

HB 4010

A New Solution for an Established Sustainable Tradition

PFD Appropriation Presentation – 2nd Presentation

By Representative Ken McCarty

P.O.M.V.

The Percent of Market Value calculation based on the growth of the Permanent Fund was changed into Statute in 2019. At a 5% annual draw on the Permanent Fund this allows for prudent distribution and continued growth within the fund into the future.



The question from that last Ways and Means
Committee Meeting (10/13/21)

Does the HB 4010 plan have a negative impact on the
Operational Budget resulting in reductions to it in
order to support the Capital Budget?

HB 4010

A Permanent Fund Appropriation Formula that
supports Alaskans in many ways!

35 % - Dividend Amount for Alaskans

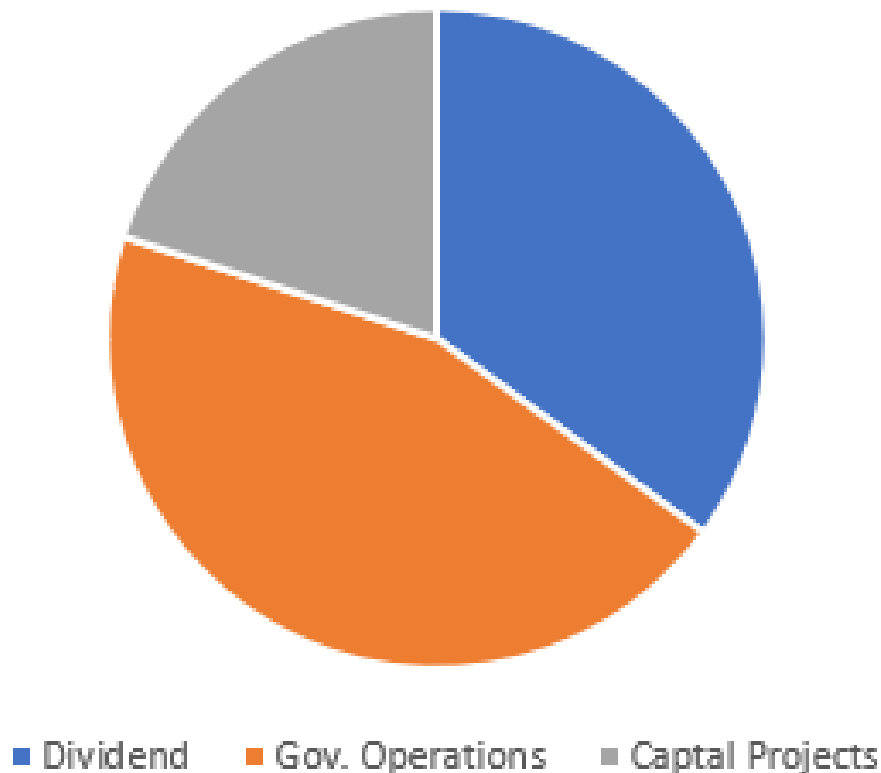
20 % - Capital Projects to benefit Alaskans

45 % - Government Operations to support Alaskans

PREMISE

Equitable formula that gives Alaskans “More Bang for the Bucks!”

