

HB 259

Supplemental Permanent Fund Dividend

Presented by

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Deputy Commissioner



Supplemental PFD

HB 259 amends uncoded law to provide for the remainder of the statutory PFD for 2019

- | | |
|---------------------------|-------------------------|
| ○ 2019 statutory PFD | \$2,910/person |
| ○ Actual 2019 PFD | <u>(\$1,606/person)</u> |
| ○ HB 259 supplemental PFD | \$1,304/person |

Supplemental PFD

- Cost

○ 2020 Statutory PFD	\$ 1,884,603,000
○ 2020 Paid from UGF	(\$896,470,000)
○ 2020 Paid from SBR	<u>(\$172,200,000)</u>
○ Balance	\$815,933,000

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○ Estimated Eligible	<u>÷ 625,715</u>
○ Supplemental PFD	\$1,304

Supplemental PFD

- Eligibility
 - Received a 2019 dividend
 - Eligible to receive a 2020 dividend
- Payment
 - Paid with the 2020 dividend
 - Subject to appropriation

Supplemental PFD

- Rationale
 - HB 259 follows statutory formula
 - 4 years of “non-structured” solutions for the PFD
 - Structured (i.e., statutory) solution to the PFD is important to reducing annual fiscal uncertainty

Supplemental PFD

- Rationale
 - Permanent Fund is a form of an endowment
 - Endowments:
 - permanent duration
 - protect the inflation adjusted value of the funds
 - preserve inter-generational equity
 - limit spending to average real return of the fund
 - Alaska tends to spend less than the real return of the Permanent Fund
 - But some years distribution in excess of the 5 year lagging average real return
 - Result: real growth over time

Supplemental PFD

Fiscal Year	APFC Gross Nom Return	US CPI Jun	FY Infl	APFC Real Return	For FY	Lagging 5 yr Real Return	Amt PF Distribution	% Lagging 5 yr MV Distributed	% Real Return Retained	% Current Yr MV Distributed	PF EOY Balance	EOY Bal ex Am Hess
1998	16.35%	163	1.68%	14.67%	FY2000	9.95%	\$1,175.5	6.32%	3.64%	5.01%	\$23,876.3	\$23,451.9
1999	9.49%	166.2	1.96%	7.53%	FY2001	11.79%	\$1,116.4	5.42%	6.37%	4.52%	\$25,132.2	\$24,707.8
2000	9.18%	172.4	3.73%	5.45%	FY2002	10.55%	\$930.4	4.12%	6.43%	3.57%	\$26,516.0	\$26,091.6
2001	-3.26%	178	3.25%	-6.51%	FY2003	6.89%	\$691.1	2.90%	3.99%	2.83%	\$24,815.0	\$24,390.6
2002	-2.24%	179.9	1.07%	-3.31%	FY2004	3.28%	\$581.2	2.39%	0.90%	2.52%	\$23,525.2	\$23,100.8
2003	4.46%	183.7	2.11%	2.35%	FY2005	0.96%	\$558.9	2.29%	-1.33%	2.35%	\$24,194.3	\$23,769.9
2004	14.23%	189.7	3.27%	10.96%	FY2006	1.60%	\$725.4	2.92%	-1.32%	2.69%	\$27,399.8	\$26,975.4
2005	10.43%	194.5	2.53%	7.90%	FY2007	2.07%	\$1,064.0	4.16%	-2.10%	3.60%	\$29,961.6	\$29,537.2
2006	10.98%	202.9	4.32%	6.66%	FY2008	4.79%	\$1,326.2	4.88%	-0.09%	4.08%	\$32,909.7	\$32,485.3
2007	17.06%	208.4	2.71%	14.35%	FY2009	8.37%	\$856.6	2.85%	5.52%	2.29%	\$37,826.1	\$37,401.7
2008	-3.60%	218.8	4.99%	-8.59%	FY2010	5.95%	\$858.0	2.64%	3.31%	2.38%	\$36,533.9	\$36,109.5
2009	-17.96%	215.693	-1.42%	-16.54%	FY2011	0.08%	\$813.4	2.46%	-2.38%	2.76%	\$29,916.1	\$29,491.7
2010	11.72%	217.965	1.05%	10.67%	FY2012	0.59%	\$622.3	1.85%	-1.26%	1.90%	\$33,254.9	\$32,830.5
2011	20.56%	225.722	3.56%	17.00%	FY2013	2.47%	\$633.7	1.81%	0.66%	1.60%	\$40,140.3	\$39,715.9
2012	-0.01%	229.478	1.66%	-1.67%	FY2014	-0.58%	\$1,266.8	3.56%	-4.14%	3.17%	\$40,333.1	\$39,908.7
2013	10.96%	233.504	1.75%	9.21%	FY2015	3.02%	\$1,397.1	3.75%	-0.73%	3.14%	\$44,853.4	\$44,429.0
2014	15.50%	238.343	2.07%	13.43%	FY2016	9.54%	\$713.8	1.72%	7.82%	1.41%	\$51,214.0	\$50,789.6
2015	4.90%	238.638	0.12%	4.78%	FY2017	8.35%	\$1,220.7	2.69%	5.66%	2.33%	\$52,800.0	\$52,375.6
2016	1.02%	241.018	1.00%	0.02%	FY2018	5.00%	\$803.4	1.67%	3.33%	1.53%	\$52,769.0	\$52,344.6
2017	12.57%	244.955	1.63%	10.94%	FY2019	7.57%	\$2,727.9	5.26%	2.31%	4.60%	\$59,785.0	\$59,360.6
2018	10.74%	251.989	2.87%	7.87%	FY2020	7.30%	\$2,933.1	5.25%	2.05%	4.55%	\$64,894.0	\$64,469.6
2019	6.32%	256.143	1.65%	4.67%	FY2021	5.59%	\$3,091.5	5.25%	0.34%	4.69%	\$66,300.2	\$65,875.8
<i>With Supplemental Dividend:</i>												
2019	6.32%	256.143	1.65%	4.67%	FY2021	5.59%	\$3,907.4	6.64%	-1.04%	5.93%	\$66,300.2	\$65,875.8
<i>Real Return since inception</i>				5.96%								

Supplemental PFD

- Impact to FY2021 PF Draw

○ Lagging 5 year PF Market Value	\$58,885.2
○ SB 26 Distribution Percentage	<u>x 5.25%</u>
○ SB 26 POMV Draw	\$3,091.5
○ Supplemental PFD	\$815.9
○ Percentage of Lagging 5yr MV	1.39%

Supplemental PFD

- Rationale
 - Amounts not distributed for 2017 and 2018 PFDs
 - 2017 Reduction: \$792mm
 - 2018 Reduction \$683mm
 - Approx. earnings: \$363mm
 - Total: \$1,838mm