FINANCIALS FOR $3000 STATUTORY DIVIDENDS
BASED ON CURRENT BUDGET

Context of Historical Dividend Payments

The average dividend payment since the inception of the PFD program adjusted for inflation is $1,700, with the mean landing at $1833. The largest dividend Alaskans have received adjusted for inflation was $2864 in 2000. The smallest (adjusted for inflation) was $801 in 1984.

Distribution of $3000 PFD and Budget Consequences

- POMV revenue (drawn from ERA): $2.93 billion
- Amount required for a $3,000 dividend: $1.94 billion
- POMV remaining for Government: $990 million
- Regular revenue (derived primarily from oil): $2.30 billion
- Total funds available: $3.29 billion
- Amount needed for operating and capital budgets absent any vetoes and assuming capital budget fund source changes occur: $4.65 billion
- Additional funds needed to fill budget gap: $1.36 billion

Options to Fill Budget Gap

1. $700 million (approximate) in budget reductions still obtainable this year through vetoes

2. Available fund sources
    - Constitutional Budget Reserve (CBR): $2,268.5 million
    - Statutory Budget Reserve (SBR): $172.4 million
    - Alaska Higher Education Investment Fund: $340.7 million
    - Community Assistance Fund $90 million
    - Power Cost Equalization Endowment (PCE): $989.4 million
    - Alaska Housing Capital Corporation Fund: $0.2 million
    - Alaska Capital Income Fund: $11 million
    - Permanent Fund Earnings Reserve Account (ERA): $19 billion*

*Additional Draw from ERA: Unlawful and Inadvisable

Taking an additional $1.36 billion from the ERA is not advisable or legal according to statutes to fill the budget gap. Increasing the draw from $2.93 billion to $4.29 billion would equal to a 7.7% POMV draw which is 2.45% above the 5.25% allowed under AS 37.13.140 (b) (this size of a draw could also jeopardize future earnings). It also would violate the 50/50 split principle under the distribution of income and traditional formula statutes (AS 37.13.140 (a) and AS 37.13.145 (b)) as it would apply a larger amount of the ERA to government than to PFD distribution. Not only is it unlawful and inadvisable to take an additional draw from the ERA, it is unnecessary in light of the reductions and revenues available noted above.

In the future, <u>if the budget is not adequately reduced</u> and/or <u>oil revenues drop and stay at low levels</u>, some may explore the following:*

- *Diverting the oil and gas property tax plus the raw fish tax from municipalities (as proposed by the governor,) for $450 million.*
- *A 3% sales tax for $480 million.*
- *A 2% flat income tax of adjusted gross income for $500 million*
- *$1/gallon added to motor fuel tax for $500 million*

**The authors are NOT making these recommendations.*