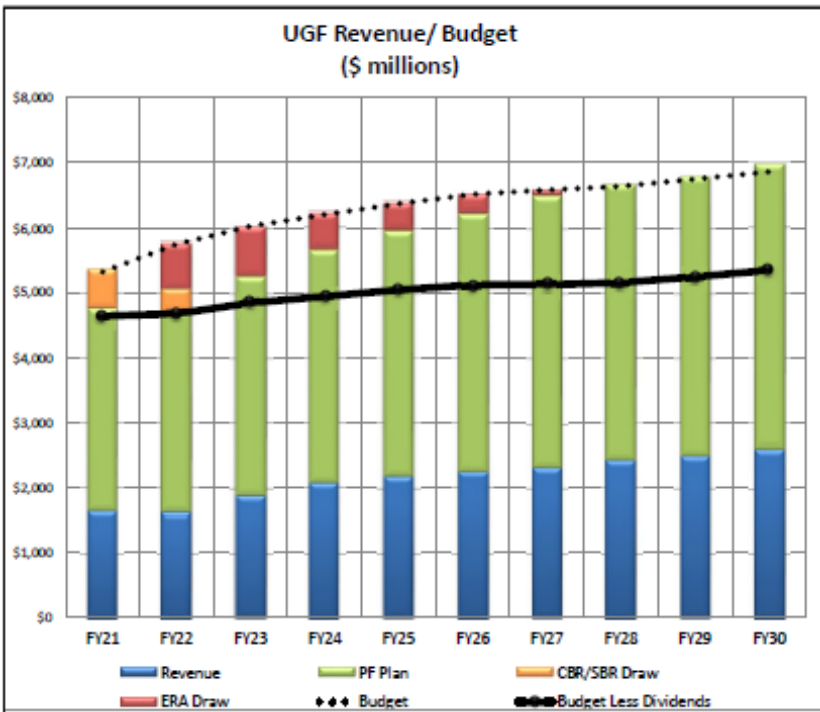
Permanent Fund Appropriation Dispersement



HB 4010 Plan

- 5% of POMV draw with a 35/65 Percent Split
- 35% to PFD
- 65% to State with at least 20% allocated to Capital Budget Projects
- Capital Projects assurance will result in jobs and projects toward maintenances, improvements, and infrastructure for roads, airports, A.M.H., bridges, buildings, fire support, school structures, etc.

HB 4010 Plan: A Closer Look

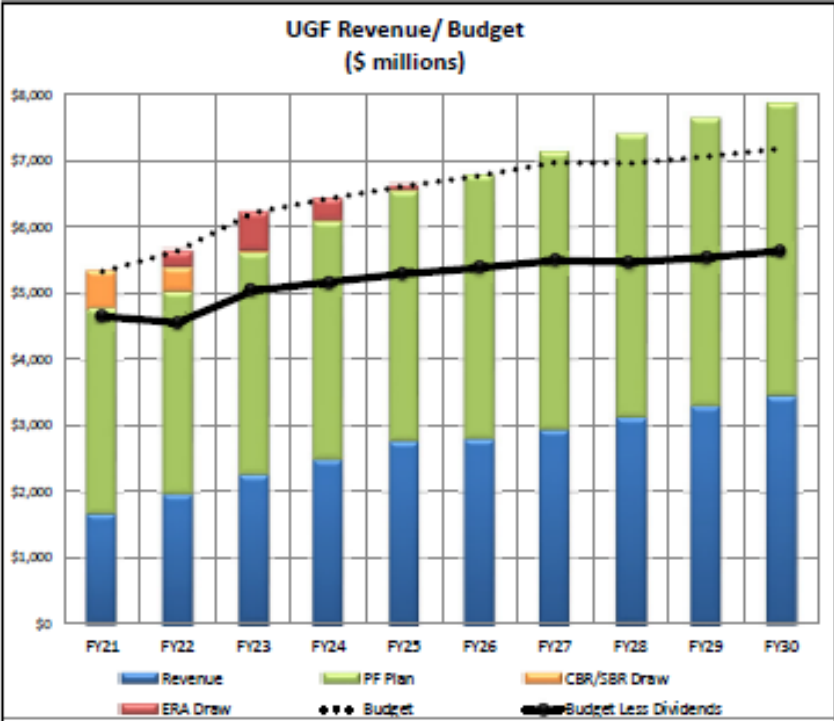


\$60 PPB

Fiscal years 21-27 project revenue with no liability reduction until 2028 and surplus in 2030.

\$70 PPB

Fiscal years 21-24 reflect project slight deficit with significant surplus growth after 2025.

