



ALASKA · STATE · CAPITOL

PFD and POMV Legislation

House Ways and Means
Committee

September 1, 2021

Legislative Finance Division

Disclaimer

Scenarios and adjustments in this presentation reflect individual pieces of legislation. Sponsors may intend these bills to be part of a larger package of changes.

Review of Modeling Baselines

- Legislative Finance's fiscal model is designed to show policy makers the longer-term impact of fiscal policy decisions.
- The baseline assumptions are essentially that current budget levels are maintained, adjusted for inflation. Policy changes are then applied against that baseline.
- Our default is to assume that statutory formulas will be followed.

Review of Modeling Baselines (cont.)

Revenue Assumptions

- LFD's baseline revenue assumptions are the Department of Revenue's Spring Revenue Forecast.
 - This assumes \$61 oil in FY22, growing with inflation in future years.
 - DNR oil production forecast projects that Alaska North Slope production will increase from 459.7 thousand barrels per day in FY22 to 565.5 thousand barrels per day in FY30.
- For the Permanent Fund, we assume actual FY21 returns and Callan's return assumption, which is 5.86% for FY22 and 6.20% for FY23 and beyond.

Review of Modeling Baselines (cont.)

Spending Assumptions

- For **agency operations**, these scenarios assume 50% of vetoes are restored to the FY22 enacted budget. Budgets grow with inflation starting in FY23 (2.0% per Callan).
- For **statewide items**, the baseline assumes that all items are funded to their statutory levels beyond FY22.
 - This includes School Debt Reimbursement, the REAA Fund, Community Assistance, oil and gas tax credits. We assume oil and gas tax credits are unfunded in FY22 but statutorily funded beginning FY23 until the credit balance is eliminated.
 - For retirement funding, we are using draft numbers presented by DOR to the Fiscal Plan Working Group in July.
 - We also include a baseline Fund Transfers amount that represents the ongoing cost of DEC's Spill Prevention and Response program.
- For the **capital budget**, we assume the enacted FY22 capital budget, growing with inflation.
- For **supplementals** we assume \$50.0 million per year. This is based on the average amount of supplemental appropriations minus lapsing funds each year.

PFD and POMV Bills In the 32nd Legislature

Constitutional Amendments

- HJR 1 (Rep. Kreiss-Tomkins)
- HJR 7 (Governor Dunleavy)
- HJR 10 (Rep. Tuck)
- SJR 1 (Sen. Wielechoski)
- SJR 18 (Sen. von Imhof)

Statutory Changes

- HB 37 (Rep. Wool)
- HB 73 (Governor Dunleavy)
- HB 202 (Rep. Merrick)
- HB 3002 (Rep. Eastman)
- HB 3008 (House Ways and Means)

HJR 1 (Rep. Kreiss-Tomkins)

