

# 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