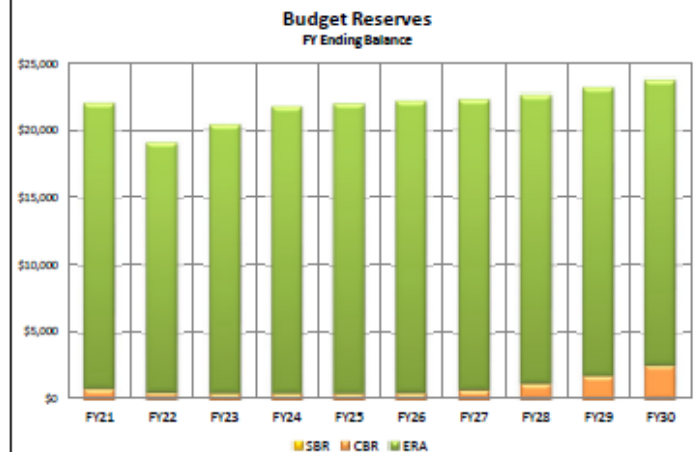
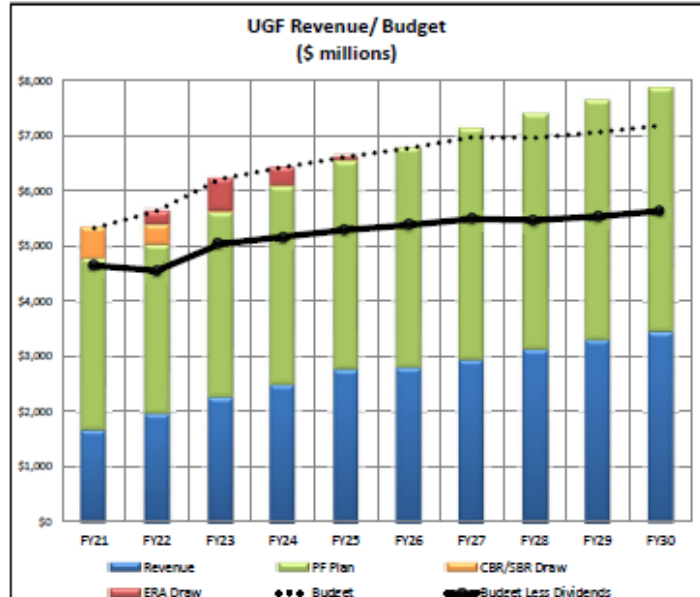


Price Scenario	\$60 Real
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY22)	22 Enacted
Growth Rate	2.00%
Budget Change (FY23+)	\$ -
Tax Credit Payments	Statutory
School Debt Reimbursement	100%
Capital Budget (FY22-30)	
	FY22 Enacted
Supp Budget (FY22+)	50.0
CBR Vote	Pass
REVENUE VARIABLES	
New Revenue Begins (FYXX)	FY23
Sales Tax Type	N
Sales Tax Rate	0%
Income Tax	N
Motor Fuel Tax	N
Undefined New Tax (\$m/yr)	\$0.0
Assumptions	
Inflation Rate	2.00%
PF Investment Return	Callan (5.88% FY22, 6.2% FY23+)
% Realized	7.30%
CBR Earnings	2.00%
Reserve Priority	CBR
Minimum CBR Balance	\$ 500
Unplanned ERA Draws	Y
Permanent Fund Plan	
	SB 26
PLAN SPECIFICATIONS	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
Dividend	
FY22 Override	N
% of Stat Net Income to Div	0%
% of POMV Draw to Div	35%
Dividend Floor	0%
Floor Ends	0%
% of Royalties to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Balanced Budget Dividends	N
POMV Deduction Before Div	None
Other Provisions	
New Royalties to PF	50%
All Royalties to PF	N

HB 4010 Plan:

