

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Amended: 5/2/02

Offered: 5/2/02

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. Money may be appropriated

1 from the fund for capital projects, economic development projects, or payments of  
 2 principal and interest on general obligation or revenue bonds issued by the state or an  
 3 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) **and (e)** 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) 50 percent of the

1 income available for distribution under AS 37.13.140.

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

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

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

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

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

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

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

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

24 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
25 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
26 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. **Income or other**  
27 **money** [NET INCOME] from the endowment may not be included in the computation  
28 of [NET] income available for distribution under AS 37.13.140.

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

30 (b) The principal and income of the endowment shall be held and invested by  
31 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net

1 income from the endowment and subsequent income earned on net income from the  
2 endowment shall be held in a separate account until appropriated by the legislature.

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

5 \* **Sec. 11.** AS 37.13.145(c) is repealed.

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

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