

ALASKA STATE LEGISLATURE

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

“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 unrestricted state revenue available for appropriation; 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:** Transfers the management and investment of the Constitutional Budget Reserve from the Department of Revenue to the Alaska Permanent Fund Corporation
- *Section 5:** Requires the Alaska Permanent Fund Corporation to prepare an annual report on the balance and returns of the Constitutional Budget Reserve fund
- *Section 6:** 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 7:** Requires the Alaska Permanent Fund Corporation to determine the net income of the earnings reserve account excluding the unrealized gains or losses

***Section 8:** (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

***Section 9:** Deals with distribution of the money awarded in the Amerada Hess case

***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 in AS 37.13.140(b) & (c)**

(f) **Inflation proofing mechanism (when the balance of the ERA reaches 4x the maximum amount available for distribution)**

***Section 11: Appropriations to the dividend fund** 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)

Appropriation of revenue. If the amount available for appropriation in the preceding fiscal year is greater than the amount appropriated, the legislature may appropriate the excess as follows:

(1) 50% to the Permanent Fund

(2) 50% to the CBR

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

***Section 13:** Mental Health Trust Fund and Amerada Hess monies 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
- *Section 19:** Repeals Sec. 15 - \$1,000 dividend for three years
- *Section 20:** Transition Language: The Commissioner of Revenue and the Alaska Permanent Fund Corporation may adopt regulations, policies and procedures to implement this Act
- *Section 21:** Retroactivity clause
- *Section 22:** Effective date for sections 2, 3, 12, 20 and 21, immediate
- *Section 23:** Effective Date, July 1, 2016