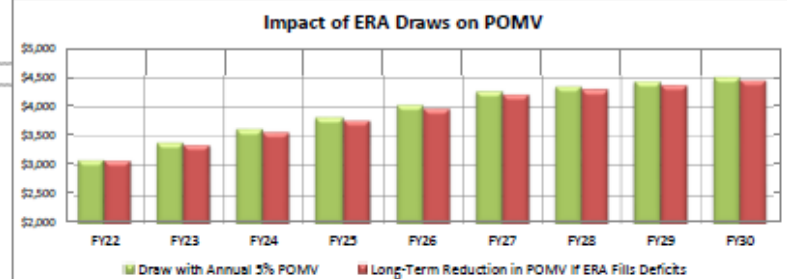
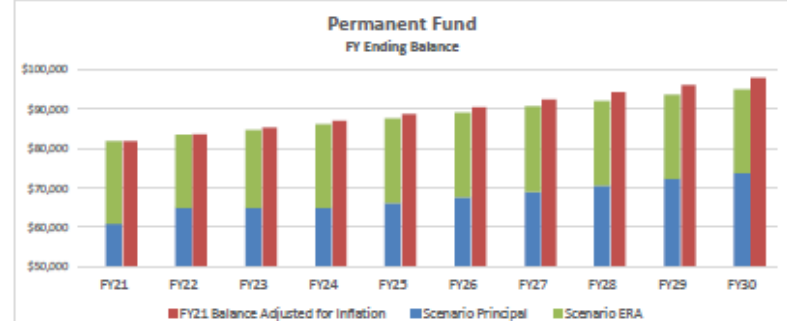
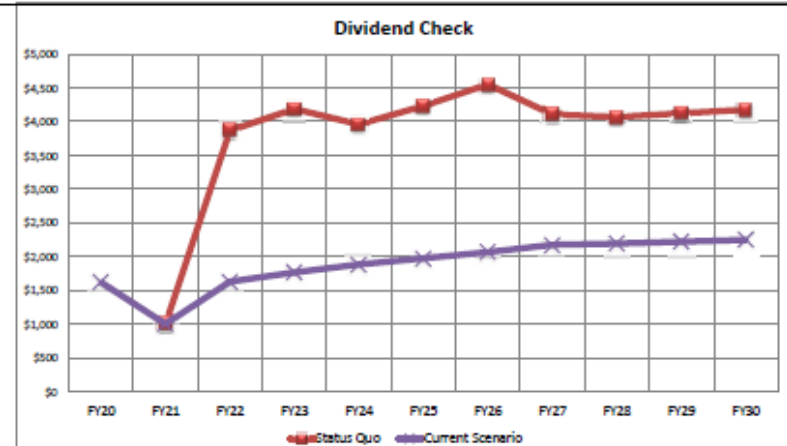
A Closer Look

Fiscal Model: \$70/barrel ANS price growing with inflation; FY22 Enacted agency operations budget growing with inflation; 35% of POMV draw to PFDs; 13% of total POMV draw to capital budget



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
ERA Bal.	21,148	18,540	19,822	21,194	21,436	21,571	21,511	21,427	21,323	21,199
Surplus/ (Deficit)	-595	-610	-617	-354	-69	6	167	422	580	693
CBR/SBR Bal.	846	513	510	510	510	536	726	1,177	1,797	2,543
%Budget fr. Savings	11%	11%	10%	5%	1%	0%	-2%	-6%	-8%	-10%
Unplanned ERA Draw	0	239	588	329	49	0	0	0	0	0

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Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY22)	22 Enacted
Growth Rate	2.00%
Budget Change (FY23+)	\$ -
Tax Credit Payments	Statutory
School Debt Reimbursement	100%
Capital Budget (FY22-30)	
	13% of Total POMV
Supp Budget (FY22+)	50.0
CBR Vote	Fail
REVENUE VARIABLES	
New Revenue Begins (FYXX)	FY23
Sales Tax Type	N
Sales Tax Rate	0%
Income Tax	N
Motor Fuel Tax	N
Undefined New Tax (\$m/yr)	\$0.0
Assumptions	
Inflation Rate	2.00%
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Other Provisions	
New Royalties to PF	50%
All Royalties to PF	N