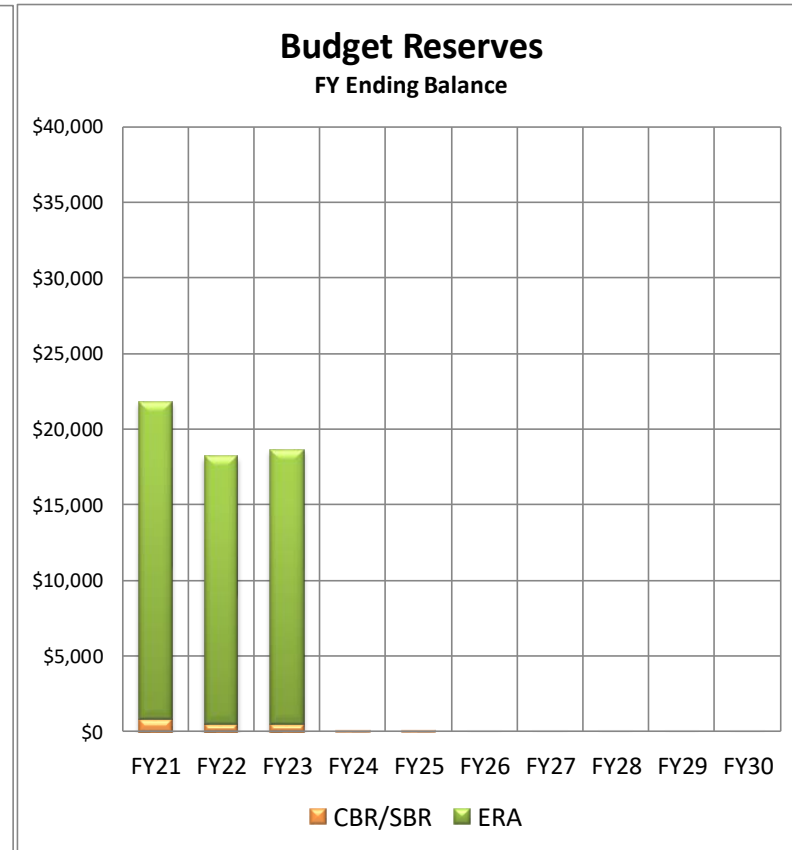
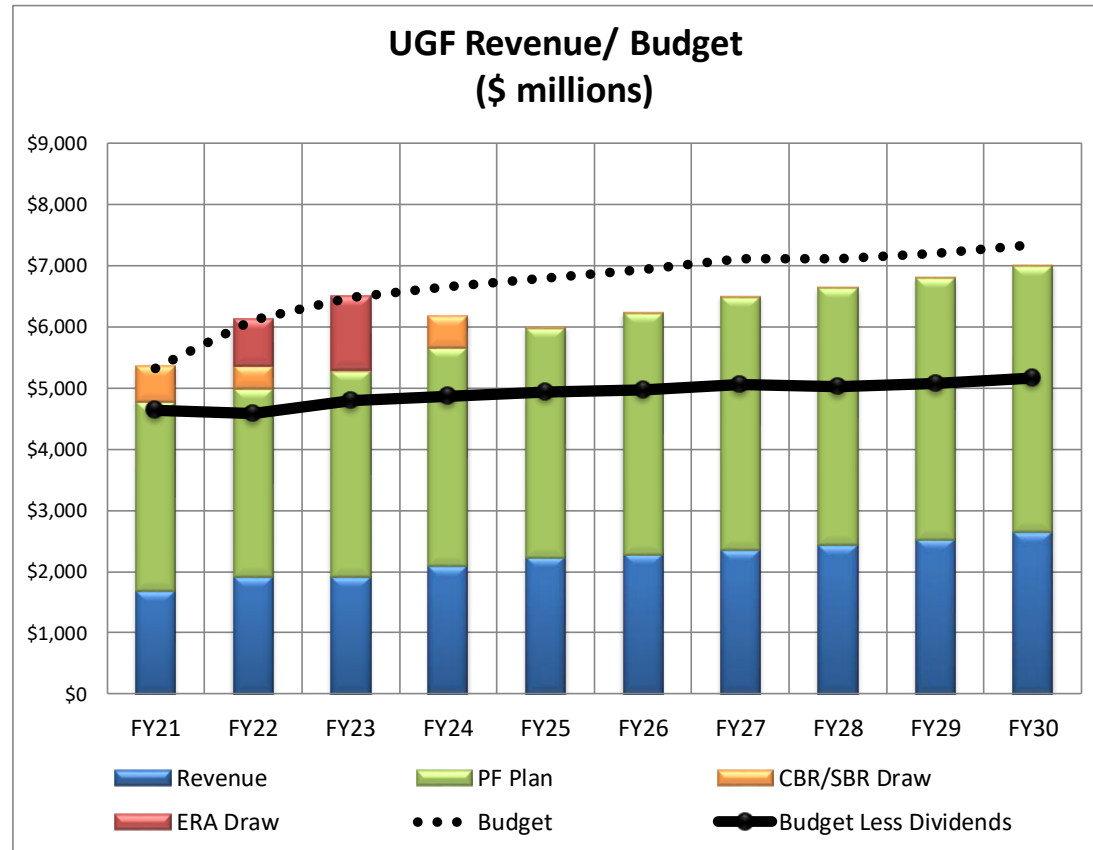
- Constitutional amendment combining Permanent Fund principal and earnings reserve into a single account
- Establishes limit of draws from Permanent Fund of 5% POMV
- Does not deal with PFD

HJR 7/HB 73 (Governor)

- HJR 7 is a constitutional amendment combining Permanent Fund principal and earnings reserve into a single account
- HJR7 establishes limit of draws from Permanent Fund of 5% POMV
- As originally drafted, required that a PFD be paid according to a statute that was approved by the voters (as provided in HB 73)
- Governor revised his proposal, which was introduced as a CS to SJR 6 (the Senate companion). This version provides:
 - Constitutional single Permanent Fund account
 - Limits draws to 5% POMV
 - Sets PFD as 50% of the POMV draw
 - Transfers the PCE fund to the Permanent Fund and adds PCE program as constitutional requirement

Governor's Constitutional Amendment (CS for SJR 6)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	(1,145)	(1,217)	(1,002)	(841)	(733)	(653)	(494)	(427)	(355)



Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	6.26%	6.77%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

