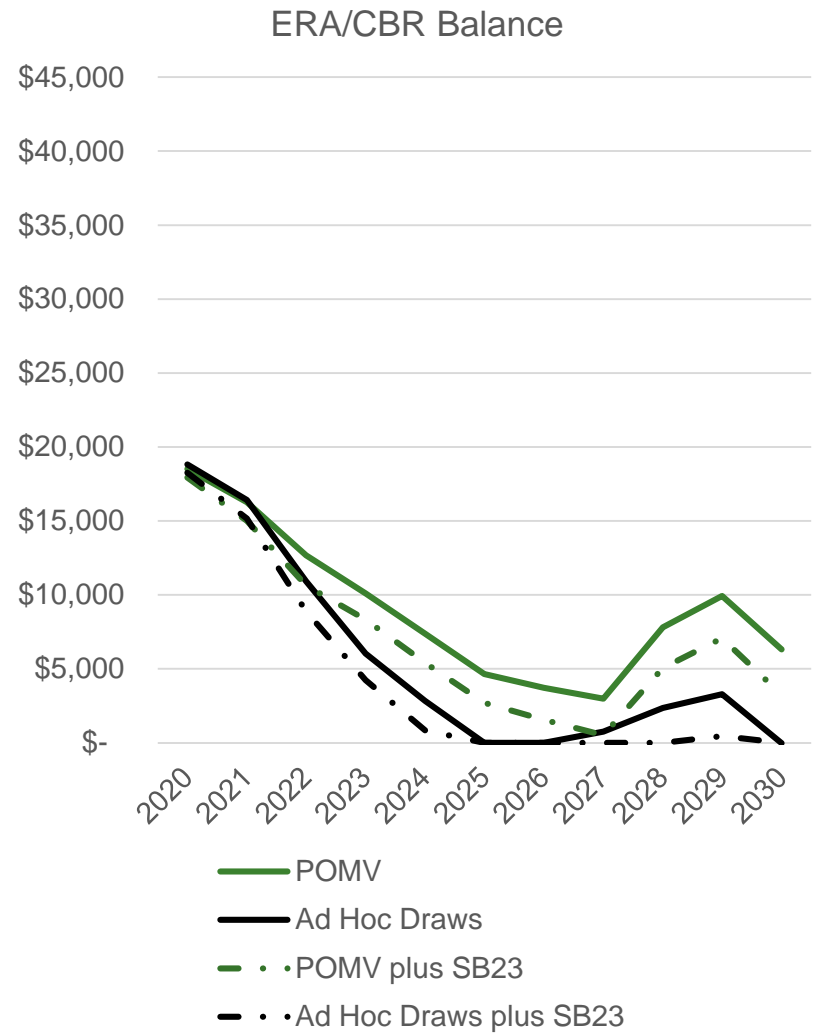
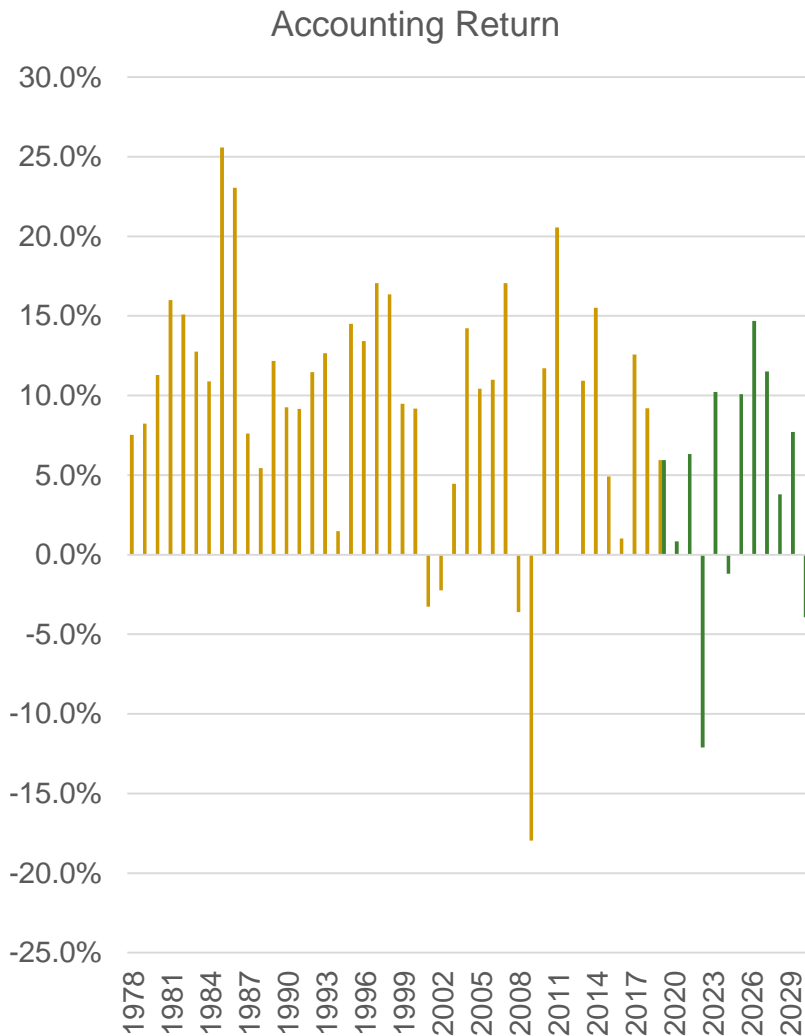
# **ASSET BALANCES UNDER VARIOUS SCENARIOS**

