ALASKA PERMANENT FUND PROTECTION ACT

SB 5001

July 12, 2016

APFPA amends three calculations in the permanent fund statute in order to support the budget, mitigate oil price swings, and protect both the fund and the dividend.

Calculating transfers to the general fund:

1. POMV Draw
   - 5.25% of the average value of the fund in the first 5 of the last 6 years (not a fixed draw)
   - Does not require a constitutional amendment because funds are transferred from the earnings reserve account (ERA), not the corpus of the permanent fund
   - For FY17, would provide $1.92 billion for the unrestricted general fund (UGF) budget (20% of the full $2.4 billion draw would go to the dividend)
2. Draw Limit
   - For every $1 of UGF production taxes and royalties over $1.2 billion, reduce the POMV draw by $1
   - Avoids spending fund earnings when oil prices recover
   - Allows the fund to grow to produce larger dividends and larger UGF draws in the future
   - Does not affect FY17

Calculating the dividend:

1. $1,000 per person for first 3 years
2. Then, 20% of the 5.25% POMV draw plus 20% of UGF royalties
   - Dividends are anticipated to very stable at about $1,000 per person

Calculating deposits to the corpus:

1. Inflation Proofing Transfers
   - Change the calculation from inflation times the corpus balance to the amount that the balance of the ERA exceeds 4 times the full 5.25% POMV draw
2. Royalty Deposits
   - Reduce to 25% (currently at about 30%)
3. Savings Rule
   - In peak revenue years, excess unrestricted revenue is divided between the CBR and the corpus