REPRESENTATIVE MIKE HAWKER
ALASKA STATE LEGISLATURE ♦ DISTRICT 28
Anchorage ♦ Glen Alps ♦ Rainbow ♦ Indian ♦ Bird ♦ Girdwood ♦ Portage

House Bill 224
Sectional Analysis
Version: SSHB 224

Short Title: State Planning & Budget; Perm Fund; PFD

Section 1: Adopts the modern endowment fund management model to limit the amount of money available for annual distribution from the Permanent Fund to 4.5% of the total fund value, excluding the Amerada Hess funds. The amount for distribution cannot exceed the current "income" amount calculated as the net income for the previous fiscal year plus the balance of the Earnings Reserve Account.

Section 2: Requires that the money available for annual distribution from the Permanent Fund, as calculated under Section 1 of this bill, is first used to satisfy any budget deficits and that the funds shall be used before a personal income tax is implemented.

Section 3: Transfers the money available for appropriation from the Permanent Fund Earnings Reserve Account to the "distribution account" established in Section 7 of this bill.

Section 4: Technical change to the statute that states that Amerada Hess funds cannot be distributed as dividends.

Section 5: Revises the dividend calculation to incorporate the new methodology for calculating the annual distribution from the Permanent Fund. The dividend calculation would remain mostly intact; the calculation would be based on the funds remaining in the distribution fund after satisfying any net general fund deficit in the budget. Dividends would be subject to the cap in Section 6 of this bill.

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Section 6: Caps the amount of an individual Permanent Fund Dividend based on the combined values of the state's savings accounts – the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund. The caps range between $250 and $2,000 using a progressive scale indexed on the amount of money set aside in these funds.

Subsection (d) prohibits a dividend in a year when an income tax is assessed on state residents.

Section 7: Establishes a distribution account, which receives the annual distribution from the Permanent Fund.

This section includes a "waterfall" of priorities in appropriating the money deposited into the distribution account.

The first priority for funds in the distribution account will be to satisfy any net general fund deficit in the budget. This must be done before imposing an income tax on state residents and before Permanent Fund Dividends are paid.

If funds in the distribution account remain after the budget is balanced, Permanent Fund Dividends will be paid according to the formula in Section 5 of this bill, subject to the caps in Section 6. Clarifies that funds can be appropriated to the dividend account from other sources.

After balancing the budget and paying dividends, any remaining funds will be used to repay any debt to the Constitutional Budget Reserve Fund. If there is no debt to repay or if there is money remaining after satisfying the debt, the funds will be deposited into the Statutory Budget Reserve Fund.

Section 8: Repeals AS 37.13.145(c), the calculation for inflation-proofing. The modern endowment fund management model makes this section obsolete.

Section 9: June 30, 2016 effective date.