# Randomly Generated Scenario 1



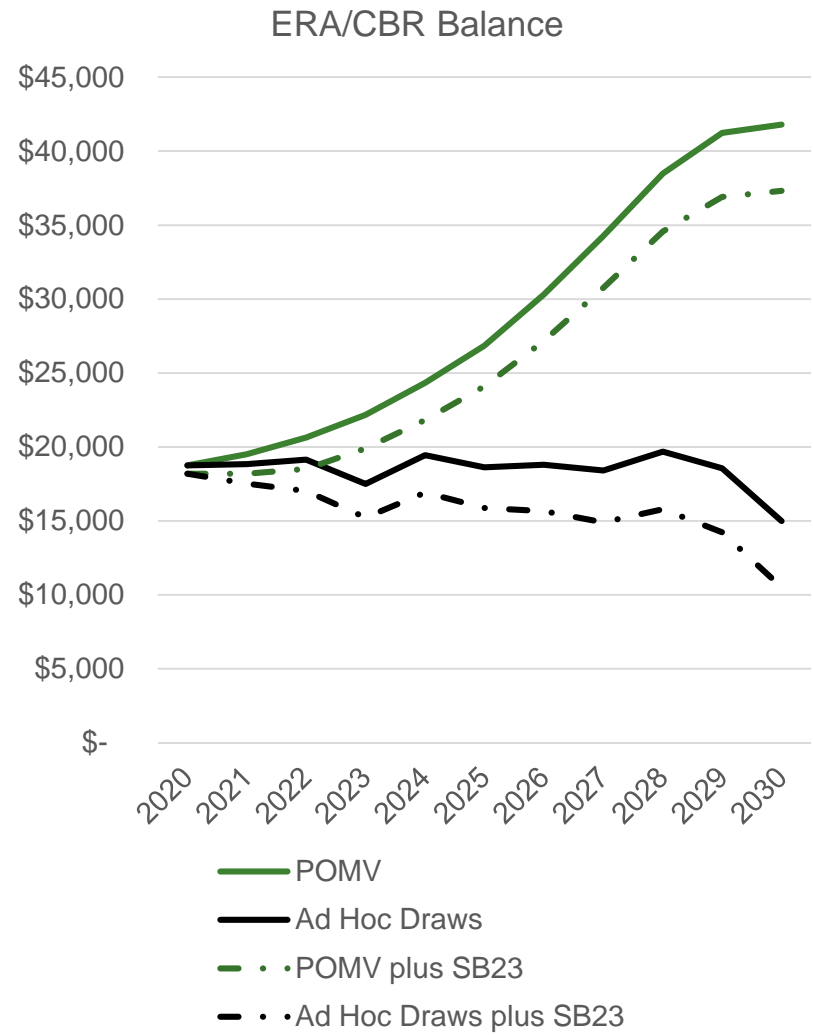
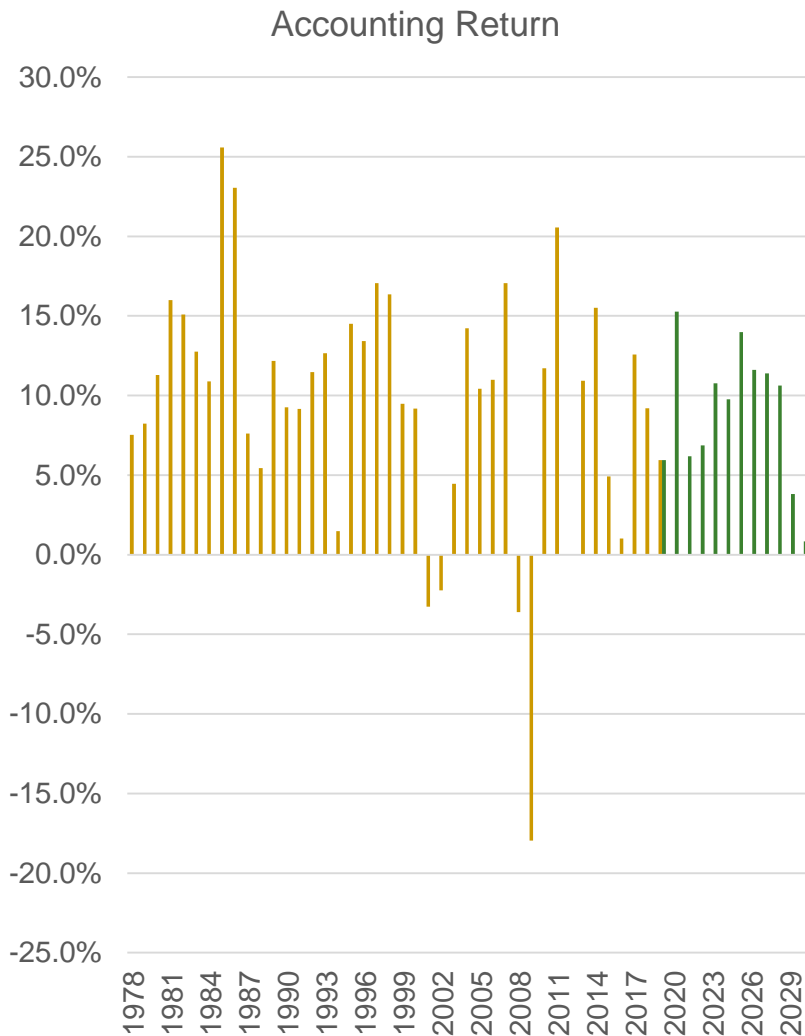
Key Assumptions: Statutory inflation proofing is appropriated and full PFD is paid.  
 In POMV case, any deficit is covered with budget cuts, PFD cuts, or new revenues.  
 In *ad hoc* case, any deficit is covered with excess draws from ERA

## Randomly Generated Scenario 2



Key Assumptions: Statutory inflation proofing is appropriated and full PFD is paid.  
In POMV case, any deficit is covered with budget cuts, PFD cuts, or new revenues.  
In *ad hoc* case, any deficit is covered with excess draws from ERA

