

HB 4010

A New Solution for an Established Sustainable Tradition

PFD Appropriation Presentation

By Representative Ken McCarty

Since 1982 the State of Alaska has recognized the resident / stakeholders through annual dividends from the Alaska Permanent Fund. Unlike no other state, the equitable nature of dividends for all residents, according to law, has been bestowed upon and not entitled to Alaskans.

The Alaskan Dividend Tradition has long been fulfilled through an annual percent of the viable appropriated distribution base of the Permanent Fund realized earnings.

In 2016 this long Alaskan tradition was altered. A new appropriation method was placed in Statute, which has resulted in confusion or contradiction of existing Statute and the appearance of disenfranchising Alaskans of their stakeholder investment dividend.

The intent of HB 4010 is to make clear once again the established annual percentage formula for both the Permanent Fund Dividend for Alaskans and the percentage of budget revenue for the state government to the benefit of Alaskans.

P.O.M.V.

The Percent of Market Value calculation based on the growth of the Permanent Fund was changed into Statute in 2019. At a 5% annual draw on the Permanent Fund this allows for prudent distribution and continued growth within the fund into the future.

?

The question is what should the annual distribution look like from the 5% POMV draw that does not result in deficiency elsewhere?

There are several plans

50 /50 Plan

ADVANTAGE

Seeks to establish a distribution plan that is dependable

Attempts to express that the distribution is equitable for both state government and Alaskans

Desires that the Plan is established in the Constitution

DISADVANTAGE

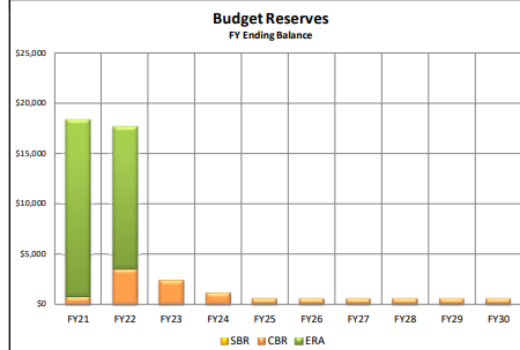
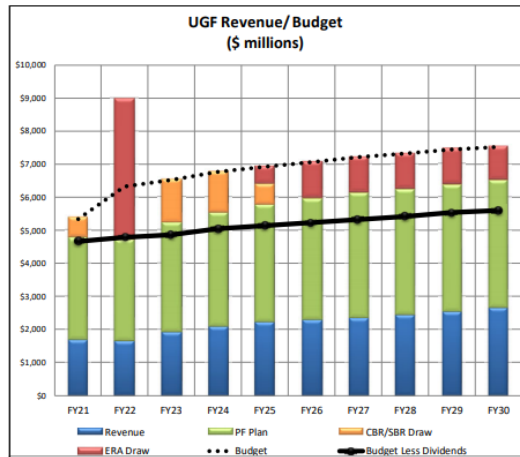
Revenue deficiency amounts to over 1 billion dollars that will have to be made up through other revenues sources / taxes

High potential that the Alaskan's dividend will be taxed greatly to offset revenue deficiencies

Equitability does not take into account the multitude of benefits through capital projects

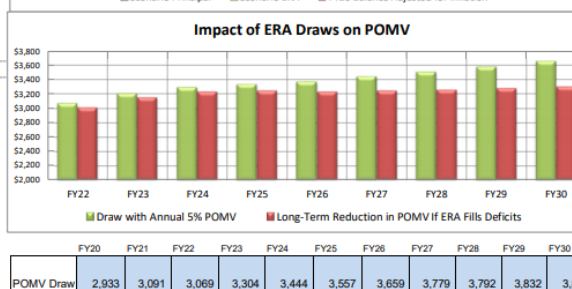
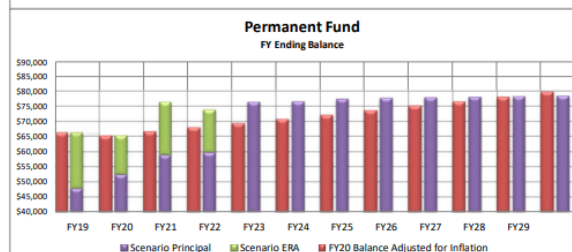
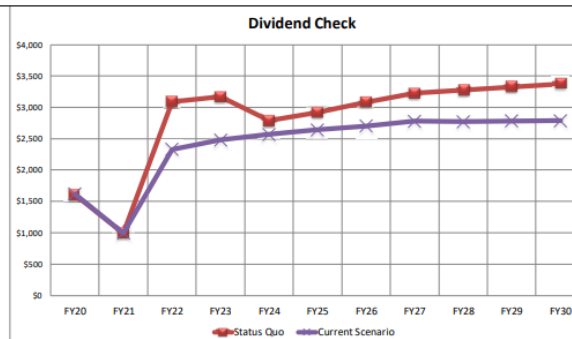
50 /50 Plan