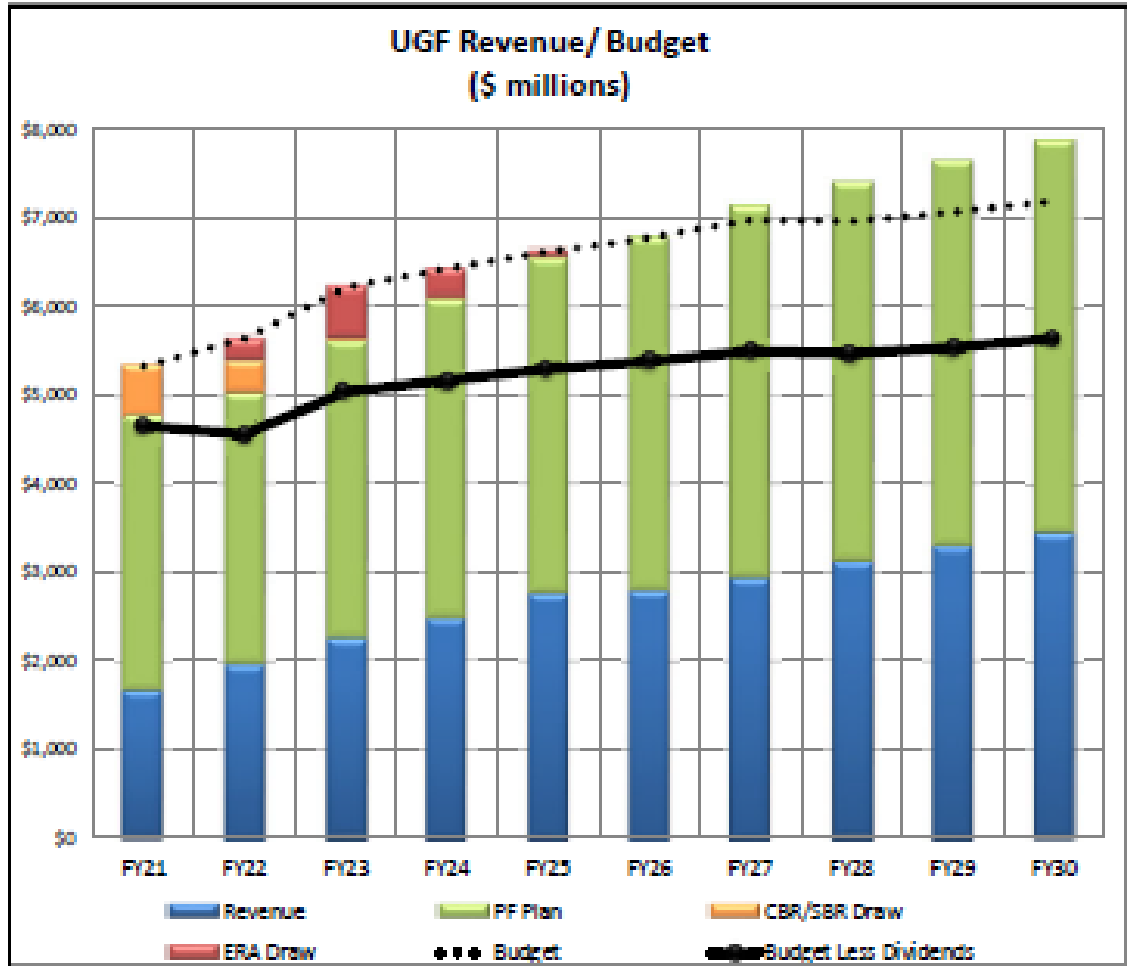


	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
POMV Draw	2,933	3,091	3,069	3,361	3,597	3,794	3,991	4,213	4,285	4,355	4,428
Inflation Proofing	4,758	-	4,000	-	-	1,049	1,080	1,111	1,144	1,179	1,214
Plan %	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.4%	4.7%	4.0%	4.7%	4.6%	4.5%	4.6%	4.7%	4.7%	4.7%	4.7%

