

# SENATE BILL 103

Senate Finance Committee

April 10, 2019

THE PERMANENT FUND  
 WAS ESTABLISHED IN  
 1976 BY A VOTE OF THE  
 PEOPLE TO SAVE A  
 PORTION OF ALASKA'S  
 MINERAL WEALTH FOR  
 FUTURE GENERATIONS  
 AND LIMIT  
 OVERSPENDING BY THE  
 LEGISLATURE.

**BALLOT PROPOSITION NO. 2**  
**PERMANENT FUND FROM NON-RENEWABLE RESOURCES REVENUE**  
**Constitutional Amendment**

(SCS CSSS House Joint Resolution No. 39 [Resources] am S)

**BALLOT FORM:**

A vote "FOR" adopts the amendment.

A vote "AGAINST" rejects the amendment.

FOR { }  
 AGAINST { }

**VOTE CAST BY MEMBERS OF 9TH STATE LEGISLATURE ON FINAL PASSAGE**

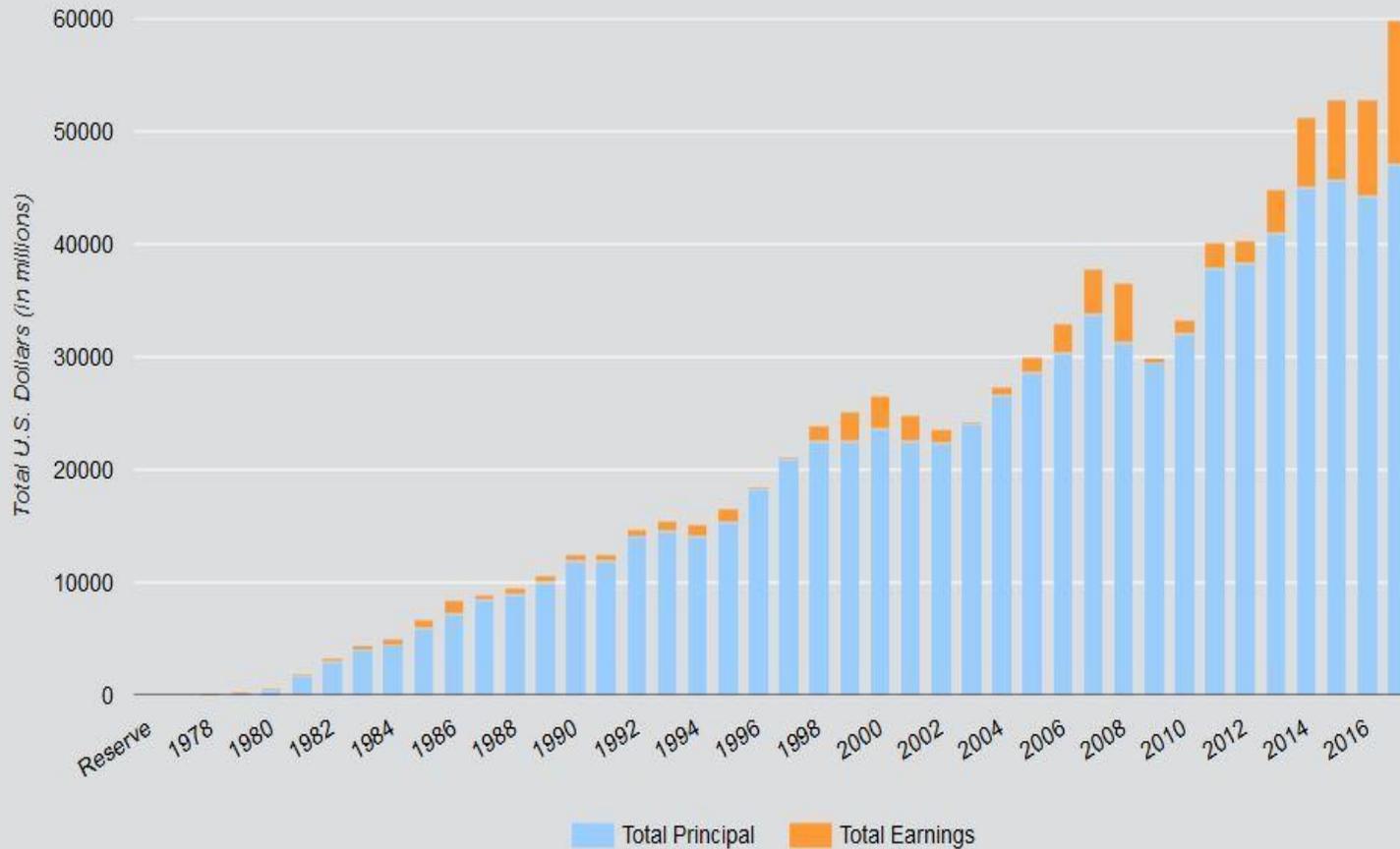
Senate	(20 members):	Yeas <u>18</u>	Nays <u>1</u>	Absent or Not Voting <u>1</u>
House	(40 members):	Yeas <u>36</u>	Nays <u>1</u>	Absent or Not Voting <u>3</u>