Governor Dunleavy Plan



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
ERA Bal.	17,521	14,085	15,281	16,473	16,898	16,580	16,155	15,718	15,241	14,829
Surplus/ (Deficit)	-611	-1,604	-1,308	-1,246	-1,156	-1,124	-1,094	-1,096	-1,096	-1,030

Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY22)	22 SCS1
Growth Rate	2.00%
Budget Change (FY22+)	\$ -
Tax Credit Payments	Statutory
School Debt Reimbursement	100%
Capital Budget (FY22-30)	\$176.7m FY22, Infl Adj
FY22 Capital Bond (\$350m)	N
Supp Budget (FY22+)	50.0
REVENUE VARIABLES	
New Revenue Begins (FYXX)	N
Sales Tax Type	N
Sales Tax Rate	0%
Income Tax	N
Motor Fuel Tax	N
Undefined New Tax (\$m/yr)	\$0.0
Assumptions	
Inflation Rate	2.00%
PF Investment Return	21.75% FY21, 6.2% FY22+
% Realized	6.20%
Population Growth Rate	Labor Stats
CBR Earnings	2.00%
Reserve Priority	CBR
Minimum CBR Balance	\$ 500
Unplanned ERA Draws	Y
Permanent Fund Plan	SB 26
PLAN SPECIFICATIONS	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
Dividend	
FY22 Override	N
% of Stat Net Income to Div	0%
% of POMV Draw to Div	50%
Dividend Floor	0%
Floor Ends	0%
% of Royalties to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Balanced Budget Dividends	N
POMV Deduction Before Div	None
FY22 Transfer ERA to CBR	\$3,000



	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
POMV Draw	2,933	3,091	3,069	3,304	3,444	3,557	3,659	3,779	3,792	3,832	3,849

