

CS FOR HOUSE BILL NO. 304(2d RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Offered: 5/2/02

Referred: Today's Calendar

Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Mulder, Davies

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the education fund and the infrastructure and economic**
2 **development fund, to the market value of the permanent fund, to distribution of the**
3 **income of the permanent fund, and to the determination of net income of the mental**
4 **health trust fund."**

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

6 * **Section 1.** AS 37.05 is amended by adding new sections to article 6 to read:

7 **Sec. 37.05.590. Education fund.** (a) There is created as a special account in
8 the general fund the education fund consisting of transfers to the fund under
9 AS 37.13.145(e). Money may be appropriated from the fund for public schools,
10 including the University of Alaska.

11 (b) Nothing in this section dedicates money for a specific purpose.

12 **Sec. 37.05.600. Infrastructure and economic development fund.** (a) There
13 is created as a special account in the general fund the infrastructure and economic
14 development fund consisting of transfers to the fund under AS 37.13.145(f). Money

1 may be appropriated from the fund for capital projects, economic development
 2 projects, or payments of principal and interest on general obligation or revenue bonds
 3 issued by the state or an instrumentality of the state.

4 (b) Nothing in this section dedicates money for a specific purpose.

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

6 **Sec. 37.13.140. Income available for distribution. The market value [NET**
 7 **INCOME]** of the fund includes **the market value** [INCOME] of the earnings reserve
 8 account established under AS 37.13.145. **The market value** [NET INCOME] of the
 9 fund shall be computed annually as of the last day of the fiscal year in accordance with
 10 generally accepted accounting principles [, EXCLUDING ANY UNREALIZED
 11 GAINS OR LOSSES]. Income available for distribution **on July 1** equals **five** [21]
 12 percent of the **average year-end market value** [NET INCOME] of the fund for the
 13 last five fiscal years, including the fiscal year just ended, but may not exceed [NET
 14 INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the
 15 balance in the earnings reserve account described in AS 37.13.145.

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

17 (b) At the **beginning** [END] of each fiscal year, the corporation shall transfer
 18 from the earnings reserve account to the dividend fund established under
 19 AS 43.23.045, 50 percent of the income available for distribution under AS 37.13.140.

20 * **Sec. 4.** AS 37.13.145(d) is amended to read:

21 (d) Notwithstanding (b), **(e), and (f)** of this section, income earned on money
 22 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.
 23 (Superior Court, First Judicial District), including settlement, summary judgment, or
 24 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or
 25 interest earned on the money, or on the earnings of the money shall be treated in the
 26 same manner as other income of the Alaska permanent fund, except that it is not
 27 available for distribution [TO THE DIVIDEND FUND], and shall be annually
 28 deposited into the principal of the Alaska permanent fund.

29 * **Sec. 5.** AS 37.13.145 is amended by adding new subsections to read:

30 (e) At the beginning of each fiscal year, the corporation shall transfer from the
 31 earnings reserve account to the education fund (AS 37.05.590) 30 percent of the

1 income available for distribution under AS 37.13.140.

2 (f) At the beginning of each fiscal year, the corporation shall transfer from the
3 earnings reserve account to the infrastructure and economic development fund
4 (AS 37.05.600) 20 percent of the income available for distribution under
5 AS 37.13.140.

6 (g) If the amount in the earnings reserve account is not sufficient to fully fund
7 all transfers under (b), (e), and (f) of this section, the amount of each transfer shall be
8 reduced on a pro rata basis so that the total amount transferred equals the balance in
9 the earnings reserve account.

10 * **Sec. 6.** AS 37.13.150 is amended to read:

11 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
12 investments must be identified as the source of the operating budget of the corporation
13 in the state's operating budget under AS 37.07 (Executive Budget Act). The
14 unexpended balance of the corporation's annual operating budget does not lapse at the
15 end of the fiscal year but shall be treated as income **from the fund** under
16 **AS 37.13.145(a)** [AS 37.13.140].

17 * **Sec. 7.** AS 37.13.300(c) is amended to read:

18 (c) **Income or other money** [NET INCOME] from the mental health trust
19 fund may not be included in the computation of [NET] income available for
20 distribution under AS 37.13.140.

21 * **Sec. 8.** AS 37.14.031(c) is amended to read:

22 (c) The net income of the fund shall be determined by the Alaska Permanent
23 Fund Corporation **annually as of the last day of the fiscal year in accordance with**
24 **generally accepted accounting principles** [IN THE SAME MANNER THE
25 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA
26 PERMANENT FUND UNDER AS 37.13.140].

27 * **Sec. 9.** AS 37.17.020(b) is amended to read:

28 (b) The endowment shall be held and invested by the Alaska Permanent Fund
29 Corporation subject to AS 37.13.120; however, net income from the endowment shall
30 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. **Income or other**
31 **money** [NET INCOME] from the endowment may not be included in the computation

1 of [NET] income available for distribution under AS 37.13.140.

2 * **Sec. 10.** AS 37.17.440(b) is amended to read:

3 (b) The principal and income of the endowment shall be held and invested by
4 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net
5 income from the endowment and subsequent income earned on net income from the
6 endowment shall be held in a separate account until appropriated by the legislature.

7 **Income or other money** [NET INCOME] from the endowment may not be included
8 in the computation of [NET] income available for distribution under AS 37.13.140.

9 * **Sec. 11.** AS 37.13.145(c) is repealed.

10 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 TRANSFER TO GENERAL FUND. At the beginning of fiscal year 2003, after the
13 transfers under AS 37.13.145 at the end of fiscal year 2002, an amount equal to \$300,000,000
14 or the balance in the earnings reserve account, whichever is less, is transferred from the
15 earnings reserve account to the general fund.