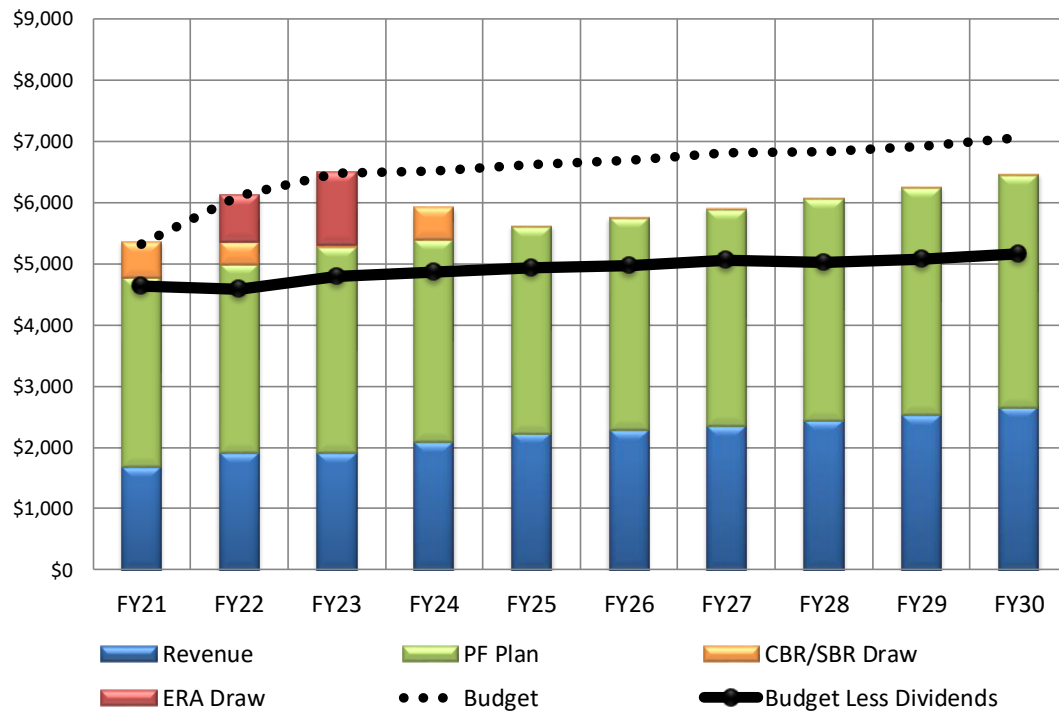
HJR 10 (Rep. Tuck)

- Constitutional amendment retaining two-account structure
- Draws limited to 4% of market value of the fund (no averaging) but may not exceed net income from the fund in the previous fiscal year
- Splits draw 50/50 between PFD and general fund

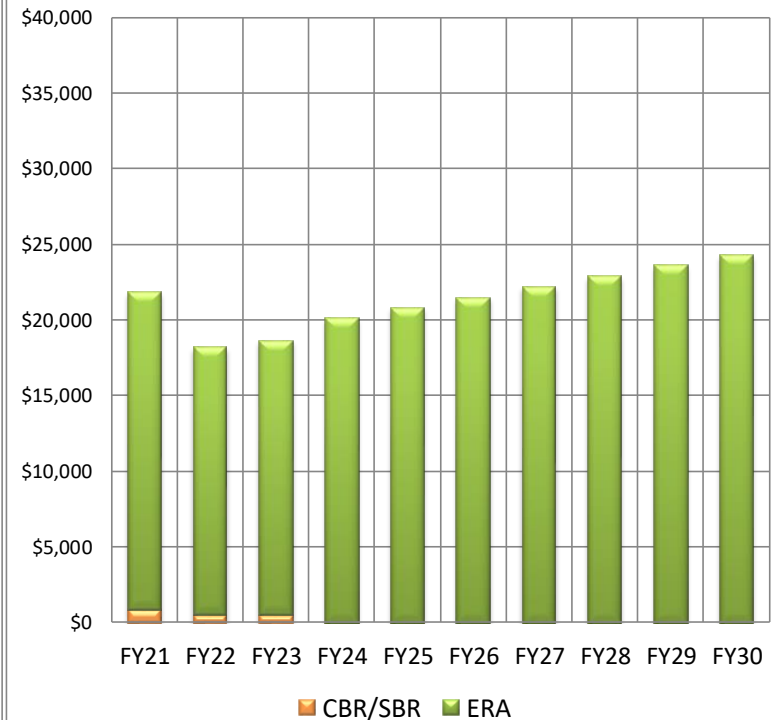
HJR 10 (Rep. Tuck)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	(1,145)	(1,217)	(1,138)	(1,029)	(970)	(952)	(782)	(706)	(626)