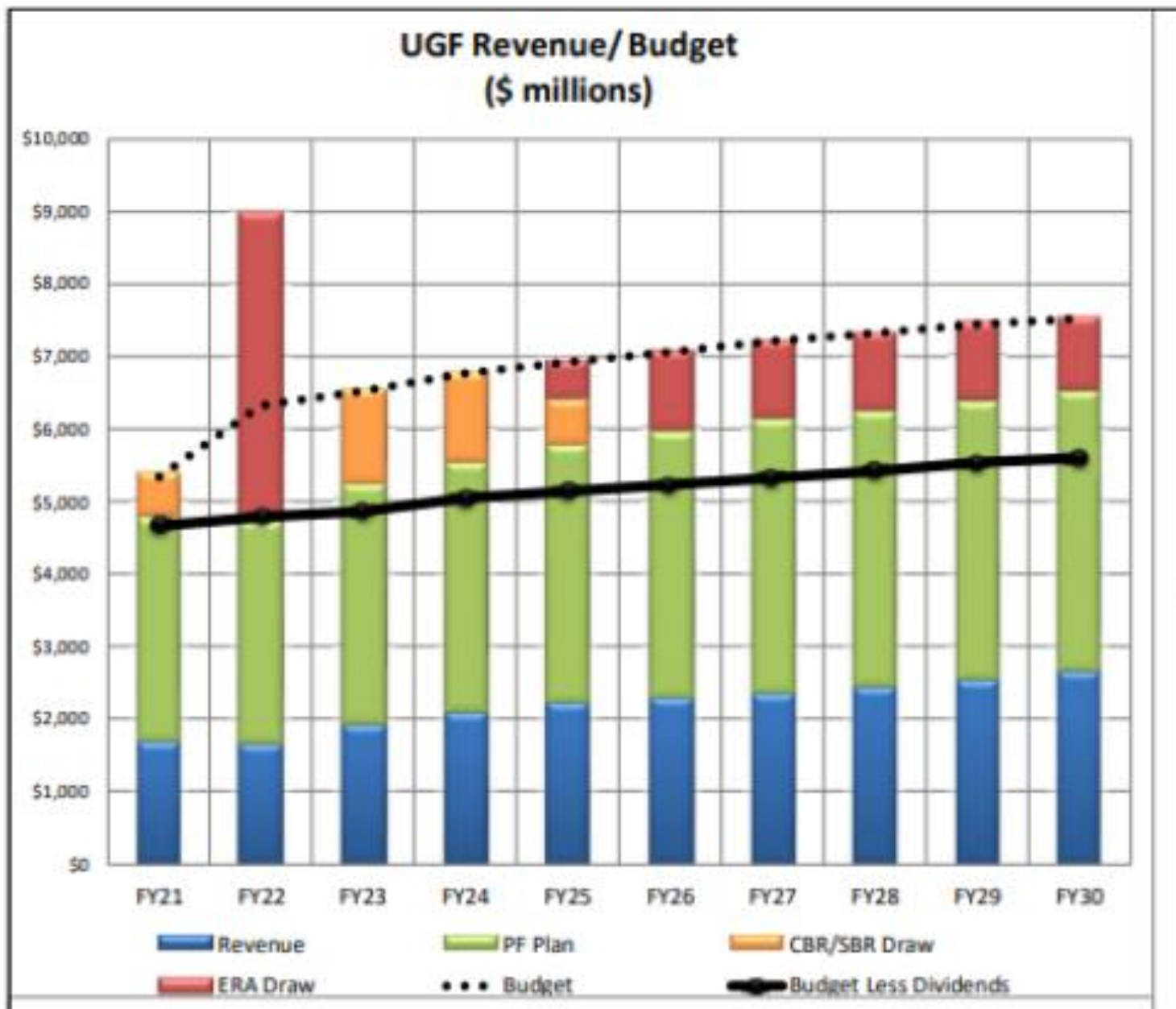
- 5% POMV Draw
- 50% split
- One time \$3B Transfer from E.R.A. to cover deficits
- Requires inquiry into additional revenues to cover deficits

50 /50 Plan: A Closer Look

Insufficient
Revenue

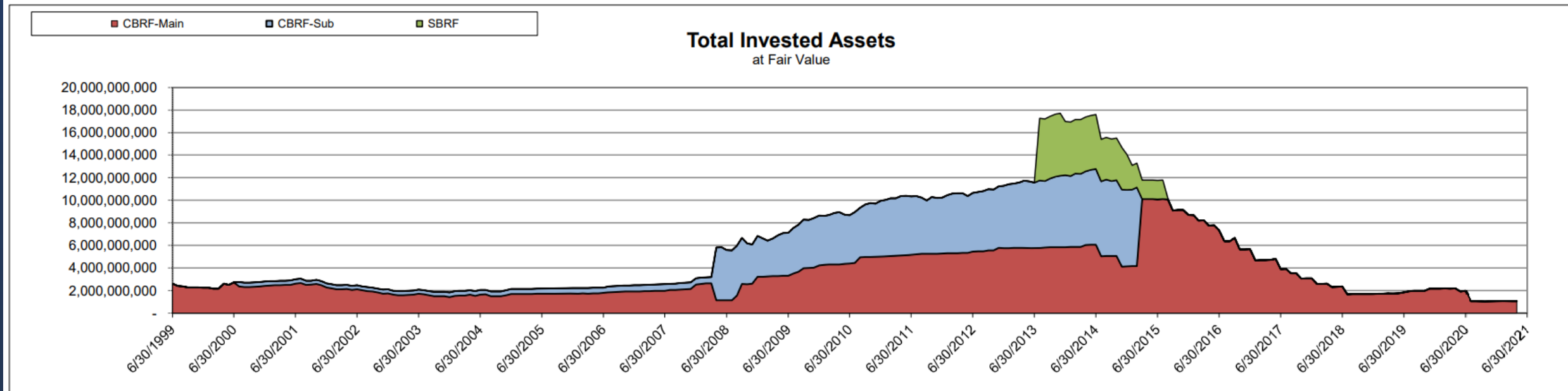
Deficit

Future?



Historical View of the State's safety net savings account reveal that the moneys have already been used for past deficient plans.

