Stuart Relay

From:	Shannon Bible [redacted]
Sent:	Tuesday, April 29, 2025 12:55 PM
To:	House State Affairs
Subject:	vote no
Follow Up Flag:	Follow up
Flag Status:	Flagged

A RESOLUTION 1 Proposing amendments to the Constitution of the State of Alaska relating to the Alaska 2 permanent fund and to appropriations from the Alaska permanent fund.

Vote no

Stuart Relay

From: markdundore [redacted]
Sent: Tuesday, April 29, 2025 12:16 PM
To: House State Affairs
Subject: HJR10

Follow Up Flag: Follow up
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Honorable Representatives,

This is my public testimony regarding HJR10.

The wording " (b) Each fiscal year, the legislature may appropriate from the permanent fund to the general fund..." seems like a reduction of the principal.

Reducing the fund itself by up to (and most likely) 5% per year -regardless of income or performance -will eventually deplete the fund so that there will likely be little to no annual permanent fund distribution for future generations.

That sounds like turning the PFD into a "rainy day" fund and misappropriating the principal.

I strongly object to this proposed amendment and implore you to vote against it.

Thank you,
Mark Dundore
Juneau, AK

Sent with Proton Mail secure email.

Stuart Relay

From: Larry Smith <[redacted]
Sent: Monday, April 28, 2025 1:44 PM
To: House State Affairs; LIO Homer
Subject: Fwd: FW: SJR 14, HJR 10

Follow Up Flag: Follow up
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To: Alaska House State Affairs Committee. Thank you for examining HJR 10. I agree with the intent to grow the Permanent Fund. The lesson drawn from the POMV enactment is that well intentioned as it was it has side effects. The resolution could be made reasonable by amendments. First a priority emphasis on inflation proofing. 2nd. Elimination on the clause which allows, and encourages the appropriation allowance in Sec.2. Article IX, sec 15, (b) : "Each year the legislature may also appropriate....." An amount which in 2025 is nearly a billion dollars. Another amendment to consider is the Jay Hammond clause, cited below in my note to Leg Fin Div, to take less than 5% when the fund is not earning that much. Thank again for your work! Larry Smith, Kachemak Resource Institute ([redacted]

-------- Forwarded Message --------
Subject: Re: FW: SJR 14, HJR 10
Date: Mon, 28 Apr 2025 12:03:03 -0800
From: Larry Smith [redacted]
To: Conor Bell [redacted]
CC: Alexei Painter [redacted]

Conor, Of course. The permanent fund is not immune to the slings and arrows of misguided fortune. Converting the Fund to an 'endowment' is an acceptable experiment that can be accomplished by the simple elimination of the statute that established the earnings reserve account, or by amending the constitution. The former provides flexibility with the caveat proposed by Jay Hammond that: "in the event that a 5% appropriation would invade the corpus of the fund, a public vote would be required under current constitutional mandate." (p 47 'Diapering The Devil'). The start-up of the POMV approach has an unresolved contradiction in the large secondary appropriation reported in the Legislative Finance Division: "2025 Legislature-Operating Budget. Allocation Summary-Senate Finance Structure. APFC Investment Management Fees - Investment Manager Fees $169.338.4 (million) Investment Management Oversight $8.674.1 (million) Fees Paid By Investments $800,(million) Appropriation Total $978.012.5 (million)"

Nearly a billion more added to the 5% POMV makes the draw about 6%. Various knowledgeable voices support the present maximum draw of 5%. I see no support for taking more and significant support for reducing the total draw to 4 1/2% or 4%. Trustee Paper #10 p. 25: "A total POMV draw of 5% is the maximum amount that could prudently be spent from the APF on an annual basis. A critical policy implication for Alaska is that the 5% POMV draw cannot be distributed to the States general Fund in addition to all the other established uses of APF income such as the dividend, inflation proofing, the

APF's internal costs, and external investment manager fees." The author advocates for a provision for inflation proving whenever the rules of endowment fail to provide.

The calculation of what a difference 1% makes in a number of years is understood best relative to the total draw. A reduction to 4% has been calculated by competent authority to reach the crossover point in Fund earnings in a few years. Not the number in LFD model of 20 years which is based on the difference between 4% and 5%. Both estimates depend on how much more the Fund will grow and earn with reduced draws.

