



THE ALASKA PERMANENT FUND PROTECTION ACT

For a Strong Alaskan Economy and an Enduring Permanent Fund

The Alaska Permanent Fund Protection Act (APFPA) ensures that as we begin to use permanent fund earnings for government expenditures, we take only what is sustainable and protect the fund for all future Alaskans. In working with both the House and the Senate, we are close to reaching a plan (CSHB 245(FIN) and CSSB 128(FIN)) that accomplishes four “must-haves” for using permanent fund earnings:

- (1) Rule-Based Framework: The APFPA adopts rules establishing a sustainable percent-of-market-value (POMV) draw of 5.25% from the earnings reserve to the general fund, a new inflation-proofing mechanism, a new dividend formula, and a revenue limit.
- (2) Addressing the Volatility of Oil Prices: The APFPA reduces the POMV draw dollar-for-dollar for every dollar in excess of \$1 billion in oil and gas revenues, excluding those distributed as dividends.¹ This revenue limit smooths out the revenue volatility associated with oil prices, and saves more money in the earnings reserve in times of high revenues.
- (3) Guaranteeing a Dividend: The dividend would be tied to both the permanent fund (20% of the POMV draw) and oil and gas royalties (20% of royalties), which results in a dividend of around \$1,000. As we transition, the dividend would initially be set at \$1,000.
- (4) Maintaining the Real Value of the Permanent Fund: By providing for a sustainable draw and saving more in peak revenue times, the APFPA maintains the real value of the fund and allows for growth if we do experience another oil price or investment boom.

More than helping to resolve this year’s fiscal challenge, the APFPA ends four decades of boom-and-bust budgeting and the damaging impact those cycles have on the state economy. This is a vital part of correcting the structural imbalance in our fiscal framework, regaining the confidence of the credit rating agencies, and setting Alaska on a course to greater economic prosperity.

¹ The current CS uses \$1.2 billion, but the administration would like to decrease the revenue limit to \$1 billion.