

29th Alaska State Legislature

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Senator Lesil McGuire

Sponsor Statement

Sponsor Substitute for Senate Bill 114

“An act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; and providing for an effective date.”

The legislature is often confronted with the hardest decisions to make, and as leaders, this cannot be avoided. In tough budget times, we must ensure that the state is on solid financial footing. That is why I am proposing a long-term solution to the state’s vulnerability to volatile oil prices, Sponsor Substitute for Senate Bill 114.

SS for SB 114 will not, by itself, solve the entire budget deficit, but it will get us at least half of the way there and provide for a degree of stability, all while maintaining downward pressure on spending. This bill changes where the funds for the Dividend come from and what funds are available for government services. It is not a raid on the Permanent Fund, and it would reduce the need for new taxes.

Currently, 30% of all royalties and rents from oil and gas go into the Permanent Fund, and 0.5% goes into the School Trust Fund. This leaves 69.5% of all royalties to go into the General Fund.

SS for SB 114 proposes to revert to the constitutionally mandated 25% of royalties to deposit into the Permanent Fund and to shift the remaining 74.5% to the Dividend Fund. The Dividend would then be decoupled from the Permanent Fund, and a guarantee that the Dividend will not fall below \$1,000 would be in place. For 2016 the Dividend would be unaffected and remain above \$2,000.

Instead of royalties the General Fund would utilize a portion of the Permanent Fund: 5% of the total value of the fund would be deposited into the General Fund. This would result in a net increase of nearly \$2 Billion to the General Fund, significantly closing the fiscal gap.

This bill does three things that are important: it protects the Permanent Fund, ensures a Dividend, and cuts the deficit in half. This model provides stability to the budget, and allows Alaska’s vast endowment to work in smart ways for us.

It is for these reasons that I have introduced SB114, and I humbly ask for your support.