ALASKA PERMANENT FUND PROTECTION ACT

Finance Committee Substitutes

June 1, 2016

Calculating transfers from the earnings reserve account to the general fund:

1. POMV Draw:
    - 5.25% of the average value of the fund in the first 5 of the last 6 years
    - No longer a fixed draw
    - Does not require a constitutional amendment because transfers from the earnings reserve account (ERA), not the corpus
    - For FY17, would provide $1.92 billion for the unrestricted general fund (UGF) budget (20% of the full $2.4 billion draw would go to the dividend)
2. Draw Limit:
    - Reduces the POMV draw by a dollar for every dollar that UGF production taxes and royalties exceed a threshold of $1.2 billion, adjusted for inflation
    - Avoids spending fund earnings as oil prices recover and allows the fund to grow and produce larger dividends and larger POMV draws in the future
    - Recommendation: change threshold to $1.0 billion, not adjusted for inflation
    - Limit would not be triggered for FY17

Calculating the dividend:

1. $1,000 per person for first 3 years
2. Then, 20% of general fund royalties plus 20% of the 5.25% POMV draw
    - Dividends are anticipated to very stable at about $1,000/person

Calculating deposits to the corpus:

1. Inflation proofing transfers
    - Change the calculation from inflation times the corpus balance to the amount that the balance of the ERA exceeds 4 times the full 5.25% POMV draw
2. Royalty deposits
    - Reduce to 25% (currently at about 30%)

Questions? Contact Emma Pokon at emma.pokon@alaska.gov or (907) 269-5215 for more information.