

Concepts pertaining to the Alaska Permanent Fund and Dividends

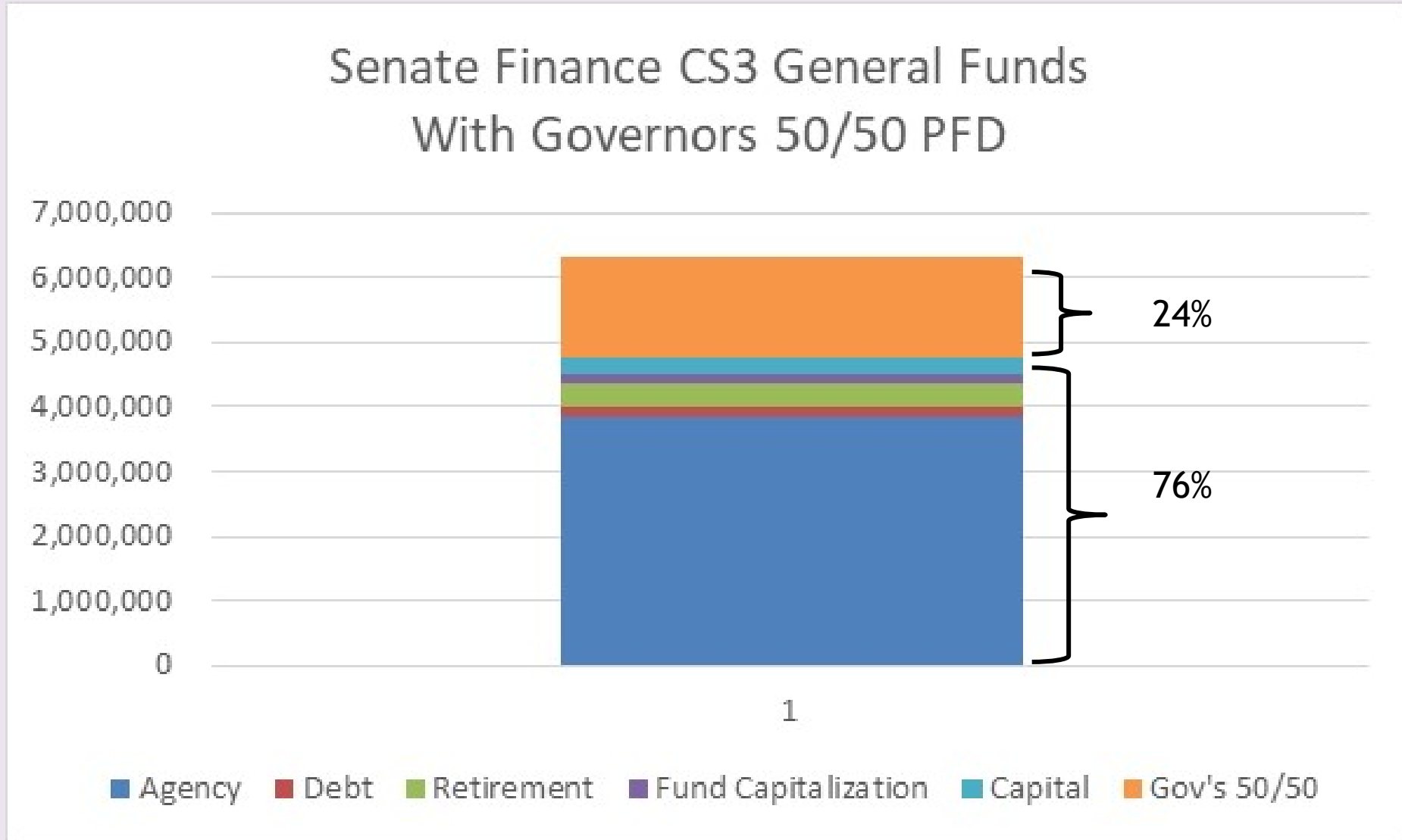
Senator Natasha Von Imhof

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Why are we having this discussion?

- To follow statute... or not.
- Costs the state \$325 million for every \$500 divided check
- 80/20 rule

80/20 Rule



Decision Points:

- Statute versus Constitution
- Taxes: Do we institute personal taxes on every citizen in order to pay a dividend?

Revenue	4,731,600
Agency	3,857,820
Debt	145,268
Retirement	341,985
Fund Capitalization	165,873
Capital	268,286
Total expenditures	4,779,233
Surplus/ (Deficit)	(47,633)

	ARORA Plan	Governor's 50/50 plan
Revenue	4,731,600	4,731,600
Less Gov 50/50 Plan: PFD		(1,534,600)
Subtotal Revenue:	4,731,600	3,197,000
Agency	3,857,820	3,857,820
Debt	145,268	145,268
Retirement	341,985	341,985
Fund Capitalization	165,873	165,873
Capital	268,286	268,286
Total expenditures	4,779,233	4,779,233
Surplus/ (Deficit)	(47,633)	(1,582,233)

← TAXES!!

