

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
Juneau, Alaska 99801-1182
Phone: (907) 465-3777
Sen.Anna.MacKinnon@akleg.gov



Senator Pete Kelly, Co-Chair
State Capitol, Room 518
Juneau, Alaska 99801-1182
Phone: (907) 465-3709
Sen.Pete.Kelly@akleg.gov

Sectional Analysis CS Senate Bill 128(FIN) 29-GS2859S

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to management of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska Permanent Fund Corporation; relating to procurement by the Alaska Permanent Fund Corporation; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; and providing for an effective date."

- *Section 1: Legislative intent that the legislature reevaluate the use of the earnings of the Permanent Fund in three years
- *Section 2:** Language requiring the Alaska Permanent Fund Corporation to adopt regulations similar to the State's procurement code
- *Section 3:** Adds the Alaska Permanent Fund Corporation to the list of those state agencies that are exempt from the State's procurement code
- *Section 4: Amerada Hess income no longer flows to the Capital Income Fund. Segregation of these funds is no longer legally required
- *Section 5:** Transfers the management and investment of the Constitutional Budget Reserve from the Department of Revenue to the Alaska Permanent Fund Corporation
- *Section 6:** Requires the Alaska Permanent Fund Corporation to prepare an annual report on the balance and returns of the Constitutional Budget Reserve fund
- *Section 7: Dedicated deposits of royalties to the Permanent Fund are reduced from the current 25/50 split on old/new leases to the constitutional minimum of 25%
- *Section 8: Requires the Alaska Permanent Fund Corporation to determine the net income of the earnings reserve account excluding the unrealized gains or losses

***Section 9:** (b) Defines the Percent of Market Value payout as 5.25% of the average year-end market value of the Permanent Fund and Earnings Reserve Account for the first five of the most recently completed six fiscal years. The payout may not exceed the year-end balance of the earnings reserve account for the fiscal year just ended

(c) Reserves 20% of the POMV payout for dividends. The remaining 80% of the payout is subject to a dollar for dollar reduction as oil and gas revenue rises above \$1.2 billion (adjusted for inflation).

(1) Oil and gas Unrestricted General Fund revenue excluding the amount to be paid as 20% of the prior year royalties to the dividend

(2) \$1,200,000,000 revenue limit adjusted for inflation

***Section 10:** AS 37.13.145 is the Disposition of Income of the Permanent Fund statute

- (a) Unchanged – Establishes the ERA and identifies the ERA as holding earnings of the Permanent Fund and ERA
- (b) Repealed in this bill – dividends based on statutory net income
- (c) Repealed in this bill – inflation proofing
- (d) Repealed in this bill – segregation of Amerada Hess
- (e) Added in this section – each year the legislature may appropriate to the General Fund the amount available for distribution from the Earnings Reserve Account under the POMV in Sec. 9 (b) **and the limit calculation Sec. 9 (c)**
- (f) Inflation proofing mechanism**

*Section 11: Dividends are comprised of 20% of the 5.25% POMV outlined in Sec. 4(b), and 20% of prior year royalties, excludes those dedicated to the Permanent Fund or School Fund (25.5% are dedicated)

***Section 12:** Conforming language relating to procurement

*Section 13: Mental Health Trust Fund may not be included in the computation of income available for distribution under the POMV

*Section 14: Transfer of money to the Dividend Fund requires an appropriation

*Section 15: The amount of each Permanent Fund Dividend for fiscal years 2017, 2018, and 2019 shall be \$1,000

*Section 16: Conforms to Sec. 12, which moves money to the Dividend Fund by appropriation

*Section 17: Once the money is in the Dividend Fund, the Department of Revenue shall annually pay dividends without further appropriation

***Section 18:** Repeals language relating to the **subaccount of the Constitutional Budget Reserve**, the former dividend calculation, inflation proofing calculation, and Amerada Hess language

*Section 19: Repeals session law for Amerada Hess

*Section 20: Repeals Sec. 16 - \$1,000 dividend for three years

*Section 21: Transition Language: The Commissioner of Revenue and the Alaska Permanent Fund Corporation may adopt regulations, policies and procedures to implement this Act

*Section 22: Retroactivity clause

*Section 23: Effective date for sections 2, 3, 13, 23 and 24, immediate

*Section 24: Effective Date for sections 4, 6 – 7, July 1, 2017

*Section 25: Effective Date, July 1, 2016