**UGF Revenue/ Budget
(\$ millions)**



**Budget Reserves
FY Ending Balance**



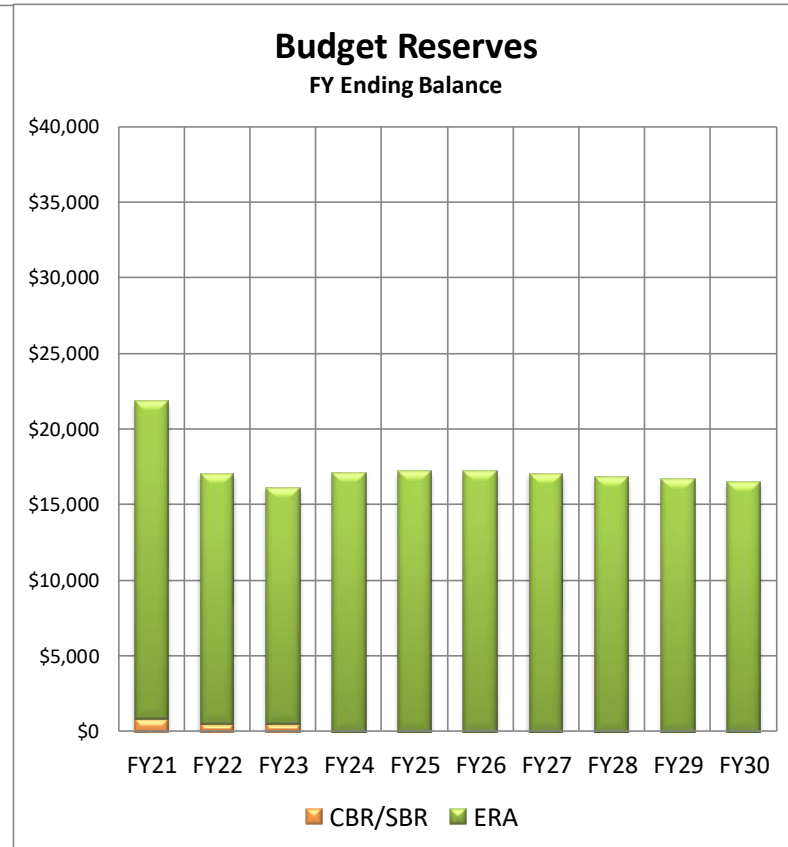
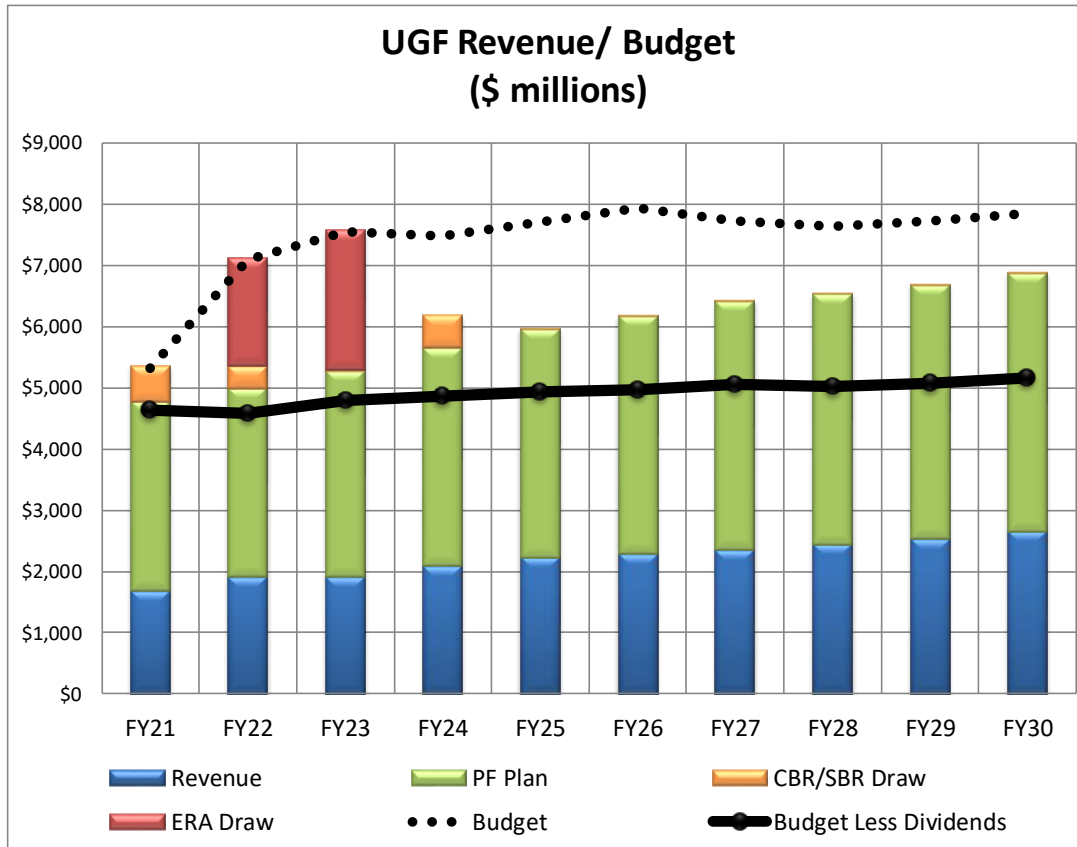
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	6.26%	6.77%	4.62%	4.50%	4.39%	4.27%	4.29%	4.31%	4.31%

SJR 1 (Sen. Wielechowski)

- Constitutional amendment combining Permanent Fund principal and earnings reserve into a single account
- Establishes limit of draws from Permanent Fund of 5% POMV
- Sets PFD as higher of: (1) current statutory formula; or (2) 50% of the POMV draw

SJR 1 (Sen. Wielechowski)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	(2,121)	(2,299)	(1,836)	(1,774)	(1,793)	(1,329)	(1,117)	(1,062)	(1,000)



Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.85%	8.39%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