## Randomly Generated Scenario 3



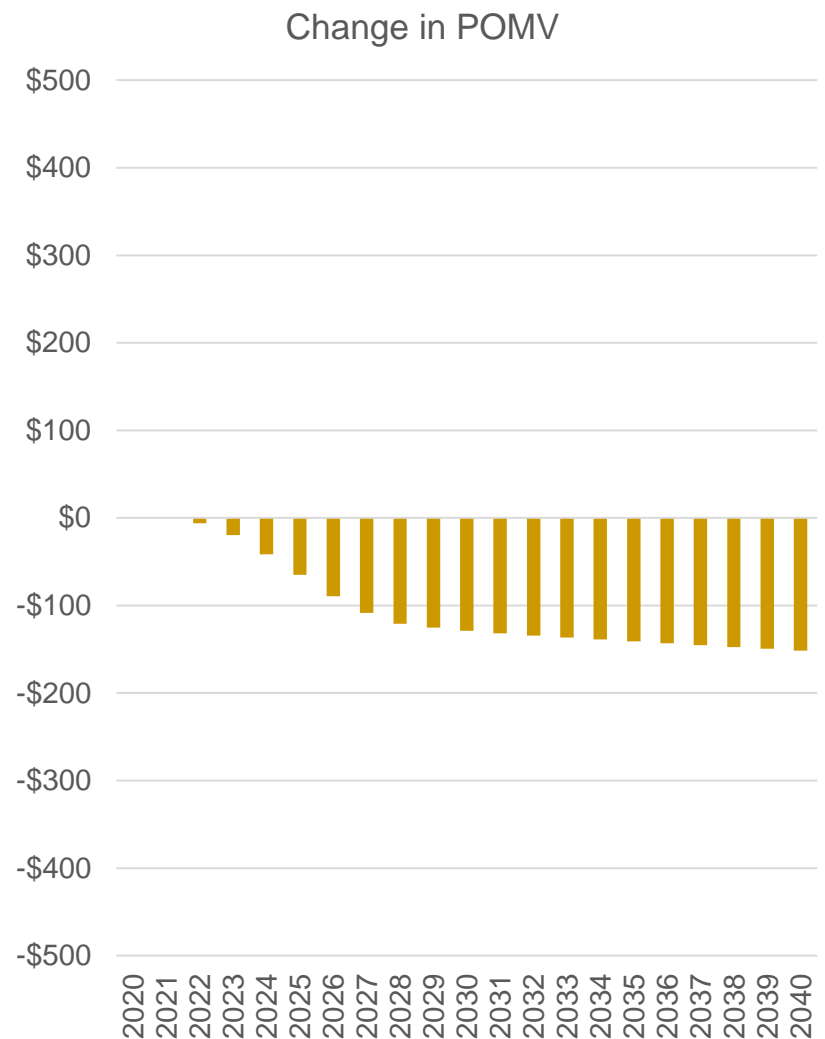
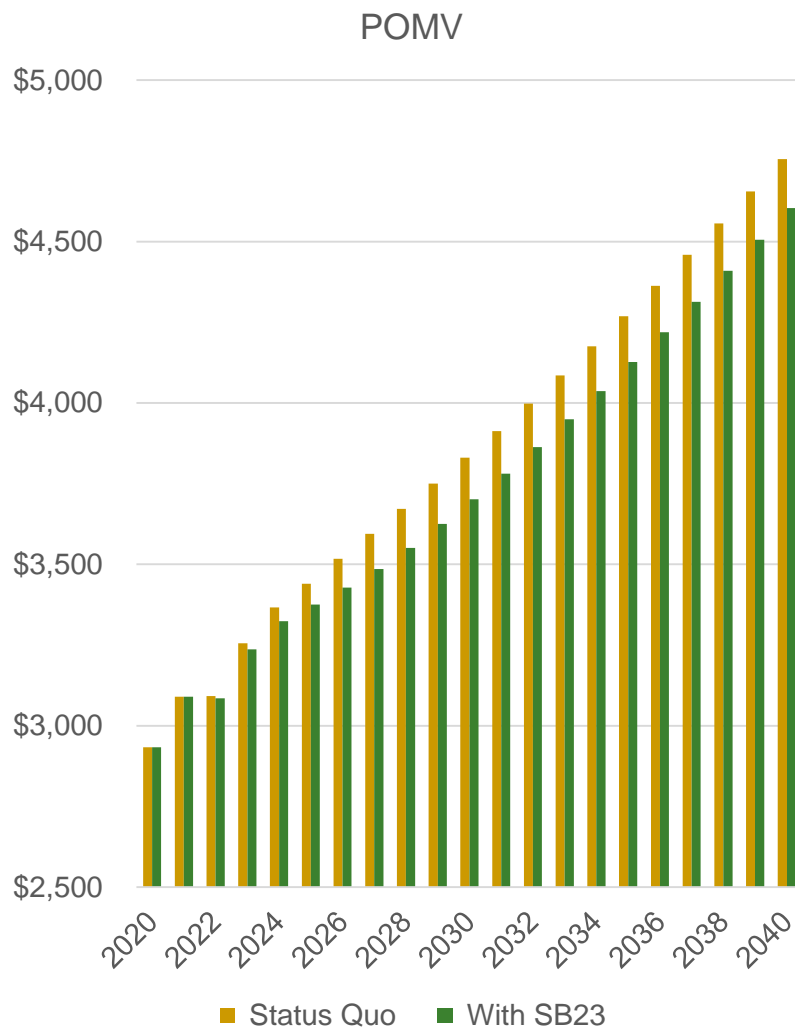
Key Assumptions: Statutory inflation proofing is appropriated and full PFD is paid.  
In POMV case, any deficit is covered with budget cuts, PFD cuts, or new revenues.  
In *ad hoc* case, any deficit is covered with excess draws from ERA

