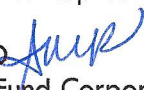


Memo

To: Representative Matt Claman, Chair
House Judiciary Committee
Alaska State House of Representatives

From: Angela Rodell, CEO 
Alaska Permanent Fund Corporation

Date: April 28, 2021

Re: Follow Up to Questions posed on HJR 1

During the House Judiciary Committee Hearing on Monday, April 26, a question was posed about royalty contributions to the Principal of the Fund, specifically the statutory royalty contributions. This memo serves to provide additional information for committee members.

The Principal of the Fund receives royalty contributions in accordance with the constitution and statutes:

Sec. 37.13.010. Alaska permanent fund.

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; and

It has been the practice to include both the constitutional and statutory royalty amounts in the language section of the operating budget each year.

In the FY18 and FY19 operating budgets, the Legislature did not appropriate the 25% of the royalty payments directed by AS 37.13.010(a)(2) to the permanent fund resulting in an underpayment of

- \$99,800,000 of AS 37.13.010(a)(2) royalty payments for FY18 and
- \$99,200,000 of AS 37.13.010(a)(2) royalty payments for FY19.

These 'unappropriated' royalties were noted in the findings of the Legislative Auditor.

Subsequently, in the FY20 operating budget, the Legislature appropriated these 'unpaid' royalty amounts from the Earnings Reserve Account to the Fund's Principal. These items were vetoed by the Governor and not enacted. The statutory royalty contributions to the Principal of the Fund for FY18 and FY19 remain unappropriated.

As always, please feel free to contact us if there are further questions.

Our Communications Manager, Paulyn Swanson, can be reached via email pswanson@apfc.org or at 907-796-1520.