**SUMMARY OF PROPOSITION**

This proposal, if approved, would amend the Constitution of the State of Alaska by amending Article IX, Section 7 (Dedicated Funds) and adding a new Section to Article IX (Section 15, Alaska Permanent Fund). It would establish a constitutional permanent fund into which at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State would be paid. The principal of the fund would be used only for income-producing investments permitted by law and the income from the fund would be deposited in the general fund of the State and be available to be appropriated for expenditure by the State unless otherwise provided by law.

-- Summary prepared by Legislative Affairs Agency  
 as required by law

## HISTORICAL VALUES OF PRINCIPAL & EARNINGS RESERVE

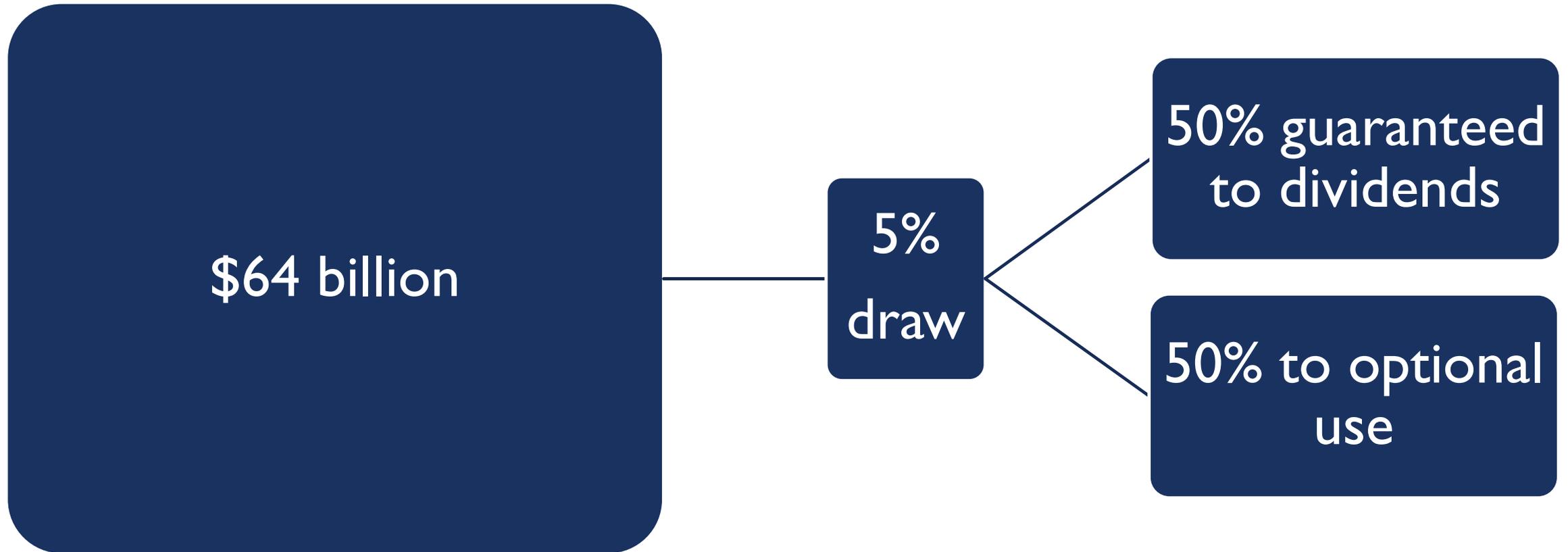


THE PERMANENT FUND  
IS AN ALASKA  
SUCCESS:

CURRENT VALUE OF  
\$64 BILLION FROM A  
TOTAL CONTRIBUTION  
OF \$40.4 BILLION.

