

Comprehensive Fiscal Plan Working Group July 22, 2021

Comparing Constitutional Amendments Related to the Alaska Permanent Fund, Appropriations and The Permanent Fund Dividend

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ALASKA'S CONSTITUTIONAL SPENDING MANDATES

EDUCATION

Article 7, Section 1 – *The Legislature **SHALL** by general law establish & maintain a system of public schools open to all children of the state...*

HEALTH

Article 7, Section 4 – *The Legislature **SHALL** provide for the promotion & protection of public health.*

WELFARE

Article 7, Section 5 – *The Legislature **SHALL** provide for public welfare.*

ELECTIONS / REDISTRICTING / INITIATIVE, REFERENDUM & RECALL

Article 5 – Suffrage & Elections. *General Elections **SHALL** be held...*

Article 6 – Legislative Apportionment. *There **SHALL** be a redistricting board...*

Article 11 – Initiative, Referendum, & Recall. *The Lt. Governor **SHALL** prepare ...*

NATURAL RESOURCES MANAGEMENT & DEVELOPMENT

Article 8, Section 2 – *The Legislature **SHALL** provide for the utilization, development, and conservation of all natural resources belonging to the state...*

Article 8, Section 4 – ... all replenishable resources belonging to the state **SHALL** be utilized, developed, and maintained on the sustained yield principle...

Article 8, Section 10 – Public Notice Requirements for disposal or leases

Article 8, Section 12 – Mineral Leases. *The Legislature **SHALL** provide for issuance...*

THE UNORGANIZED BOROUGH

Article 10, Section 6 – *The Legislature **SHALL** provide for the performance of services it deems necessary in organized boroughs...*

LOCAL GOVERNMENT AGENCY

Article 10, Section 14 – *An agency **SHALL** be established by law in the executive branch to advise & assist local governments...*

RETIREMENT / UNFUNDED MANDATE

Article 12, Section 7 – *Membership in employee retirement systems of the State...**SHALL** constitute a contractual relationship. Accrued benefits **SHALL** not be diminished or impaired.*

Permanent Fund Dividend Division

Alaska Department of Revenue

Historical Timeline

1976—Voters pass a constitutional amendment to establish the Permanent Fund (Alaska Constitutional Article IX, Section 15).

1980—First Permanent Fund Dividend legislation enacted. The legislation established a program giving every adult Alaska resident \$50 for every year of residency, up to 20 years (*cap of \$1,000*), since statehood in 1957 and also established a dividend Fund. Payment of dividends were stayed under litigation (*Zobel v. Williams*) challenging the constitutionality of the program.

1982—U.S. Supreme Court ruled the 1980 legislation unconstitutional in response to the litigation authorizing equal dividend payments to all six-month residents. The first dividend amount was \$1,000. The first dividend checks were distributed June 14, 1982.

Since inception, there have been numerous legislative measures seeking to change aspects of the Alaska permanent fund and/or the associated dividend program, such as residency, the Advantage College Tuition, Pick, Click, Give Program and allowable absences.

Permanent Fund Dividend

Current formula—The amount of each payment is based upon a five-year average of the Permanent Fund's performance and varies depending on the stock market and many other factors.

The PFD is calculated by the following steps

1. Add fund statutory net income from the current plus the previous four fiscal years.
2. Multiply by 21%
3. Divide by 2
4. Subtract prior year obligations, expenses and PFD program operations
5. Divide by the number of eligible applicants

Provided by the Permanent Fund Dividend Division web-site

POMV: current

SB 26, Chapter 16 SLA 18

Relating to the earnings of the Alaska permanent fund and to the earnings reserve account;

* **Sec. 2. AS 37.13. 140(b)**, added by sec. 1 of this Act, is amended to read:

(b) The corporation shall determine the amount available for appropriation each year. The amount available for appropriation is **five** [5.25] percent of the average market value of the fund for the first five years of the proceeding six fiscal years, including the fiscal year just ended, computed annually for each fiscal year in accordance with generally accepted principles. In this section, “average market value of the fund” includes balance of the earnings reserve account established under AS 37.13.145, but does not include that portion of the principle attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

***Sec. 8.** Section 2 of this Act takes effect July 1, 2021.

32nd Alaska State Legislature First Session/2021

Five resolutions have been introduced in the first session of the 32nd legislature proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

