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Nauman
3/25/22

CS FOR SENATE BILL NO. 199(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature to

(1) implement the recommendations of the 2021 Comprehensive Fiscal Plan Working Group; and

(2) allow for adequate time to debate, analyze, and implement the revenue measures and cost reductions required for the long-term financial stability of the state.

*** Sec. 2.** AS 37.13.140 is amended to read:

Sec. 37.13.140. Income. (a) Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall

be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

(b) The corporation shall determine the amount available for appropriation each year. The amount available for appropriation is five percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended, computed annually for each fiscal year in accordance with generally accepted accounting principles. **The amount available for appropriation may not exceed the balance in the earnings reserve account described in AS 37.13.145.** In this subsection, "average market value of the fund" includes the balance of the earnings reserve account established under AS 37.13.145, but does not include that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* **Sec. 3.** AS 37.13.145(b) is amended to read:

(b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve account to the

(1) dividend fund established under AS 43.23.045, 50 percent of the amount [INCOME] available for appropriation [DISTRIBUTION] under AS 37.13.140(b); and

(2) general fund, 50 percent of the amount available for appropriation under AS 37.13.140(b) [AS 37.13.140].

* **Sec. 4.** AS 37.13.145(b), as amended by sec. 3 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate from the earnings reserve account to the

(1) dividend fund established under AS 43.23.045, **25** [50] percent of the amount available for appropriation under AS 37.13.140(b); and

(2) general fund, 75 [50] percent of the amount available for appropriation under AS 37.13.140(b).

* **Sec. 5.** AS 37.13.145(b), as amended by secs. 3 and 4 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate from the earnings reserve account to the

(1) dividend fund established under AS 43.23.045, 50 [25] percent of the amount available for appropriation under AS 37.13.140(b); and

(2) general fund, 50 [75] percent of the amount available for appropriation under AS 37.13.140(b).

* **Sec. 6.** AS 37.13.145(c) is amended to read:

(c) After the appropriation [TRANSFER] under (b) [AND AN APPROPRIATION UNDER (e)] of this section, the legislature may appropriate [CORPORATION SHALL TRANSFER] from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on the principal of the fund during that fiscal year. However, none of the amount transferred shall be applied to increase the value of that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004. The corporation shall calculate the amount to transfer to the principal under this subsection by

(1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended, including that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* **Sec. 7.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment

to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it may [IS] not **be included in the calculation of the amount** available for **appropriation under AS 37.13.140(b)** **or** [DISTRIBUTION TO THE DIVIDEND FUND, FOR TRANSFERS] to the principal under (c) of this section [, OR FOR AN APPROPRIATION UNDER (e) OF THIS SECTION,] and shall be annually deposited into the Alaska capital income fund (AS 37.05.565).

* **Sec. 8.** AS 37.13.300(c) is amended to read:

(c) Net income from the mental health trust fund may not be included in the computation of net income **of the fund, the** [OR] market value **of the fund, or the amount** available for [DISTRIBUTION OR] appropriation under **AS 37.13.140(b)** [AS 37.13.140].

* **Sec. 9.** AS 43.23.025(a) is amended to read:

(a) By October 1 of each year, the commissioner shall determine the value of each permanent fund dividend for that year by

(1) determining the total amount available for dividend payments, which equals

(A) the amount **appropriated** [OF INCOME OF THE ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund under AS 37.13.145(b) during the current year;

(B) plus the unexpended and unobligated balances of prior fiscal year appropriations that lapse into the dividend fund under AS 43.23.045(d);

(C) less the amount necessary to pay prior year dividends from the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and 43.23.055(3) and (7);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

(E) less appropriations from the dividend fund during the current year, including amounts to pay costs of administering the dividend program and the hold harmless provisions of AS 43.23.240;

(2) determining the number of individuals eligible to receive a dividend payment for the current year and the number of estates and successors eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

(3) dividing the amount determined under (1) of this subsection by the amount determined under (2) of this subsection.

* **Sec. 10.** AS 37.13.145(e) and 37.13.145(f) are repealed.

* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT; NOTIFICATION TO REVISOR OF STATUTES. (a) Section 5 of this Act takes effect only if, by December 15, 2026, the commissioner of revenue and the director of the legislative finance division jointly agree that revenue measures anticipated to generate at least \$800,000,000 of new annually recurring general fund revenue, when compared to annual revenue generated from the statutes as they read on June 30, 2022, have been passed by the Alaska State Legislature and enacted into law.

(b) The commissioner of revenue and the director of the legislative finance division shall notify the revisor of statutes in a joint letter if, before December 15, 2026, revenue measures anticipated to generate at least an estimated \$800,000,000 of new annually recurring general fund revenue, when compared to annual revenue generated from the statutes as they read on June 30, 2022, have been passed by the Alaska State Legislature and enacted into law.

(c) In this section, "general fund revenue" does not include revenue from the permanent fund.

* **Sec. 12.** Section 4 of this Act takes effect July 1, 2023.

* **Sec. 13.** If, under sec. 11 of this Act, sec. 5 of this Act takes effect, it takes effect July 1, 2027.

* **Sec. 14.** Except as provided in secs. 12 and 13 of this Act, this Act takes effect immediately under AS 01.10.070(c).