HB 4010 Plan:

A Closer Look

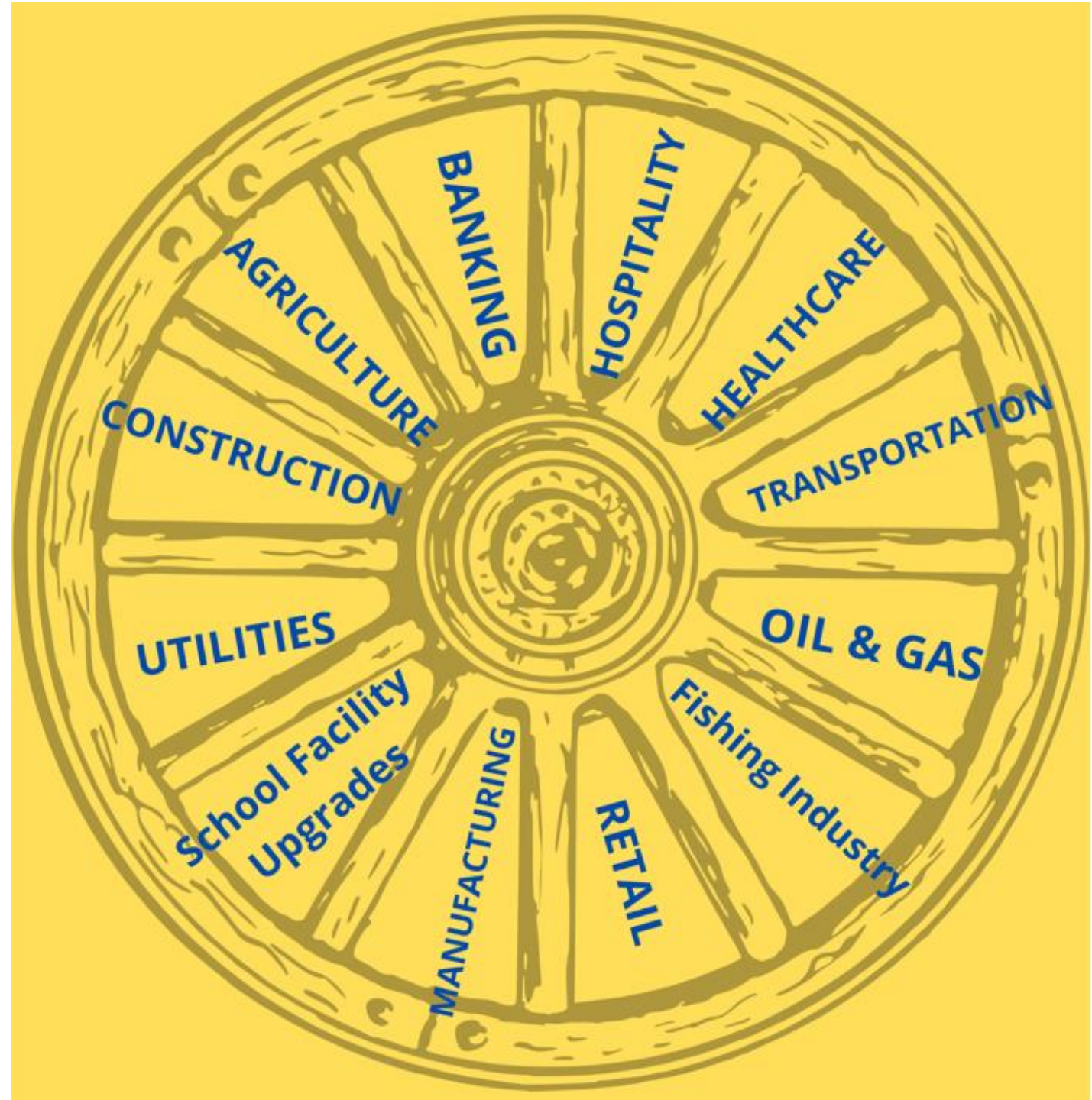
2023-2024
2025
2026 - 2030



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Appropriations to Capital Projects =

- More Money to Support Jobs for Alaskans
- Boosts the Economy
- Infrastructure for now and into the future



HB 4010 - 35 /65 Plan

ADVANTAGE

Seeks to establish a distribution plan that is dependable & sustainable into the future

Equitable for both the people's government and individual Alaskans

Alaskans benefit from a dividend as well as jobs and services from Capital Projects

Fiscally sustainable that does not require excessive revenue expansion / taxation

DISADVANTAGE



HB 4010 Avails

A More Sustainable Future