HJR1	Constitutional Amendment; Permanent Fund, POMV; Earnings	Rep. Kreiss-Tomkins	(H) FIN
HJR10	Constitutional Amendment; Permanent Fund, POMV; Dividend	Rep. Tuck	(H) JUD
SJR1	Constitutional Amendment; Guarantee Permanent Fund Dividend	Sen. Wielechowski	(S) FIN
SJR6/ HJR7	Constitutional Amendment; Permanent Fund & PFDs	Sen Rules by Request of the Governor	(s) FIN
SJR18	Constitutional Amendment; PFD/Resource Ownership Revenue Account	Sen. VonImHof	(S) STA

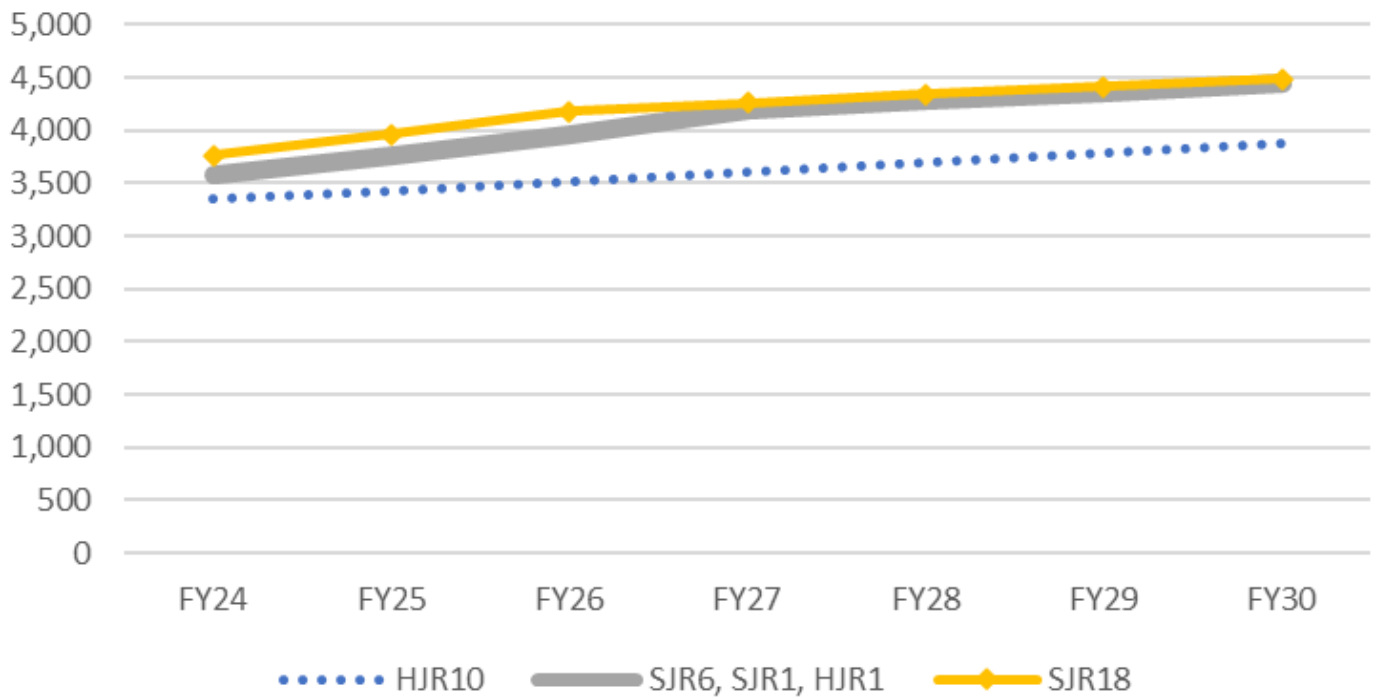
Earnings Reserve Account (ERA)