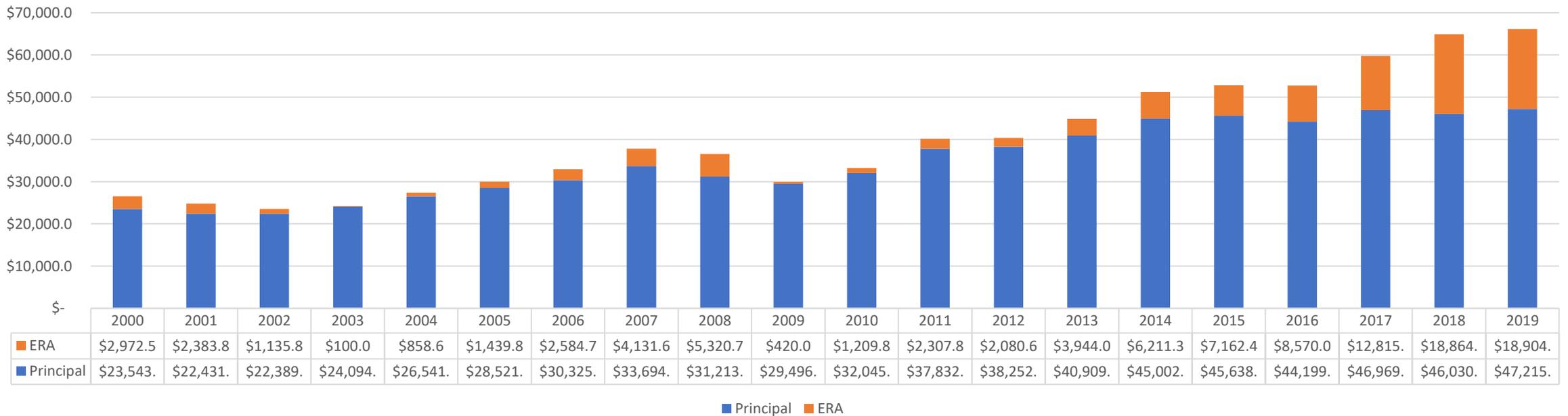
# SB 103 PROTECTS THE PERMANENT FUND

## MECHANICS OF THE DRAW AND THE SPLIT



# THE ERA IS VARIABLE AND UNCERTAIN. BY ITS NATURE IT LACKS THE STABILITY TO BE RELIED UPON FOR BUDGET STABILIZATION.

Principal & ERA  
2000-2019



# SB 103 DOESN'T ALTER THE FUND'S PRINCIPLES

## SAVE AND GROW

- SB 103 limits any draw from the Fund to a maximum 5% of its 5-year average value.
  - This draw limit is conservative and sustainable.
  - 5% is comfortably under the Fund's growth performance.

	Total Growth	Objective (CPI + 5%)
1 year (FY18)	10.74%	7.87%
3 years	7.96%	6.83%
5 years	8.91%	6.54%
Since Inception	8.86%	7.68%

# SB 103 PROTECTS THE PERMANENT FUND

## LET'S TALK DIVIDENDS

- The dividend (est. 1982) has disbursed \$22b to Alaskans.
  - It is an equitable distribution of resource wealth to those who own the resources.
  - SB 103 provides a predictable and transparent dividend via a 50/50 formula.
  - Dividends will once again be reliable and linked to the value of the fund.

# COMPARISON OF 1982 FORMULA & SB 103

	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Rate	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Total POMV Draw	2,933.3	3,089.6	3,090.7	3,253.5	3,361.0	3,431.8	3,504.2	3,576.0	3,648.3
<b><u>1982 Formula</u></b>									
PFD Transfer	1,944.2	2,052.8	2,244.9	2,339.2	2,115.9	2,158.5	2,202.6	2,246.6	2,290.8
Remainder for Public Services	989.1	1,036.8	845.8	914.3	1,245.1	1,273.3	1,301.6	1,329.4	1,357.5
PFD Per Recipient	\$ 3,032	\$ 3,111	\$ 3,381	\$ 3,499	\$ 3,134	\$ 3,176	\$ 3,219	\$ 3,263	\$ 3,306
<b><u>SB 103</u></b>									
PFD Transfer	1,466.6	1,544.8	1,545.4	1,626.8	1,680.5	1,715.9	1,752.1	1,788.0	1,824.2
Remainder for Public Services	1,466.6	1,544.8	1,545.4	1,626.8	1,680.5	1,715.9	1,752.1	1,788.0	1,824.2
PFD Per Recipient	\$ 2,285	\$ 2,323	\$ 2,305	\$ 2,411	\$ 2,475	\$ 2,510	\$ 2,546	\$ 2,582	\$ 2,618