

LEGISLATIVE RESEARCH SERVICES

30th Alaska Legislature
LRS Report 18.173
March 20, 2018



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Background on AS 37.13.140, Alaska Permanent Fund Income

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Why was “21 percent” of the net income included in the language for AS 37.13.140, instead of an alternative percentage value? Was 20 percent considered? Do relevant committee minutes exist?

Alaska Statue 37.13.140 reads as follows:

Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals 21 percent of the net income of the fund for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the fund for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145.

In 1986, the 14th Alaska State Legislature passed SB 346 (ch 28 SLA 1986), establishing that 21 percent of the net income of the permanent fund corporation for the last five fiscal years be available for distribution.¹ According to a search conducted by the Legislative Reference Library, the specific figure of 21 percent appears to have come from a House Finance Committee substitute of the bill, which was ultimately signed by the governor.² Minutes from that committee reveal that specific language in the bill was crafted in order to meet the conditional provisions of HB 28 (ch 25 SLA 1986), which had previously passed both houses and been transmitted to the governor.³ House Bill 28 made appropriations to the principal of the permanent fund, contingent upon specific changes being made to AS 37.13.140, including those ultimately accomplished by SB 346.⁴

¹ We include as Attachment A, ch 28 SLA 1986.

² Jennifer Fletcher, Librarian, Legislative Reference Library, at 907-465-3808, or jennifer.fletcher@akleg.gov.

³ House Finance Committee Minutes, May 2, 1986, at http://www.legis.state.ak.us/basis/folioproxy.asp?url=http://www.jnu01.legis.state.ak.us/cgi-bin/folioisa.dll/cmpr/query=*/doc/{t27493}?.

⁴ Bill files for HB 28 and SB 346 are available from the Legislative Reference Library.

At the time, AS 37.13.140 included language that read, “Income available for distribution equals the average net income of the corporation for the last five fiscal years...” House Bill 28 was conditional upon that language being deleted or amended. The House Finance Committee minutes indicate that there may have been doubts—substantiated by an interpretation from Legislative Legal Services—as to whether the use of “20 percent” would have met the conditional provisions called for in HB 28. For example, were SB 346 to have read, “Income available for distribution equals 20 percent of the net income of the corporation for the last five fiscal years,” the statute would have remained substantially the same and may not have fulfilled the provisions of HB 28.⁵ The use of 21 percent appears to be an attempt to comply with HB 28, while changing the equation as little as possible.

We hope this is helpful. If you have questions or need additional information, please let us know.

⁵ We include as Attachment B, ch 25 SLA 1986.



LAWS OF ALASKA

1986

Source

SCS CSHB 28(Fin)

Chapter No.

25

AN ACT

Making a special appropriation from the undistributed income account in the Alaska permanent fund to the principal of the permanent fund; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 11

Approved by the Governor: May 15, 1986
Actual Effective Date: July 1, 1986

AN ACT

Making a special appropriation from the undistributed income account in the Alaska permanent fund to the principal of the permanent fund; and providing for an effective date.

* Section 1. If AS 37.13.140 is amended to delete the provision relating to averaging income of the Alaska Permanent Fund Corporation and the provision relating to the undistributed income account in the Alaska permanent fund and if AS 37.13.145 is amended to delete the provision relating to the undistributed income account in the Alaska permanent fund, the unexpended and unobligated balance of the undistributed income account in the Alaska permanent fund (AS 37.13.145) is appropriated to the principal of the Alaska permanent fund.

* Sec. 2. This Act takes effect July 1, 1986.



LAWS OF ALASKA

1986

Source

HCS CSSB 346(Fin)

Chapter No.

28

AN ACT

Relating to the income of the Alaska permanent fund; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: May 15, 1986
Actual Effective Date: July 1, 1986

AN ACT

Relating to the income of the Alaska permanent fund; and providing for an effective date.

* Section 1. AS 37.13.140 is amended to read:

Sec. 37.13.140. INCOME. Net income of the corporation shall [MUST] be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals 21 percent of the [AVERAGE] net income of the corporation for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the corporation for the fiscal year just ended plus the balance in the earnings reserve [UNDISTRIBUTED INCOME] account described in AS 37.13.145.

* Sec. 2. AS 37.13.145 is amended to read:

Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by the change in the calendar year average United States consumer price index for all urban consumers [A NATIONALLY RECOGNIZED INDEX,] shall be transferred from net income as defined in AS 37.13.140, excluding income on the earnings reserve [UNDISTRIBUTED INCOME] account in the Alaska Permanent Fund, to the principal of the Alaska permanent fund for reinvestment. The balance of the [NET] income available for distribution under [AS DEFINED IN] AS 37.13.140 shall be

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transferred to the earnings reserve [UNDISTRIBUTED INCOME] account in the Alaska permanent fund. Money in the earnings reserve [UNDISTRIBUTED INCOME] account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the earnings reserve [UNDISTRIBUTED INCOME] account shall be treated as an addition to that account.

* Sec. 3. This Act takes effect July 1, 1986.