Thank you for your work. We rely on it. Larry Smith/KRI ([redacted]

On 4/24/2025 1:43 PM, Conor Bell wrote:

> Hi Larry,
>
> In my reference to "fees funded by investments", I was referring to categories in APFC's [Investment Management Fee reports](). The terms are slightly different from the annual report. I was simply noting that some, but not all, investment fees are budgeted.
>
> If APFC expenses were funded with the POMV draw, and the POMV rate were unchanged, then the amount of the POMV draw available for PFDs and other government services would be reduced, and total expenditures from the Permanent Fund would also be reduced.
>
> The constitution states "All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law." So if the ERA were eliminated in statute, and there were no constitutional change, Permanent Fund income would be deposited in the general fund.
>
> ---
>
> **From:** Larry Smith [redacted]
> **Sent:** Tuesday, April 22, 2025 11:06 AM
> **To:** Conor Bell [redacted]; Alexei Painter [redacted]
> **Subject:** Re: FW: SJR 14, HJR 10
>
> Hi Conor, I not only get your point but appreciate the smart, independent work you do. AFD provides an admired highlight of the legislative process.
>
> APFC 2025 Annual Report p 40 actually has two headings, 'Fees Funded'. You cite the \$383.5M of 'fees retained', Sec 37.13.145 Disposition of Income (c) which is plain though it refers to (b). The other is: 'Fees Funded by Investment Management Allocation \$98.6M Fees that reflect the value of assets under management, contractual fee terms for external management, and internal costs associated with effective portfolio management including investment systems, due diligence, and custody fees. These fees are funded through the investment management fee allocation of the APFC's appropriation in the state's operating budget.'
>
> It is not your task to scrutinize the policy choices but to inform them. I am not at all convinced that the present joint resolutions should pass without the additions of terms and conditions to better protect the principle of the Fund as 'permanent'. I have observed

deviations from the Constitutional requirement to repay the CBR when there are funds available for appropriation, such as those in these resolutions and, in lack of actions in the past when times were flush. The legislature has not abided by the the basic statute for the direct transfer of inflation proofing based on 2 year USCPI for Urban Areas or the amendment shifting the source to the ERA. The legislature has sometimes honored provisions in the breach. Which, with the best intentions and the need to enact a budget, they may again. One question is what legislators have already asked.

Question: What is the financial effect if appropriations for APFC operating/capital expenditures comes from the POMV instead of extra direct access to the principal of the PFund?

I apologize for the digression in my last note regarding what I see as animadversions of rules. Rules which should be changed only with respect for debate and the legislative process, inconvenient as that may sometimes be. Lawmakers are aswim in a present to which their obligations and loyalties are foremost. That leaves them little time for them to be economic philosophers.

Question: If the ERA is abolished by amending statute instead of by Const amendment what are the fiscal consequences?

Happy Earth Day! Larry Smith [redacted]

On 4/21/2025 2:23 PM, Conor Bell wrote:

> Hi Larry,
>
> I'm not sure I understand your questions. Under current statute, APFC Operating/capital expenditures do not come from the same source as inflation proofing. Inflation proofing is from the PF ERA. APFC operating/capital expenditures are PF Gross, which are not expenditures from the ERA. Note that PF Gross is a deduction from statutory net income, so reducing PF gross expenditures would increase statutory net income into the ERA.
>
> Under SJR 14, APFC would still require legislative appropriation authority for their budget.
>
> Note that "fees funded by investment" are not included in the state's budget, since external managers deduct these fees from APFC's investments before APFC receives the investment returns.
>
> ---
>
> **From:** Larry Smith [redacted]
> **Sent:** Monday, April 21, 2025 11:35 AM

To: Conor Bell [redacted]; Alexei Painter [redacted]
Subject: Re: FW: SJR 14, HJR 10

Conor, Thanks for lifting some of my burden of ignorance. I look at all appropriations as deriving from the general fund. So-called PFDs are a misnomer since they are not calculated by the statutory formula as reinforced by SCAK (Supreme Court AK). By extension, based on advice from in-house counsel, APFC no longer makes direct transfer to principal for inflation proofing. Operating and Capital Appropriations seem to also now come from the same source. The amounts may or may not remain the same when the legislature may appropriate directly from the PF principal. However, the general fund appropriation allocations becomes a separate matter. The discussion of how to balance the budget could include a quarter billion dollars and rising calculated internally by APFC. Could the language allow APFC to request Fees Funded by Investments (p 40 2024 APFC Annual Report), #383.5M? How about the chance of including Performance Fees, $287.5 M. (p 41 APFC 2024).

