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MEMORANDUM May 2, 2018

SUBJECT: Sectional Summary of CCS SB 26
(Work Order No. 30-GS1690\W)

TO: Senator Anna MacKinnon
Attn: Laura Cramer

FROM: Hilary V. Martin HVM
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill -- the bill itself is the best statement of its contents.

Section 1: Provides a legislative findings and intent section.

Section 2: Amends AS 37.05.540(a) (statutory reserve fund) to repeal language related to the appropriation limit in (b) of that section.

Section 3: Makes a conforming change to AS 37.05.550(b) (Alaska marine highway fund) in light of the deletion of AS 37.13.010(a)(2) in sec. 5 of the bill.

Section 4: Requires the governor to submit a report regarding how the budget complies with the appropriation limit in art. IX, sec. 16, Constitution of the State of Alaska.

Section 5: Repeals paragraph (2) in AS 37.13.010(a), which means that 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments from mineral leases, and 25 percent of all bonuses received by the state from mineral leases are to be deposited into the Alaska permanent fund.

Section 6: Amends AS 37.13.140 to change the caption in light of the material added in sec. 7 and to make a grammatical change to the second sentence so the sentence is not in the passive voice.

Section 7: Requires the Permanent Fund Corporation (corporation) to determine the amount available for appropriation, which is 5.25 percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year that just ended.

Section 8: Amends AS 37.13.140(b), as amended by sec. 7, to change the draw percentage to 5 percent. This section takes effect on July 1, 2021, under sec. 18.

Section 9: Amends AS 37.13.145(b) to clarify that the amount available for distribution from the earnings reserve account to the dividend fund is appropriated. This brings statutory language in line with current practice and the holding of *Wielechowski v. State*, 403 P.3d 1141 (Alaska 2017).

Section 10: Authorizes an appropriation, after the appropriation for dividends, to the principal of the permanent fund for inflation proofing.

Section 11: Clarifies that the income earned as a result of *State v. Amerada Hess* is not available for appropriation for dividends or as part of the amount available for appropriation.

Section 12: Provides that total appropriations from the earnings reserve account in a fiscal year may not exceed the amount available for appropriation under AS 37.13.140(b).

Section 13: Clarifies that the unexpended balance of the corporation's annual operating budget does not lapse at the end of the fiscal year but shall be treated as income and as part of the market value of the fund.

Section 14: Clarifies that net income of the mental health trust fund is not included in computation of net income or market value of the permanent fund.

Section 15: Changes the word "transferred" to "appropriated" in light of the change in sec. 9.

Section 16: Authorizes the Department of Revenue to pay permanent fund dividends without further appropriation.

Section 17: Repeals AS 37.05.540(b), 37.05.540(c), and 37.05.540(e), which relate to the statutory appropriation limit and allows appropriations from the statutory budget reserve fund if the governor needs the money to meet a disaster.

Section 18: Provides that sec. 8 takes effect July 1, 2021.

Section 19: Provides an effective date of July 1, 2018, for the remaining sections of the bill.

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