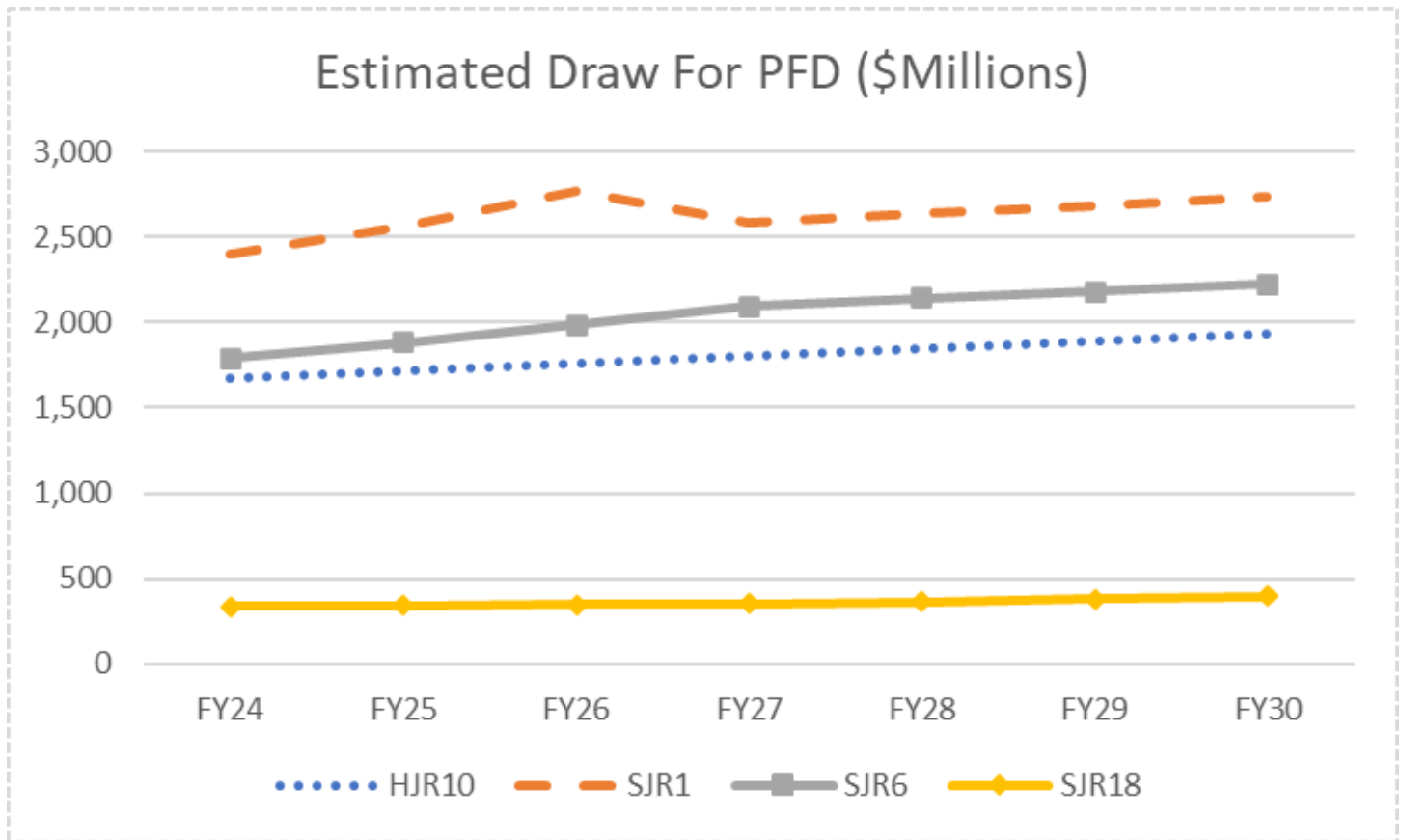
The Permanent Fund generally generates large surpluses even after payment of the Dividend (PFD), the state general fund operates at a substantial deficit. However, the consolidated account of both General and Permanent Funds usually shows a surplus. *The earnings reserve fund's ultimate uses were never clearly spelled out at its inception*, leaving no current consensus over what role Fund earning should play in the current and expected budget short-falls.

Language in each Joint Resolution introduced rolls the ERA into the corpus. In addition, SJR 6 appropriates the Power Cost Endowment into the corpus.

