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Nauman
4/12/23

CS FOR SENATE BILL NO. 107(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska permanent fund; relating to income of the Alaska**
2 **permanent fund; relating to the amount available for appropriation and appropriations**
3 **from the earnings reserve account; relating to the permanent fund dividend; and**
4 **providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 37.13.140 is amended to read:

7 **Sec. 37.13.140. Income.** (a) [NET INCOME OF THE FUND INCLUDES
8 INCOME OF THE EARNINGS RESERVE ACCOUNT ESTABLISHED UNDER
9 AS 37.13.145.] Net income of the fund shall be computed annually as of the last day
10 of the fiscal year in accordance with generally accepted accounting principles,
11 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
12 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
13 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
14 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE

FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

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

* Sec. 2. AS 37.13.145(b) is amended to read:

(b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may appropriate** [CORPORATION SHALL TRANSFER] from the

(1) earnings reserve account to the **general fund the amount available for appropriation calculated under AS 37.13.140(b);**

(2) **general fund to the** dividend fund established under AS 43.23.045, **25** [50] percent of the income available for **appropriation** [DISTRIBUTION] under **AS 37.13.140(b)** [AS 37.13.140].

* Sec. 3. AS 37.13.145(b), as amended by sec. 2 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate from the

(1) earnings reserve account to the general fund the amount available for appropriation calculated under AS 37.13.140(b);

(2) general fund to the dividend fund established under AS 43.23.045, **50** [25] percent of the income available for appropriation under AS 37.13.140(b).

* Sec. 4. AS 37.13.145(c) is amended to read:

(c) After the **appropriations** [TRANSFER] under (b) [AND AN APPROPRIATION UNDER (e)] of this section, the **legislature may appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on the

principal of the fund during that fiscal year. However, none of the amount appropriated [TRANSFERRED] shall be applied to increase the value of that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004. The corporation shall calculate the amount to appropriate [TRANSFER] to the principal under this subsection by

(1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended, including that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* **Sec. 5.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for appropriation [DISTRIBUTION] to the general fund or the dividend fund under (b) of this section or [,] for an appropriation [TRANSFERS] to the principal under (c) of this section [, OR FOR AN APPROPRIATION UNDER (e) OF THIS SECTION,] and shall be annually deposited into the Alaska capital income fund (AS 37.05.565).

* **Sec. 6.** AS 37.13.300(c) is amended to read:

(c) Net income from the mental health trust fund may not be included in the computation of the amount [NET INCOME OR MARKET VALUE] available for [DISTRIBUTION OR] appropriation under AS 37.13.140(b) [AS 37.13.140].

* **Sec. 7.** AS 43.23.025(a) is amended to read:

(a) By October 1 of each year, the commissioner shall determine the value of each permanent fund dividend for that year by

(1) determining the total amount available for dividend payments, which equals

(A) the amount appropriated [OF INCOME OF THE ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund under AS 37.13.145(b) during the current year;

(B) plus the unexpended and unobligated balances of prior fiscal year appropriations that lapse into the dividend fund under AS 43.23.045(d);

(C) less the amount necessary to pay prior year dividends from the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and 43.23.055(3) and (7);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

(E) less appropriations from the dividend fund during the current year, including amounts to pay costs of administering the dividend program and the hold harmless provisions of AS 43.23.240;

(2) determining the number of individuals eligible to receive a dividend payment for the current year and the number of estates and successors eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

(3) dividing the amount determined under (1) of this subsection by the amount determined under (2) of this subsection.

* **Sec. 8.** AS 37.13.145(e) and 37.13.145(f) are repealed.

* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. (a) Section 3 of this Act takes effect only if, before January 1, 2031, in a letter described in (b) of this section, the commissioner of revenue and the director of the legislative finance division jointly agree that revenue measures that

(1) generated at least \$1,300,000,000 of new annually recurring general fund revenue, when compared to annual revenue generated from the statutes as they read on January 1, 2023, have been passed by the Alaska State Legislature and enacted into law; and

(2) the estimated balance of the constitutional budget reserve fund established in art. IX, sec. 17(a), Constitution of the State of Alaska, that is available for appropriation exceeds \$3,500,000,000, adjusted for inflation as described in (b)(2) of this section.

(b) On December 1 of each year, beginning in 2026 and ending in 2030, the commissioner of revenue and the director of the legislative finance division shall notify the revisor of statutes in a joint letter if

(1) revenue measures that generated at least \$1,300,000,000 of new annually recurring general fund revenue in the preceding calendar year, when compared to annual revenue generated from the statutes as they read on January 1, 2023, have been passed by the Alaska State Legislature and enacted into law by December 31 of the preceding calendar year; and

(2) on June 30 of the year the letter is issued, the estimated balance of the constitutional budget reserve fund established in art. IX, sec. 17(a), Constitution of the State of Alaska, that is available for appropriation exceeds \$3,500,000,000, adjusted for inflation by

(A) computing the average of the monthly United States Consumer Price Index for all urban consumers for calendar year 2025;

(B) computing the average of the monthly United States Consumer Price Index for all urban consumers for the preceding calendar year;

(C) computing the percentage change between the amounts in (A) and (B) of this paragraph; and

(D) applying the rate calculated in (C) of this paragraph to \$3,500,000,000.

(c) In this section, "general fund revenue" does not include revenue from the permanent fund.

*** Sec. 10.** If sec. 3 of this Act takes effect, it takes effect July 1 of the calendar year after the commissioner of revenue and the director of the legislative finance division jointly agree under sec. 9 of this Act that

(1) revenue measures that generated at least \$1,300,000,000 of new annually

1 recurring general fund revenue, when compared to annual revenue generated from the statutes
2 as they read on January 1, 2023, have been passed by the Alaska State Legislature and
3 enacted into law; and

4 (2) the estimated balance of the constitutional budget reserve fund established
5 in art. IX, sec. 17(a), Constitution of the State of Alaska, that is available for appropriation
6 exceeds \$3,500,000,000, adjusted for inflation as described in sec. 9(b)(2) of this Act.

7 * **Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect July 1, 2024.