

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

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Official Business

Senate Bill 103

Sponsor Statement

For decades, the Permanent Fund Corporation Board of Trustees has recommended using a Percent of Market Value (POMV) model to calculate how much in total should be drawn from the Permanent Fund Earnings Reserve Account in any given year for any given purpose. This tried and true method is used by many large endowments. It was adopted by the legislature last year. The POMV draw is stable, predictable, and increases the value of the fund.

The Permanent Fund dividend calculation currently in state law is based on the volatile income of the fund instead of the more stable total value of the fund. This has created a paradox of supersized dividends when state revenues are in decline and has led to a negotiated dividend amount over the past three years. An outcome with no relation to the formula and one that lacks sound financial planning.

The Permanent Fund dividend formula currently in statute was passed in 1982. Senate Bill 103 changes the way the Permanent Fund dividend is calculated. The new dividend calculation would be the sustainable POMV amount. It would put a “split” into law, where individual Alaskans would benefit from a dividend and the community would benefit from funding core government services. This reflects Article I, Section 1 of the Alaska Constitution describing Inherent Rights, “...that all persons are equal and entitled to equal rights, opportunities and protection under the law; and that all persons have corresponding obligations to the people and to the state.” Alaskans have both individual rights as well as shared responsibilities to the state as a whole.

Senate Bill 103 will allow the legislature and governor to reach a historic compromise on the balance between services and dividends funded from the Permanent Fund earnings. This will allow Alaskans to move forward, past politics, to work together to deliver on the promise of Alaska – a place where people come together to celebrate our frontier spirit, help each other in time of need, share our state’s bountiful blessings with our friends and neighbors and save for the future of our children.