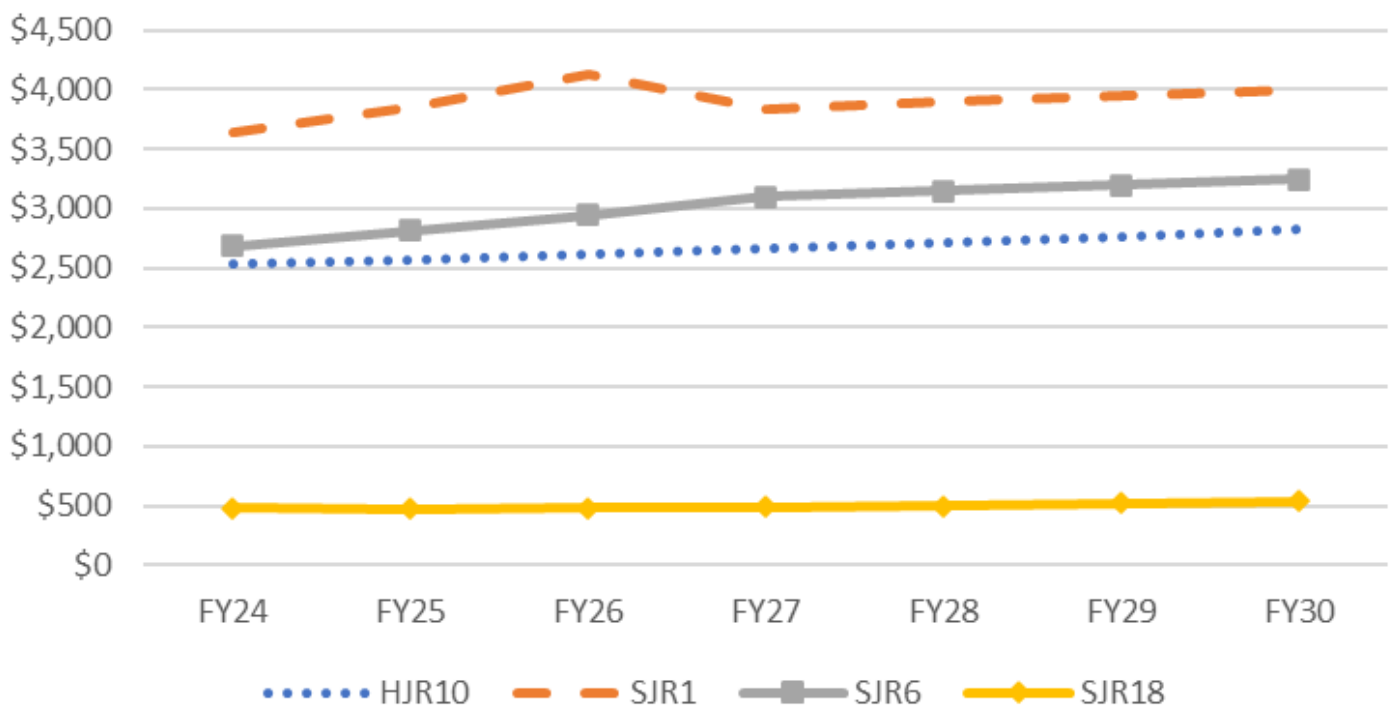
Bill	Earning Reserve Account
HJR1	Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read: Section 30. Permanent Fund Amendments: Transition. (a) On June 30, 8 2023, an amount equal to the unencumbered balance on November 8, 2022, of the earnings reserve account established by law shall be deposited in the Alaska permanent fund and become part of the principal of the fund. (b) The 2022 amendments relating to the Alaska permanent fund (art. IX, sec.15) apply to appropriations made for the fiscal year ending June 30, 2024, and thereafter.
HJR10	Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read: Section 30. Permanent Fund Amendments: Transition. The earnings reserve account established in the 2022 amendments to the Alaska permanent fund (art. IX, sec. 15) replaces the existing earnings reserve account established by law. Money in the existing earnings reserve account on the effective date of the 2022 amendments to the Alaska permanent fund (art. IX, sec. 15) shall be deposited into the earnings reserve account established by those amendments.
SJR1	Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read: Section 30. Permanent Fund Amendments: Transition. (a) On June 30, 2023, the unencumbered balance of the earnings reserve account established by law shall be deposited in the Alaska permanent fund and become part of the principal of the fund. (b) The 2022 amendments relating to the Alaska permanent fund (art. IX, sec. 15) apply to appropriations made for the fiscal year ending June 30, 2024, and thereafter
SJR6/HJR7	* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read: Section 30. Permanent Fund Amendments: Transition. (a) On June 30, 2023, the unencumbered balance of the earnings reserve account established by law shall be deposited in the Alaska permanent fund. (b) On June 30, 2023, the unencumbered balance of the power cost equalization endowment fund established by law shall be deposited in the Alaska permanent fund. (c) The 2022 amendments relating to the Alaska permanent fund (art. IX, sec. 29 15) apply to appropriations made for the fiscal year ending June 30, 2024, and thereafter.
SJR18	* Sec. 5. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read: Section 30. Permanent Fund and Resource Ownership Revenue Account Amendments: Transition. (a) On June 30, 2023, the unencumbered balance of the earnings reserve account established by law shall be deposited in the Alaska permanent fund and become part of the principal of the fund. (b) Notwithstanding the restriction on the use of the principal of the permanent fund in art. IX, sec. 15, on June 30, 2023, the legislature shall appropriate from the Alaska permanent fund to the Alaska resource ownership revenue account the greater of \$6,770,000,000 or the sum of the difference between the amount calculated for appropriation to the dividend account under AS 37.13.145(b), for that fiscal year, as that section read on January 1, 2020, and the amount actually appropriated for dividends in fiscal years 2017, 2018, 2019, 2020, 2021, 2022, and 2023. (c) The 2022 amendments relating to the Alaska permanent fund (art. IX, sec. 15) and the Alaska resource ownership revenue account (art. IX, sec. 18) apply to appropriations made for fiscal year 2024 and thereafter.