Constitutional Budget Reserve Fund (CBRF) & Statutory Budget Reserve Fund (SBRF)



HB 4010

A Permanent Fund Appropriation Formula that
supports Alaskans in many ways!

35 % - Dividend Amount for Alaskans

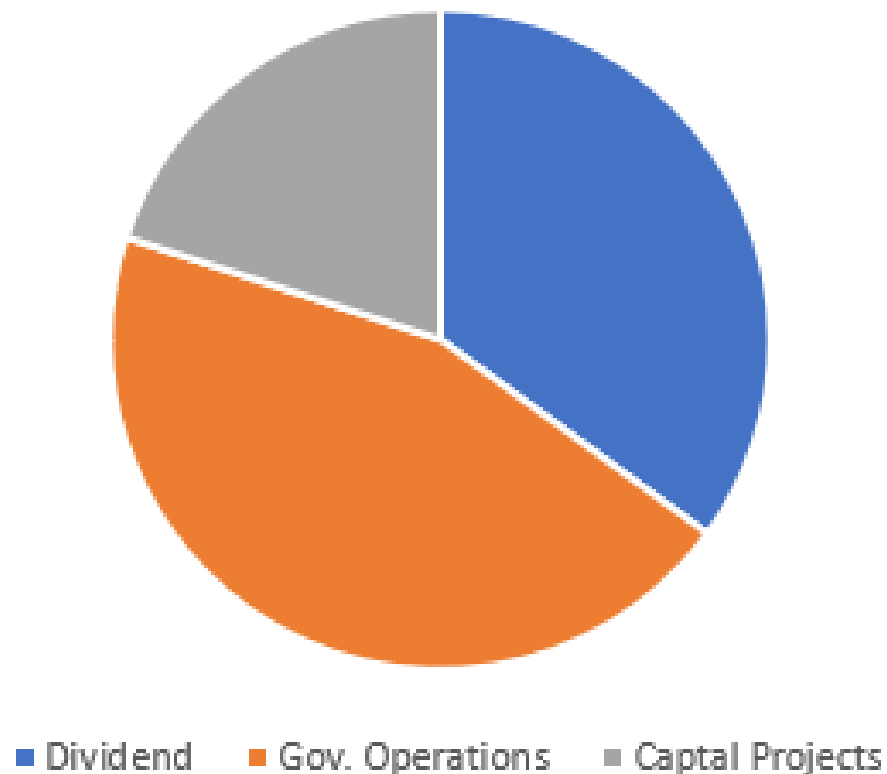
20 % - Capital Projects to benefit Alaskans

45 % - Government Operations to support Alaskans

PREMISE

Equitable formula that gives Alaskans “More Bang for the Bucks!”

Permanent Fund Appropriation Dispersement



The McCarty Plan

- 5% of POMV draw with a 35/65 Percent Split
- 35% to PFD
- 65% to State with at least 20% allocated to Capital Budget Projects
- Capital Projects assurance will result in jobs and projects toward maintenances, improvements, and infrastructure for roads, airports, A.M.H., bridges, buildings, fire support, school structures, etc.

HB 4010 - 35 /65 Plan

ADVANTAGE

Seeks to establish a distribution plan that is dependable & sustainable into the future

Equitable for both the people's government and individual Alaskans

Alaskans benefit from a dividend as well as jobs and services from Capital Projects

Fiscally sustainable that does not require excessive revenue expansion / taxation