Provides a Balanced and Strong
Economy for Alaska

Presented by Representative Ken McCarty



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Does the HB 4010 plan have a negative impact on the Operational Budget resulting in reductions to it in order to support the Capital Budget?

NO

HB 4010 avails balanced fiscal management with projections of future surplus protection.

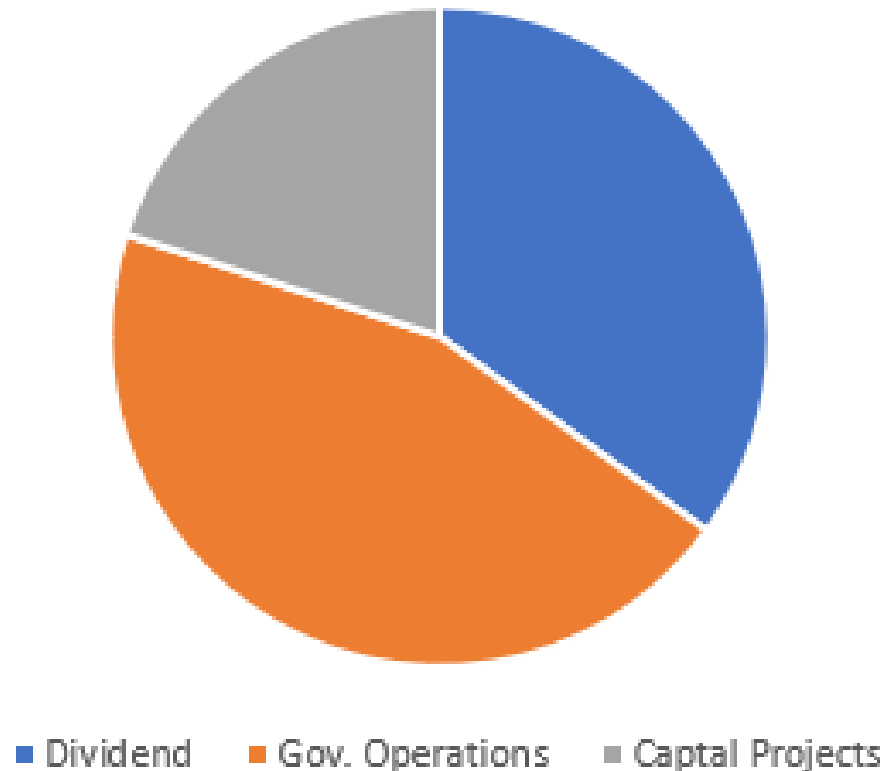
In Addition:

Recent projected oil revenue forecasts have seen unexpected surplus, which could reduce or eliminate deficit years.

HB 4010

A Viable Solution for an Established Sustainable Tradition

Permanent Fund Appropriation Dispersement



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