Estimated Total Draw (\$Millions)

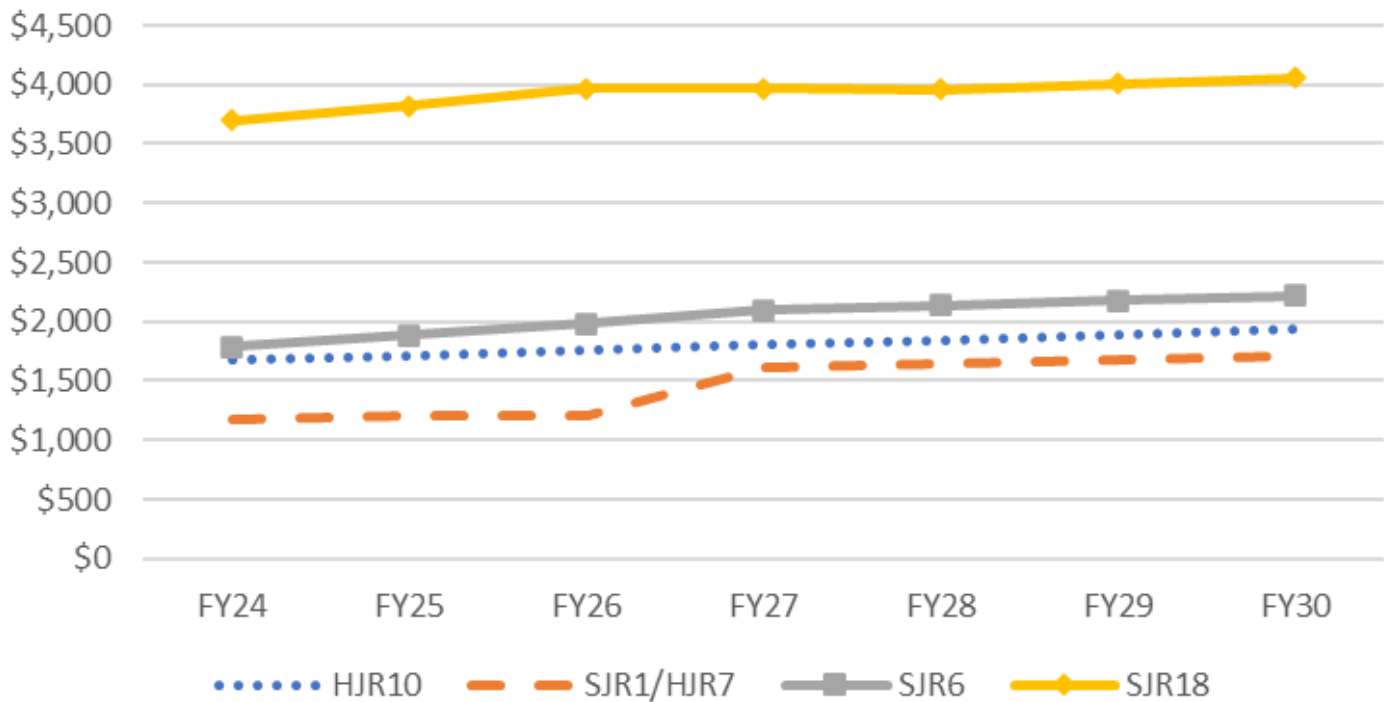




Estimated PFD Per Person(\$Millions)



Estimated Draw For Government (\$Millions)



Estimated Draw For Government (\$Millions)