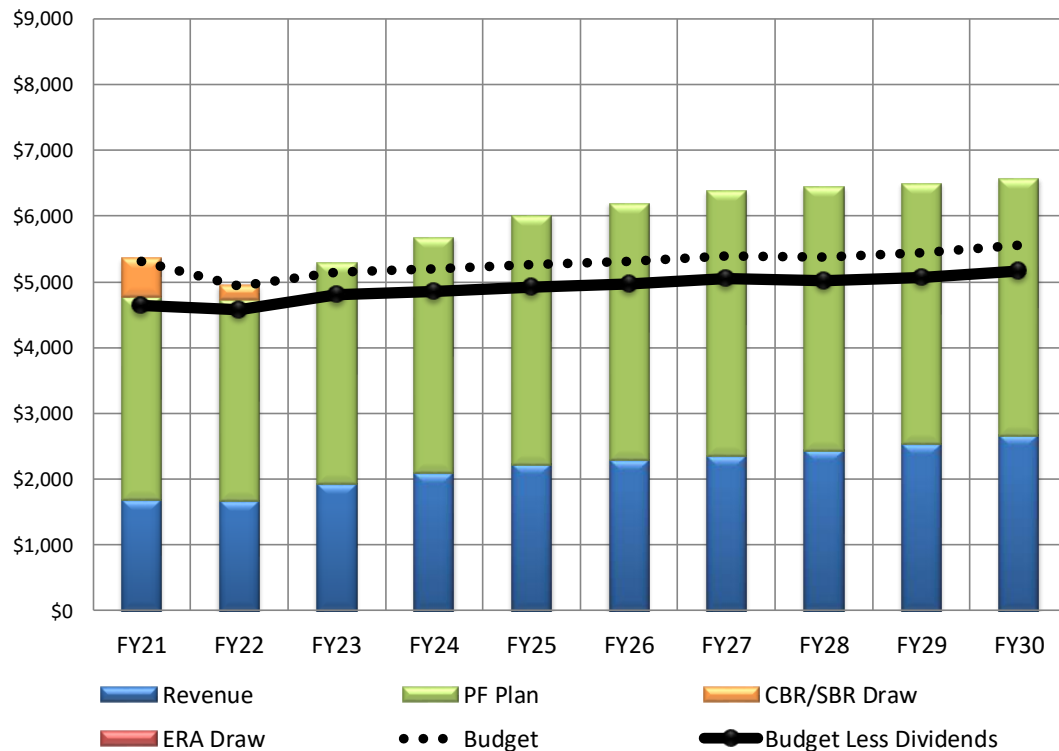
SJR 18 (Sen. von Imhof)

- Constitutional amendment splitting Permanent Fund into two accounts: Permanent Fund and Alaska Resource Ownership Revenue Account (ARORA)
- ARORA established with a transfer equal to the PFDs paid below the statutory level (about \$6.77 billion)
- Royalties currently directed to the Permanent Fund will be split equally between the Permanent Fund and ARORA
- 5% POMV from each fund. Permanent Fund POMV goes to the general fund, ARORA to the PFD fund

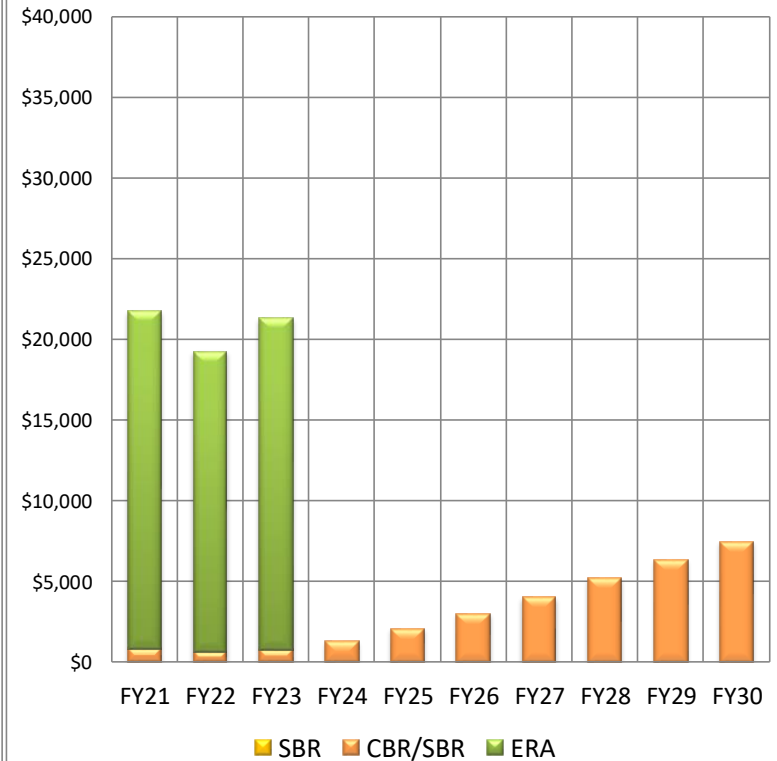
SJR 18 (Sen. von Imhof)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(587)	(215)	107	455	724	858	959	1,052	1,031	993

