

SENATE BILL NO. 374

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced: 3/22/04
Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to calculation of the amount to offset the effect of inflation on the
2 principal of the Alaska permanent fund, and to transfers of money from the earnings
3 reserve account; and providing for an effective date."

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

5 * **Section 1.** AS 37.13.145(c) is amended to read:

6 (c) **On the last day of each fiscal year** [AFTER THE TRANSFER UNDER
7 (b) OF THIS SECTION], the corporation shall **calculate** [TRANSFER FROM THE
8 EARNINGS RESERVE ACCOUNT TO THE PRINCIPAL OF THE FUND] an
9 amount sufficient to offset the effect of inflation on principal of the fund during that
10 fiscal year. The corporation shall calculate the amount [TO TRANSFER TO THE
11 PRINCIPAL UNDER THIS SUBSECTION] by **applying the formula X - Y = Z**
12 **where**

13 (1) **X is determined by**
14 **(A)** computing the average of the monthly United States

1 Consumer Price Index for all urban consumers for each of the two previous
2 calendar years;

3 **(B)** [(2)] computing the percentage change between the first
4 and second calendar year average; and

5 **(C)** [(3)] applying that rate to the value of the principal of the
6 fund on the last day of the fiscal year just ended;

7 **(2) Y equals the total amount deposited in the fund under**
8 **AS 37.13.010 during the fiscal year just ending; and**

9 **(3) Z equals the amount to offset the effect of inflation.**

10 * **Sec. 2.** AS 37.13.145(c) is amended to read:

11 (c) **After the transfer under (b) of this section** [ON THE LAST DAY OF
12 EACH FISCAL YEAR], the corporation shall **transfer from the earnings reserve**
13 **account to the principal of the fund** [CALCULATE] an amount sufficient to offset
14 the effect of inflation on principal of the fund during that fiscal year. The corporation
15 shall calculate the amount **to transfer to the principal under this subsection** by
16 [APPLYING THE FORMULA $X - Y = Z$ WHERE]

17 (1) [A IS DETERMINED BY

18 (A)] computing the average of the monthly United States
19 Consumer Price Index for all urban consumers for each of the two previous
20 calendar years;

21 **(2)** [(B)] computing the percentage change between the first and
22 second calendar year average; and

23 **(3)** [(C)] applying that rate to the value of the principal of the fund on
24 the last day of the fiscal year just ended [;

25 (2) Y EQUALS THE TOTAL AMOUNT DEPOSITED IN THE
26 FUND UNDER AS 37.13.010 DURING THE FISCAL YEAR JUST ENDING; AND

27 (3) Z EQUALS THE AMOUNT TO OFFSET THE EFFECT OF
28 INFLATION].

29 * **Sec. 3.** AS 37.13.145 is amended by adding new subsections to read:

30 (e) On the last day of each fiscal year, after the transfer under (b) of this
31 section, the corporation shall transfer from the earnings reserve account to the

1 principal of the fund the amount equal to Z, as calculated under (c) of this section, or
2 the balance in the account, whichever is less.

3 (f) On the last day of each fiscal year, after the transfer under (e) of this
4 section, any amount in the earnings reserve account that exceeds \$250,000,000 shall
5 be transferred from the earnings reserve account to the budget reserve fund (art. IX,
6 sec. 17, Constitution of the State of Alaska).

7 * **Sec. 4.** AS 37.13.145(e) and 37.13.145(f) are repealed.

8 * **Sec. 5.** Sections 1 and 3 of this Act take effect June 30, 2004.

9 * **Sec. 6.** Sections 2 and 4 of this Act take effect on June 30 of the first fiscal year in which
10 the total of all amounts transferred to the constitutional budget reserve fund under
11 AS 37.13.145(f) during all years, including the fiscal year just ended, equals or exceeds the
12 total of all amounts appropriated from the constitutional budget reserve fund during all the
13 years, including the fiscal year just ended.