DISADVANTAGE

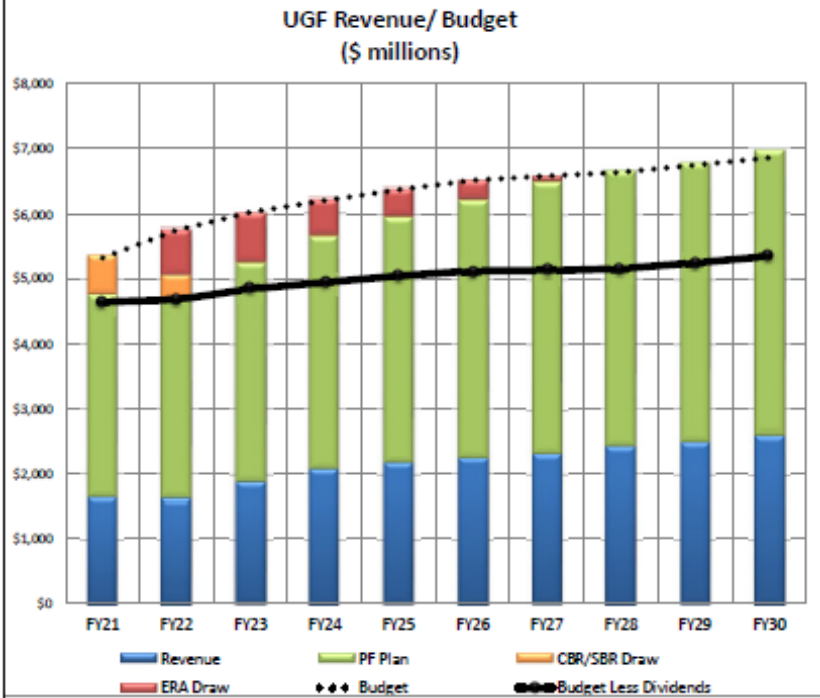
Not a 50 / 50 Plan

Not a 25 / 75 Plan

Revenue continues through resource development and free enterprise industry rather taxation



HB 4010 Plan: A Closer Look

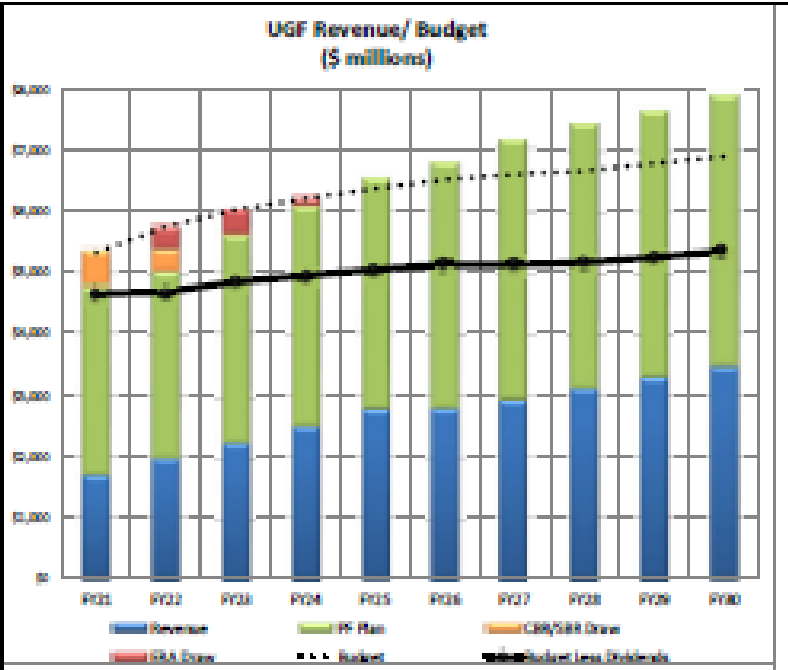


\$60 PPB

Fiscal years 21-27 project revenue with no liability reduction until 2028 and surplus in 2030.