**UGF Revenue/ Budget
(\$ millions)**



**Budget Reserves
FY Ending Balance**



No ERA Overdraws

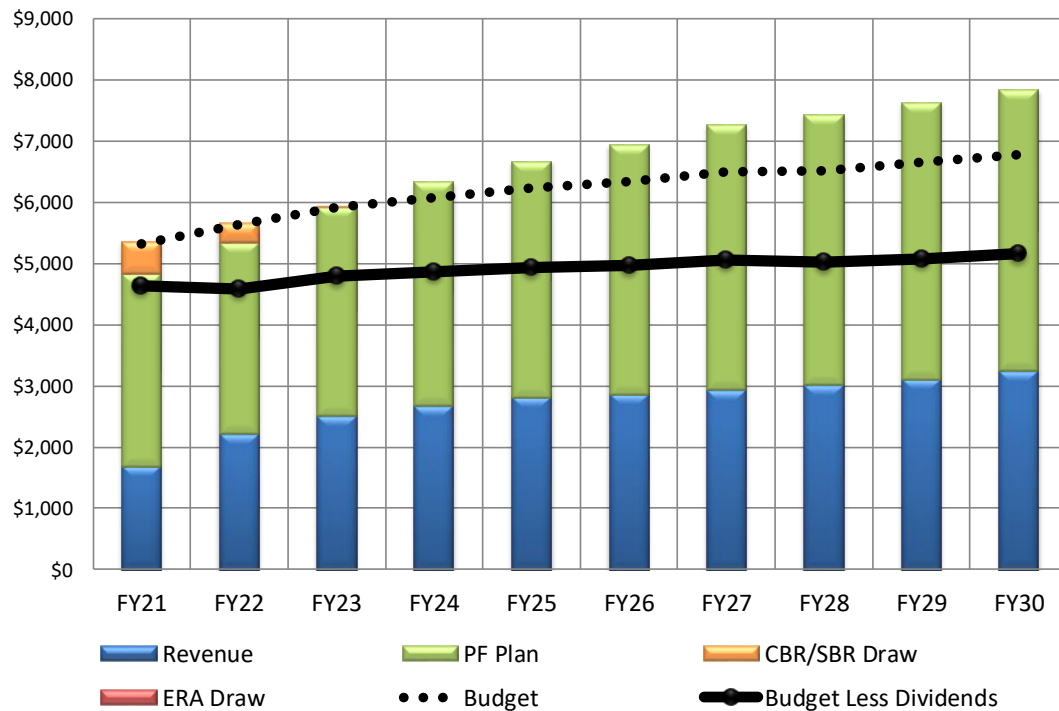
HB 37 (Rep. Wool)

- Retains statutory 5% POMV
- Directs 10% of POMV and 90% of UGF royalties to the PFD
- Repeals additional statutory 25% of royalties to the Permanent Fund
- Repeals Amerada Hess account (funding source for Alaska Capital Income Fund)
- Establishes a flat income tax of 2.5%
 - Estimated to raise \$580 Million in FY23

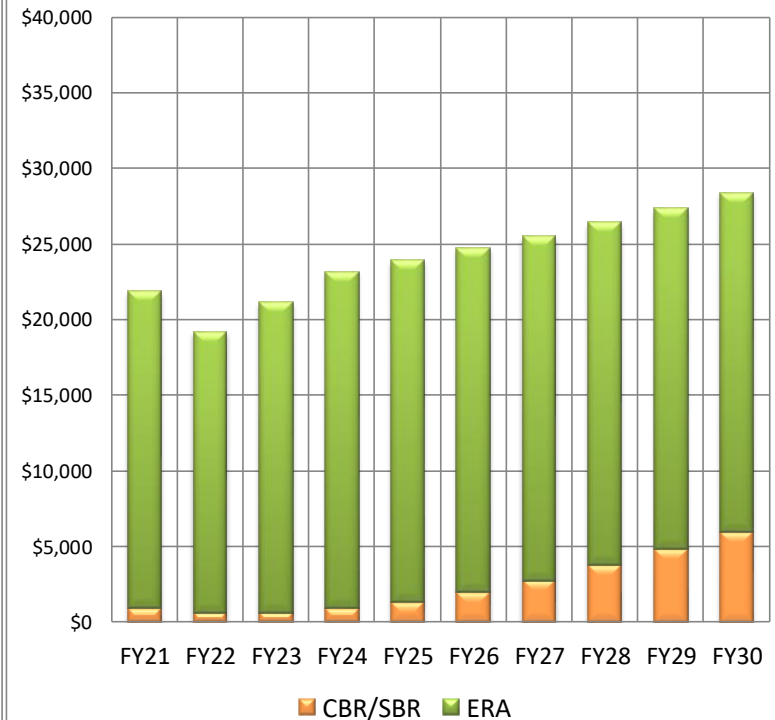
HB 37 (Rep. Wool)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(527)	(314)	(10)	226	413	590	739	902	961	1,038

