ALASKA PERMANENT FUND PROTECTION ACT

Sectional Analysis
SB 5001

FOR THE SENATE STATE AFFAIRS COMMITTEE

*Section 1: Legislative intent to reevaluate the use of permanent fund earnings in three years.

*Section 2: Directs the Alaska Permanent Fund Corporation (APFC) to adopt regulations similar to the state's procurement code.

*Section 3: Adds the APFC to the list of state agencies that are exempt from the procurement code.

*Section 4: Transfers the authority to manage and invest the constitutional budget reserve fund (CBRF) from the Department of Revenue to the APFC.

*Section 5: Requires the APFC to report the balance and returns of the CBRF annually.

*Section 6: Dedicated deposits of royalties to the corpus are reduced from about 30% of the total received to the constitutional minimum of 25%.

*Section 7: Requires the APFC to determine the net income of the earnings reserve account (ERA) and excludes unrealized gains or losses from "net income".

*Section 8: (b) Provides the first part of the draw formula – the POMV. Defines the maximum amount available for distribution each year as 5.25% of the average year-end market value of the Permanent Fund (including the ERA, but not the *Amerada Hess* funds) for the first five of the last six years.

(c) Provides the second part of the draw formula – the limit. Under the draw limit, for every $1 over $1.2 billion of variable oil and gas revenue (production taxes and royalties) received in the general fund, $1 is subtracted from the POMV calculation in (b). The limit does not apply to the 20% of the POMV that goes to dividends.

*Section 9: Conforming amendment: the *Amerada Hess* funds are not included in the draw calculation in Sec. 8.

*Section 10: (e) Plans an annual appropriation from the ERA to the general fund in an amount not to exceed the amount determined by the draw formula in Sec. 8.

(f) Plans for funds in the ERA over 21% (4 times 5.25%) of the fund's value to be transferred to the corpus.

*Section 11: Establishes a new dividend formula. Dividends are comprised of 20% of the full 5.25% POMV in Sec. 8 and 20% of prior year UGF royalties.

Establishes a "savings rule" that plans for excess UGF revenues (those exceeding UGF appropriations) to be deposited in the CBRF and the permanent fund corpus.

*Section 12: Conforming language: APFC to adopt regulations implementing Sec. 2.

*Section 13: Conforming language: excludes mental health trust fund income from draw formula in Sec. 8.

*Section 14: Conforming language: formula for amount of individual dividend checks uses the amount appropriated to the dividend fund from the ERA.

*Section 15: Permanent fund dividends will be $1,000 for fiscal years 2017, 2018, and 2019.

*Section 16: Conforming amendment: reflects that funds are appropriated to the dividend fund.

*Section 17: Once funds are appropriated from the ERA to the dividend fund, the Department of Revenue shall pay dividends each year without a separate appropriation.

*Section 18: Repeals provisions relating to the CBRF subaccount, the former dividend formula, and the inflation proofing calculation.

*Section 19: Repeals Sec. 15 ($1,000 dividend) after three years.

*Section 20: Transition Language: The Commissioner of Revenue and the APFC may adopt regulations, policies and procedures to implement this Act.

*Section 21: Retroactive effective date of July 1, 2016 for Sec. 6-11 and 13-18.

*Section 22: Immediate effective date for remaining sections.