


# Memo

To: Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
House Finance Committee, Alaska State House of Representatives

From: Angela Rodell, CEO   
Alaska Permanent Fund Corporation

Date: February 26, 2021

Re: Follow Up to Questions posed in HFIN February 23

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1. *Representative Carpenter asked about Royalty contributions to the Principal of the Fund, specifically the statutory royalty contributions.*

The Principal of the Fund receives royalty contributions in accordance with the constitution and statutes:

Sec. 37.13.010. Alaska permanent fund.

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; and

In the FY18 and FY19 operating budgets, the Legislature did not appropriate the 25% of the royalty payments directed by AS 37.13.010(a)(2) to the permanent fund resulting in an underpayment to the permanent fund of

- \$99,800,000 of AS 37.13.010(a)(2) royalty payments for FY18 and
- \$99,200,000 of AS 37.13.010(a)(2) royalty payments for FY19.

These 'unappropriated' royalties were noted in the findings of the Legislative Auditor.

Subsequently, in the FY20 operating budget, the Legislature appropriated these 'unpaid' royalty amounts from the Earnings Reserve Account to the Fund's Principal. These items were vetoed by the Governor and not enacted.

The statutory royalty contributions to the Principal of the Fund for FY18 and FY19 remain unappropriated.

As always, please feel free to contact us if there are further questions.

Our Communications Manager, Paulyn Swanson, can be reached via email [pswanson@apfc.org](mailto:pswanson@apfc.org) or at 907-796-1520.