**UGF Revenue/ Budget
(\$ millions)**



**Budget Reserves
FY Ending Balance**



No ERA Overdraws

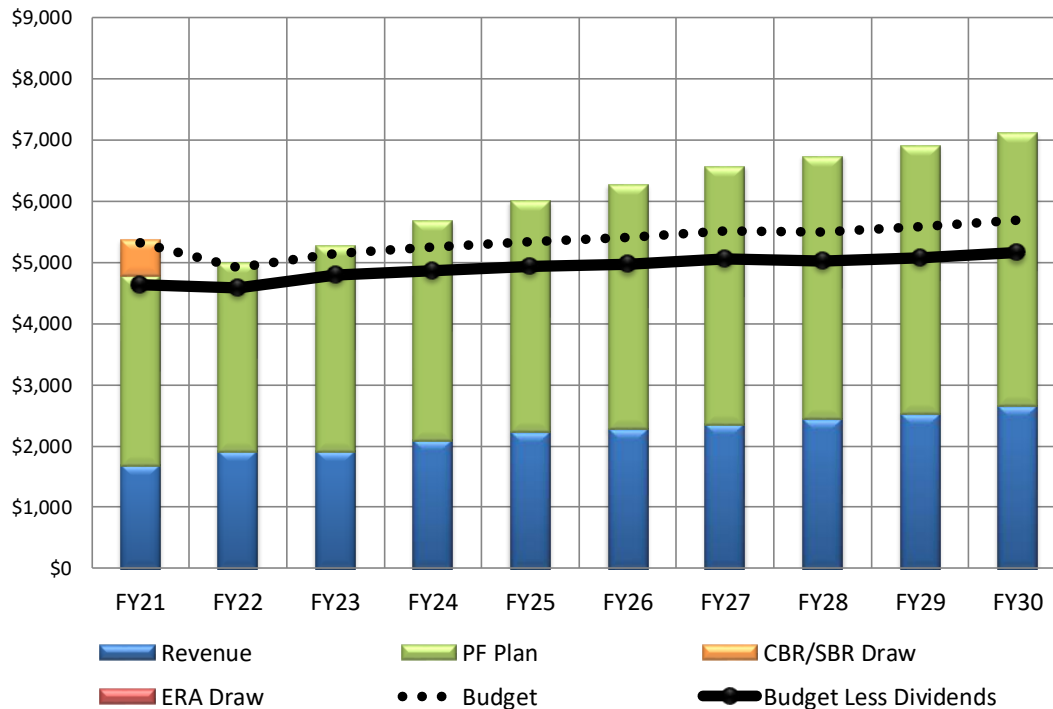
HB 202 (Rep. Merrick)

- Retains statutory 5% POMV
- Directs 30% of total royalties to the PFD

HB 202 (Rep. Merrick)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	57	114	410	643	847	1,031	1,221	1,311	1,412

**UGF Revenue/ Budget
(\$ millions)**



**Budget Reserves
FY Ending Balance**



No ERA Overdraws

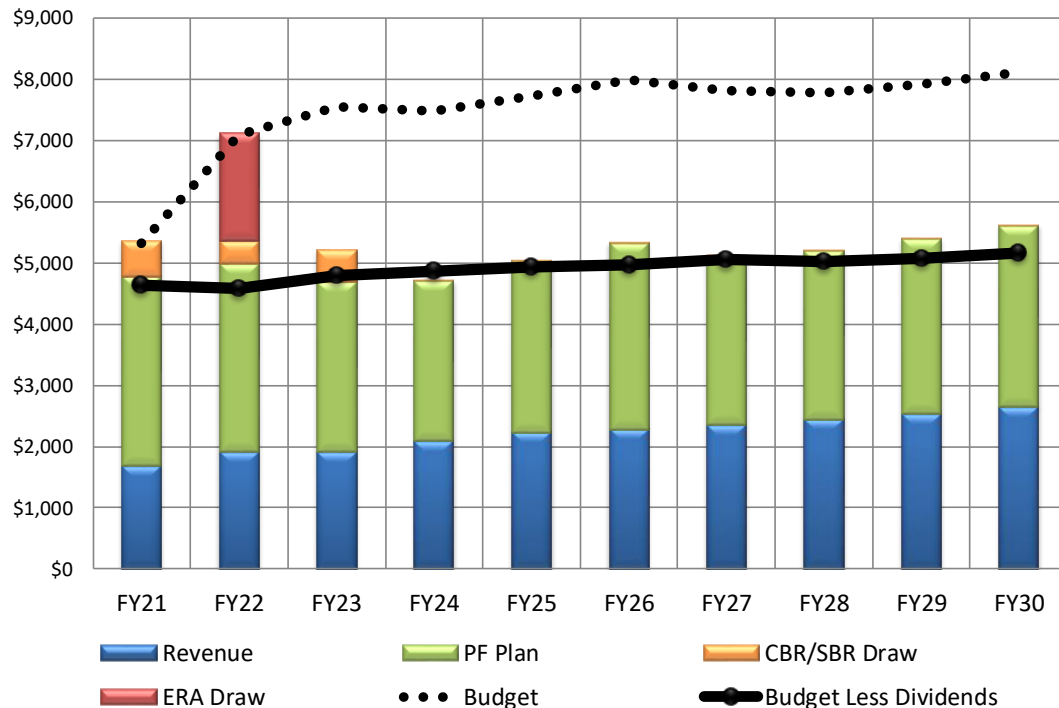
HB 3002 (Rep. Eastman)

- Repeals statutory POMV draw
- Retains statutory PFD formula

HB 3002 (Rep. Eastman)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	(2,121)	(2,893)	(2,789)	(2,717)	(2,698)	(2,720)	(2,591)	(2,557)	(2,522)

