

House Bill 202 version I Sponsor Statement

“An Act relating to the Alaska permanent fund; relating to dividends for state residents; relating to the use of certain state income; and providing for an effective date.”

House Bill 202 repeals the permanent fund dividend calculation found in AS 37.13.140 and instead pays a dividend directly from Alaska’s oil and mineral wealth.

Currently, the state receives money from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses (collectively known as ‘royalties’) and divides that money between the permanent fund corpus and the general fund. The permanent fund receives 25% of all royalties, per the constitution, plus an additional 25% of royalties on leases started after December 1, 1979, for a total of about 30-35% of all royalties. The remainder is deposited into the general fund.

Under HB 202, 30% of all royalties, or roughly half of the royalties that previously went to the general fund, will be used to pay the dividend. The portion of royalties constitutionally and statutorily deposited into the permanent fund will remain unchanged. This results in a fairly even split between saving for future generations through the permanent fund, paying for government services in the present, and distributing natural resource wealth to individual Alaskans.

With the continuing fiscal crisis and the permanent fund dividend being the single largest expenditure in the budget, the existing formula is unsustainable. Recent practice has been to set aside the current statute and distribute ad hoc amounts for the dividend; HB 202 creates a permanent and sustainable statutory solution. Funding the dividend directly from royalties as laid out in HB 202 will contribute to a balanced budget with a reasonable and predictable dividend distribution tied directly to natural resource development in Alaska. Furthermore, it will protect the percent of market value (POMV) draw, avoid the need for large broad-based taxes in the future, and help provide a predictable fiscal environment for the state.