\$70 PPB

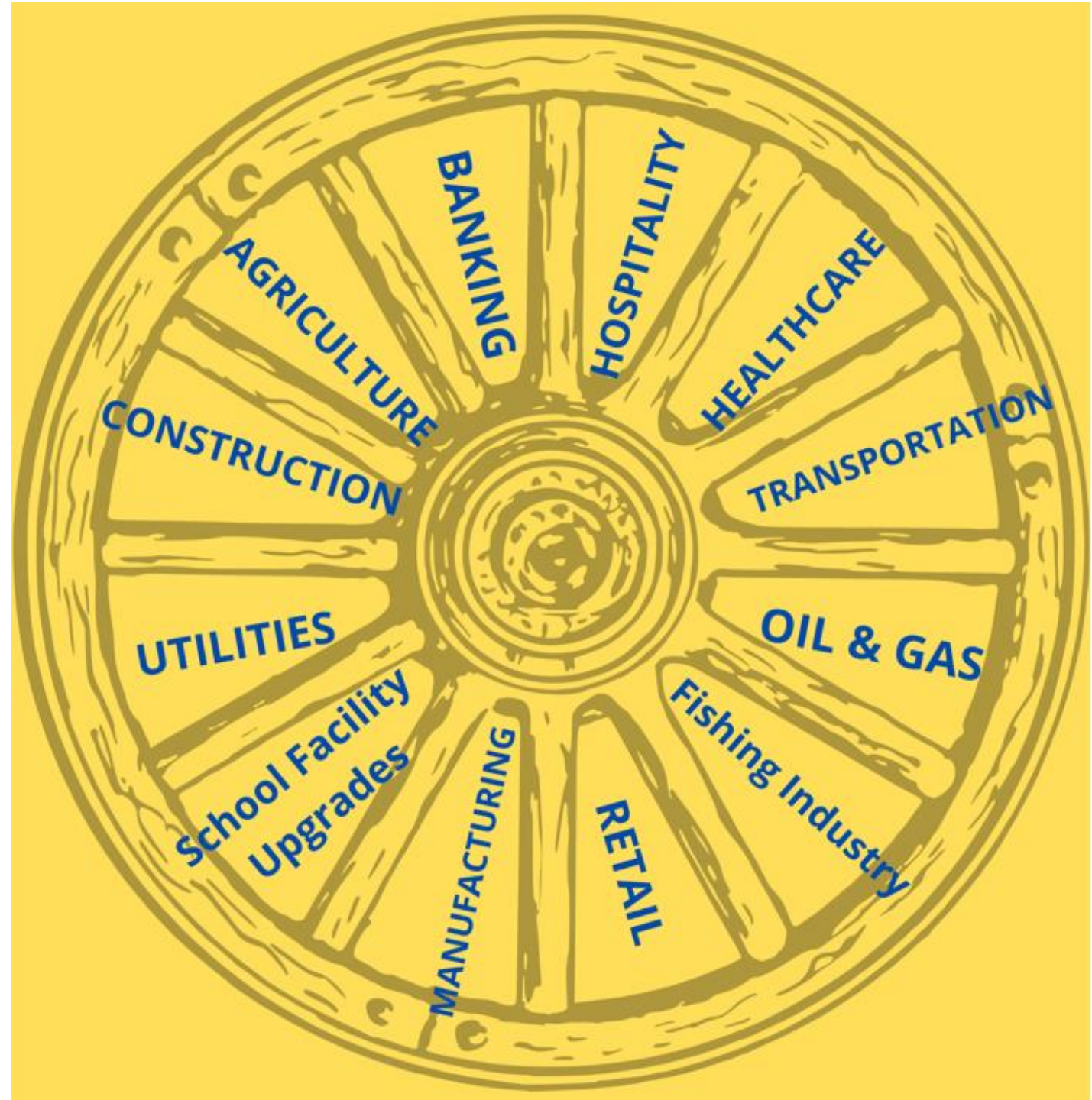
Fiscal years 21-24 reflect project slight deficit with significant surplus growth after 2025.



Price Scenario	\$60 Real
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY22)	22 Enacted
Growth Rate	2.00%
Budget Change (FY23+)	\$ -
Tax Credit Payments	Statutory
School Debt Reimbursement	100%
Capital Budget (FY22-30)	FY22 Enacted
Supp Budget (FY22+)	50.0
CBR Vote	Pass
REVENUE VARIABLES	
New Revenue Begins (FY00)	FY23
Sales Tax Type	N
Sales Tax Rate	0%
Income Tax	N
Motor Fuel Tax	N
Undefined New Tax (\$/mlyr)	\$0.0
Assumptions	
Inflation Rate	2.00%
PF Investment Return	Cellar (5.86% FY22, 6.2% FY23+)
% Realized	7.30%
CBR Earnings	2.00%
Reserve Priority	CBR
Minimum CBR Balance	\$ 500
Unplanned ERA Draw	Y
Permanent Fund Plan	8B 28
PLAN SPECIFICATIONS	
Payout to GP	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
Dividend	
FY22 Override	N
% of Stat Net Income to Div	0%
% of POMV Draw to Div	35%
Dividend Floor	0%
Floor Ends	0%
% of Royalties to Div	0%
Floor Dividend	\$ -
Repay Dividends	None
Balanced Budget Dividends	N
POMV Deduction Before Div	None
Other Provisions	
New Royalties to PF	50%
All Royalties to PF	N

Appropriations to Capital Projects =

- More Money to Support Jobs for Alaskans
- Boosts the Economy
- Infrastructure for now and into the future



HB 4010 Avails

A More Sustainable Future

Provides a Safety Net and Boosts a
Strong Economy for Alaska

Presented by Representative Ken McCarty





QUESTIONS