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Other Impacts of Interest

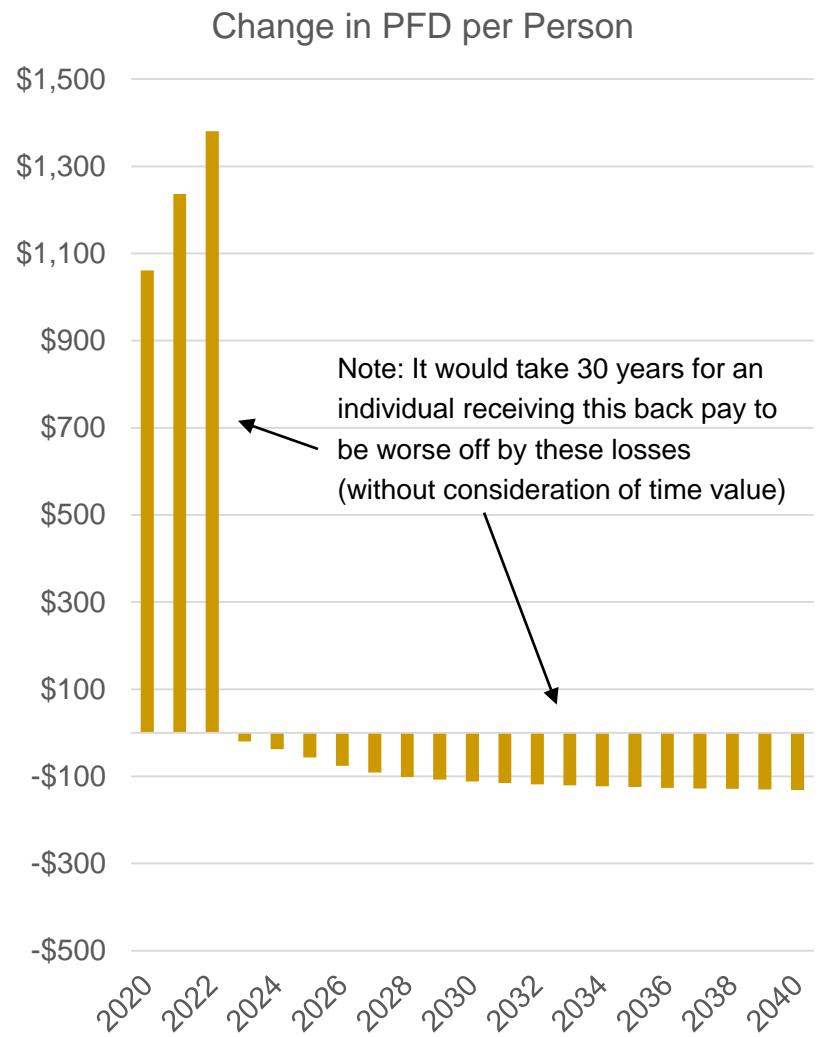
# **POMV AND PFD CALCULATION CHANGES**

# Impact of SB23 on POMV



Key Assumptions: Draws on the ERA are limited to current POMV and SB23;  
6.55% accounting return, 6.4% statutory return, royalty deposits based on Fall 2018 RSB

# Impact of SB23 on PFD



Key Assumptions: Current PFD statutes are followed; draws on the ERA are limited to current POMV and SB23; 6.55% accounting return, 6.4% statutory return, royalty deposits based on Fall 2018 RSB