It does seem to me that SJR 14 allows the escape from allocations-by-appropriation from the UGF. This may result in less taken from the cap of 5% MV or it could just allow reallocation of the amounts now to be derived directly from the principal of the Fund. It is a 'technical difference' as you say but could it not also increase real expenditures?

Wet as a whale's underbelly around here today. Larry Smith [redacted]

On 4/18/2025 4:26 PM, Conor Bell wrote:

> Hi Larry,
>
> In short, SJR 14 would not lead to increased Permanent Fund expenditures compared to the status quo.
>
> In current law, APFC operations and investment management fees are deducted from APFC's revenues before net income. So currently, APFC expenses occur before money reaches the ERA (and these expenses are not part of the POMV draw). See Legislative Finance's PF Gross fund code write-up. SJR 14 would continue to pay for APFC expenses from the Permanent Fund, with a technical difference of paying from the principal rather than from revenue as a deduction before calculating statutory net income.
>
> Conor

Conor Bell
[redacted]

From: Alexei Painter [redacted]
Sent: Friday, April 18, 2025 2:20 PM
To: Conor Bell [redacted]
Subject: FW: FW: SJR 14, HJR 10

Alexei

From: Larry Smith [redacted]
Sent: Friday, April 18, 2025 2:17 PM
To: Alexei Painter [redacted]>
Subject: Fwd: FW: SJR 14, HJR 10

Alexie, Working group has been trying to understand the financial implications of the provision allowing appropriations in excess of POMV for administration and management fees. One sophisticate estimated this might increase the take from MV to 6%. I'm sure you will bring understanding to the table. The APFC answer is somewhat obscure. Happy Easter!
Larry Smith/KRI [redacted]

-------- Forwarded Message --------

Subject:FW: SJR 14, HJR 10
Date: Tue, 8 Apr 2025 21:47:31 +0000
From: Paulyn Swanson [redacted]
To:'Larry Smith' [redacted]
CC: Deven Mitchell [redacted], Valerie Mertz [redacted]

Hello, Larry.

I hope this note finds you well and enjoying spring in Alaska!

Val forwarded your message to Deven and me for a response. I'm sorry for the delay in me getting back to you.

Regarding the constitutional amendments that bring forth a single-fund endowment with a limited POMV draw, APFC has noted the importance of including language to ensure that the Fund can continue to bear the cost of its investment management. Both resolutions that you noted in the subject line include the language that would allow for an appropriation from the Fund to pay the costs of managing it.

APFC's costs for investment are in the Annual Report (page 40/41) and also on our website in the report Archive Management Fee Report. The costs would be those that are 'appropriated' in the operating budget for operations and investment management fees. There are also costs that are 'netted' out of the returns.

I hope that helps to answer your question.

With best regards,
Paulyn

From: Larry Smith <lestate@gci.net>
Sent: Sunday, March 30, 2025 2:23:40 PM
To: Valerie Mertz <vmertz@apfc.org>
Subject: SJR 14, HJR 10

Valerie, No luck getting response from Mr Mitchell re legislation being
discussed.

I have questions about the meaning of language of the resolutions SJR
14 and HJR 10. Sec2. Art IX, sec v15, (b) where the line says: "Each
fiscal year the legislature may also appropriate from the permanent fund
an amount to pay costs associated with investments made under (a) of
this section, including operating expenditures associated with managing
the fund."

What are the costs associated with investments? Please provide a list
of such costs using last year as an example. And what were the 2024
operating expenditures associated with managing the fund?

I am not against eliminating the ERA by statutory change with conditions
attached to fixing a % of MV. Amending the Constitution in the manner
proposed does not seem appropriate.

Thanks for keeping your bright eye on things. Larry Smith