

CS FOR HOUSE BILL NO. 1001(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/23/99

Referred: First Supplemental Calendar

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to income of the Alaska permanent fund and authorizing an
2 advisory vote on a long-term financial plan for the state; and providing for an
3 effective date."

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

5 * **Section 1.** AS 37.13.140 is repealed and reenacted to read:

6 **Sec. 37.13.140. Income.** All income of the fund shall be deposited in the
7 Alaska Income Account established under AS 37.13.145. The balance of the Alaska
8 Income Account shall be determined according to generally accepted accounting
9 principles. Income of the fund includes income of the Alaska Income Account.

10 * **Sec. 2.** AS 37.13.145 is repealed and reenacted to read:

11 **Sec. 37.13.145. Disposition of income.** (a) The Alaska Income Account is
12 established as a separate account in the fund. Subject to (c) of this section, following
13 the end of each fiscal year, an amount shall be transferred from the account to the
14 general fund that is equal to 5.88 percent of the average of the quarter-end market

1 value of the last 20 fiscal year quarters before the fiscal year just ended of

2 (1) the fund, including the Alaska Income Account; and

3 (2) the budget reserve fund (art. IX, sec. 17, Constitution of the State
4 of Alaska).

5 (b) After the transfer under (a) of this section, the commissioner of revenue
6 shall transfer from the general fund to the dividend fund (AS 43.23.045) 50 percent
7 of the amount transferred to the general fund under (a) of this section.

8 (c) A transfer following the end of a fiscal year that is required under (a) of
9 this section shall be made during the next fiscal year and may consist of separate
10 installments transferred on different days; however, all installments must be transferred
11 during the same fiscal year. A transfer following the end of a fiscal year that is
12 required under (a) of this section may not exceed the entire balance that is in the
13 Alaska Income Account during the fiscal year in which the installments are transferred.

14 * **Sec. 3.** AS 37.13.300(c) is amended to read:

15 (c) Net income from the mental health trust fund may not be included in the
16 [COMPUTATION OF NET] income **of the Alaska permanent fund** [AVAILABLE
17 FOR DISTRIBUTION] under AS 37.13.140.

18 * **Sec. 4.** AS 37.14.031(c) is amended to read:

19 (c) The net income of the fund shall be determined by the Alaska Permanent
20 Fund Corporation **as of the last day of the fiscal year in accordance with generally**
21 **accepted accounting principles, excluding any unrealized gains or losses** [IN THE
22 SAME MANNER THE CORPORATION DETERMINES THE NET INCOME OF
23 THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

24 * **Sec. 5.** AS 37.17.020(b) is amended to read:

25 (b) The endowment shall be held and invested by the Alaska Permanent Fund
26 Corporation subject to AS 37.13.120; however, net income from the endowment shall
27 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Net income from the
28 endowment may not be included in the [COMPUTATION OF NET] income **of the**
29 **Alaska permanent fund** [AVAILABLE FOR DISTRIBUTION] under AS 37.13.140.

30 * **Sec. 6.** AS 37.17.440(b) is amended to read:

31 (b) The principal and income of the endowment shall be held and invested by

1 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net income
 2 from the endowment and subsequent income earned on net income from the
 3 endowment shall be held in a separate account until appropriated by the legislature.
 4 Net income from the endowment may not be included in the [COMPUTATION OF
 5 NET] income **of the Alaska permanent fund** [AVAILABLE FOR DISTRIBUTION]
 6 under AS 37.13.140.

7 * **Sec. 7.** 2000 PERMANENT FUND DIVIDENDS. Notwithstanding AS 37.13.145(b) and
 8 AS 43.23.025, the amount of each permanent fund dividend for 2000 is the amount of the
 9 1999 dividend.

10 * **Sec. 8.** TRANSITION. (a) The Alaska Income Account established in AS 37.13.145(a),
 11 as repealed and reenacted in sec. 2 of this Act, is the successor to the earnings reserve
 12 account, and the balance in the earnings reserve account on the effective date of this section
 13 shall be retained in the Alaska Income Account until distributed in accordance with
 14 AS 37.13.145, as repealed and reenacted in sec. 2 of this Act.

15 (b) Notwithstanding AS 37.13.145(a), as repealed and reenacted in sec. 2 of this Act,
 16 the amount transferred from the Alaska Income Account to the general fund following the end
 17 of

18 (1) fiscal year 2001 is equal to 5.88 percent of the average of the quarter-end
 19 market value for the last 12 fiscal year quarters before the fiscal year just ended of

20 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the
 21 State of Alaska), including the Alaska Income Account; and

22 (B) the budget reserve fund (art. IX, sec. 17, Constitution of the State
 23 of Alaska);

24 (2) fiscal year 2002 is equal to 5.88 percent of the average of the quarter-end
 25 market value for the last 16 fiscal year quarters before the fiscal year just ended of

26 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the
 27 State of Alaska), including the Alaska Income Account; and

28 (B) the budget reserve fund (art. IX, sec. 17, Constitution of the State
 29 of Alaska).

30 * **Sec. 9.** ADVISORY VOTE. At a special election to be held on September 14, 1999, in
 31 substantial compliance with the election laws of the state including absentee voting, the

1 dividends and accounting for inflation, the remaining earnings will be
2 prioritized for usage for Alaska education, public safety, and
3 transportation purposes.

4 (5) Public Accountability: Expenditures from the Alaska Income Account
5 will be fully disclosed to the public in the annual permanent fund
6 dividend application.

7 (6) Income Tax: No income tax will be required as part of this plan.

8 (7) Balanced Budget Task Force: Establish a citizen's Balanced Budget
9 Task Force to explore and present options to further reduce and limit
10 state spending, as well as identify appropriate future revenue sources.

11 QUESTION

12 Should a portion of permanent fund investment earnings be used to help
13 balance the state budget after first paying annual dividends to residents
14 and inflation proofing?

15 Yes [] No []

16 * **Sec. 10.** Sections 1 - 8 of this Act are repealed July 1, 2000.

17 * **Sec. 11.** Sections 1 - 6 and 8 of this Act take effect January 1, 2001.

18 * **Sec. 12.** Section 7 of this Act takes effect July 2, 2000.

19 * **Sec. 13.** Sections 9 and 10 of this Act take effect immediately under AS 01.10.070(c).