

# ALASKA STATE LEGISLATURE

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### Sectional Analysis CS House Bill 245 (FIN) 29-GH2859I

**“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 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. 10 (b) **and the limit calculation Sec. 10 (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