Decision Points (continued):

Reasons for a larger dividend:

- **Prioritize the Dividend over everything else:** Cut the budget to pay the dividend
- **Downsize Government:** Use the dividend to put downward pressure on the budget (but lack of revenue does that)
- **Wealth Ownership State:** It's our oil. It's our wealth. It's our asset. (What about the liabilities?)

In summary, the Decision Points are:

- Statute versus Constitution
- The perceived fairness of the calculation
- The sustainability of the calculation - can Alaska afford it over time?
- The size of the dividend

ALASKA RESOURCE OWNERSHIP REVENUE ACCOUNT (ARORA)

- Transfer \$6.7 billion from the current traditional Permanent Fund to create an ARORA dividend fund
- Put the ARORA fund into the Constitution, so protected
- 5% POMV of the ARORA fund to pay annual dividends
- 12.5% of Royalties will be deposited into the fund each year (50/50 split with the traditional deposit into the Permanent Fund)
- Dividend will grow over time

Alaska Permanent Fund

Value as of 4/30/21

ERA
\$18.3B

Principal
\$59.5B



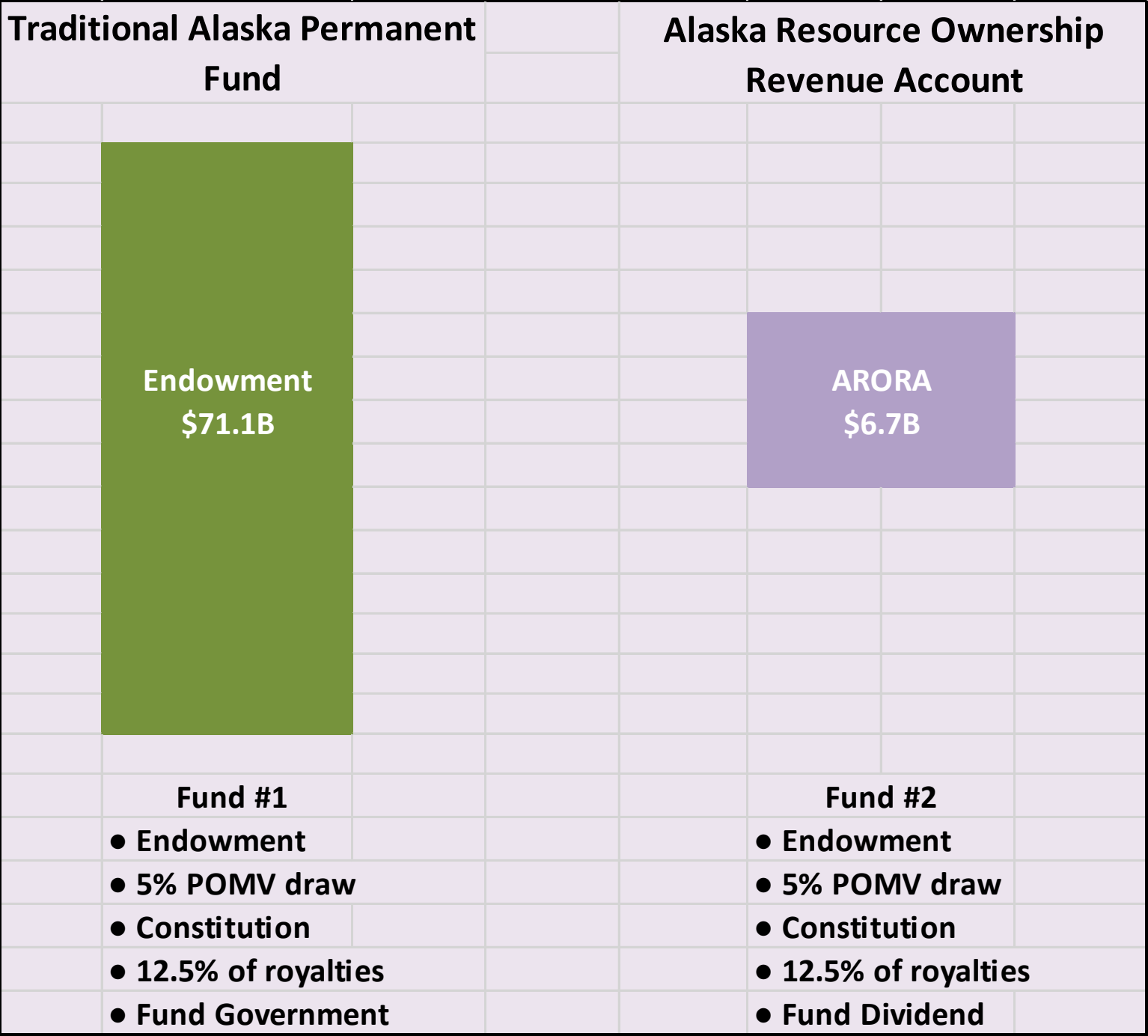
Alaska Resource Ownership

Revenue Account

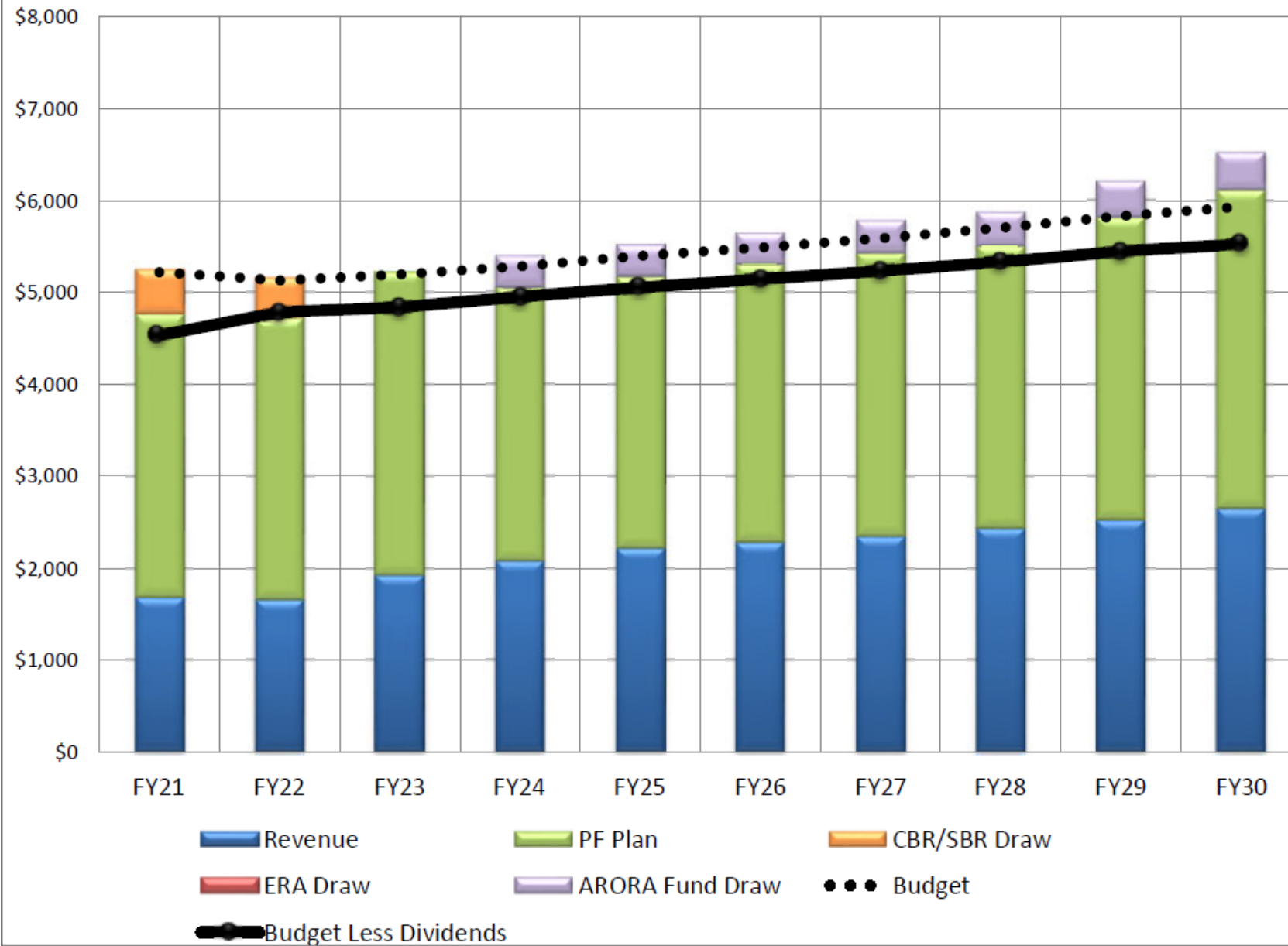
ARORA
\$6.7B

Traditional Endowment Remains

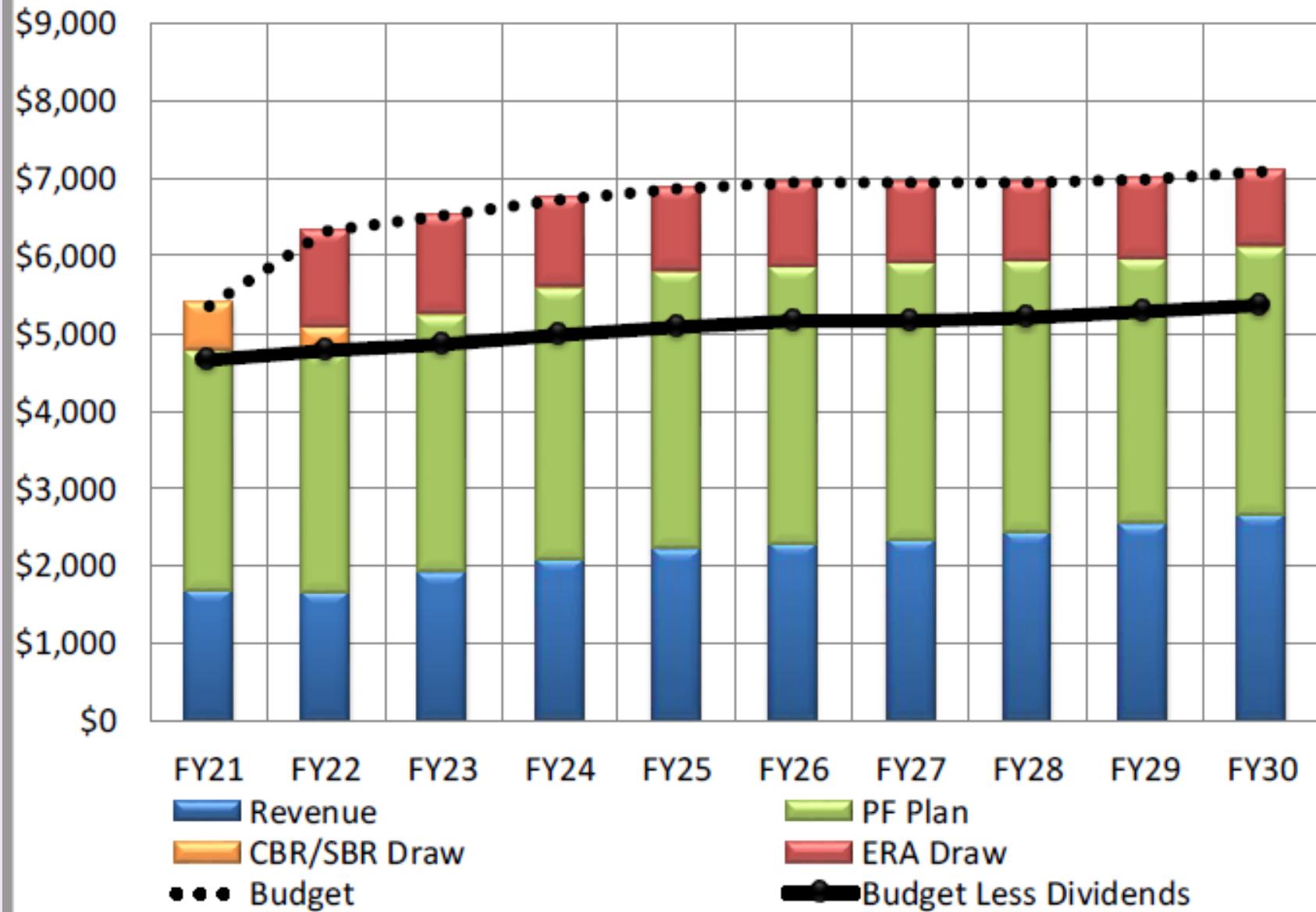
- Traditional endowment remains
- Consolidate Permanent Fund Earnings Reserve Account (ERA) into the Principal
- Put 5% POMV into the Constitution
- 12.5% of Royalties will be deposited into the fund



UGF Revenue/Budget (\$millions)



UGF Revenue/ Budget (\$ millions)



Governor's
50/50 Plan

What does this solve?

1. Constitution: Can't override
2. No new individual taxes to pay a dividend
3. Vote of the People to create the ARORA account
4. Simple to understand
5. Dividend no longer competes with other spending
6. Share wealth ownership 50/50 with government through royalty split
7. Downward pressure on government spending

In summary:

- Completely hands off solution
- Legislature can focus on other things
- Improves the efficiency and productivity of the legislature
- No new individual taxes required to pay a dividend under the ARORA plan
- Stabilizes the financial future of our state