

# ALASKA STATE LEGISLATURE

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### Sectional Analysis CS House Bill 245 (FIN) 29-GH2859\I

**"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