**UGF Revenue/ Budget
(\$ millions)**



**Budget Reserves
FY Ending Balance**



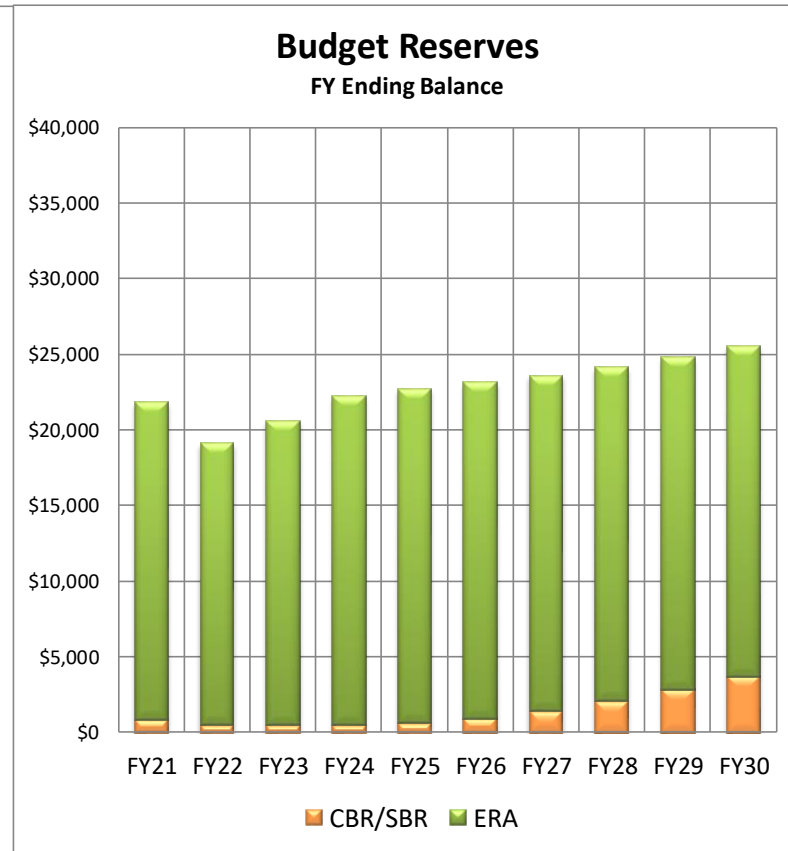
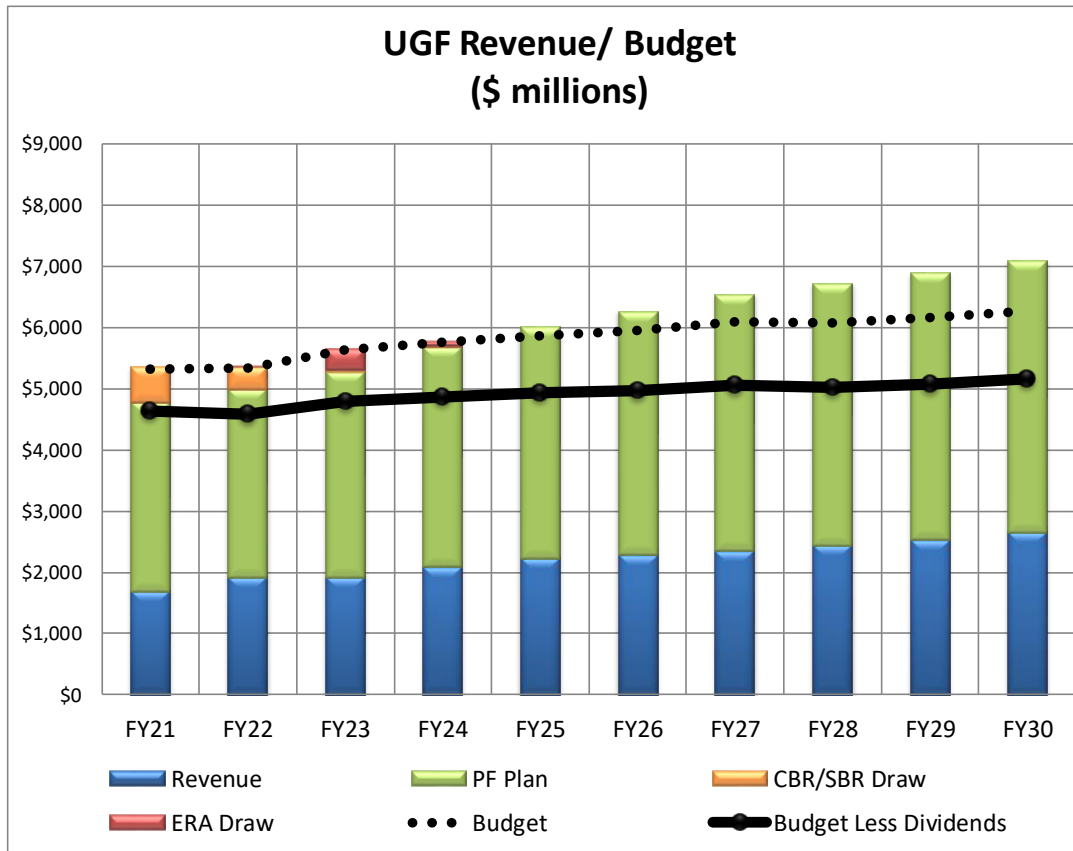
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.85%	4.11%	3.67%	3.74%	3.84%	3.30%	3.23%	3.23%	3.23%

HB 3008 (House Ways and Means)

- Retains 5% POMV draw
- Directs 25% of POMV draw to the PFD

HB 3008 (House Ways and Means)

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	(595)	(378)	(379)	(102)	115	281	425	612	703	796



Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.01%	5.52%	5.11%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Questions?

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