

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 1003
 (H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Dist. Of Approps from PermFund RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor Rules
 Requester Governor Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type--Do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill would change the Alaska statutes that address distributions from the Permanent Fund to conform to a Percent of Market Value payout limit. It would not change the management or the cost of operations of the Fund.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 6/19/2004/1:09 PM
 Approved by: Steve Porter, Deputy Commissioner Date 6/19/2004
 Agency Department of Revenue



Alaska Permanent Fund Corporation
 Financial projection comparison of the Alaska Permanent Fund under
 current statutes versus POMV 5% lump sum payout, median case. All
 dollars in millions except per person dividend.

| | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY05-FY15 Totals |
|--|--------|--------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------------------|
| Current Statutes | | | | | | | | | | | | |
| Contributions & appropriations (principal) | 24,452 | 25,383 | 26,278 | 27,189 | 28,120 | 29,077 | 30,053 | 31,049 | 32,061 | 33,090 | 34,139 | |
| Unrealized appreciation/depreciation on assets | 1,683 | 1,913 | 2,160 | 2,425 | 2,702 | 2,993 | 3,304 | 3,624 | 3,965 | 4,317 | 4,684 | |
| Realized earnings account (REA, after payouts) | 1,297 | 1,879 | 2,375 | 2,778 | 3,185 | 3,617 | 4,074 | 4,568 | 5,092 | 5,658 | 6,263 | |
| Total market value end of year (after payouts) | 27,433 | 29,176 | 30,814 | 32,393 | 34,007 | 35,688 | 37,431 | 39,241 | 41,118 | 43,065 | 45,087 | 45,087 |
| | | | | | | | | | | | | |
| Total lump sum dividend appropriation | 512 | 576 | 750 | 924 | 1,002 | 1,058 | 1,114 | 1,170 | 1,228 | 1,288 | 1,350 | 10,972 |
| Per person dividend under current statute | \$ 790 | \$ 890 | \$ 1,160 | \$ 1,420 | \$ 1,530 | \$ 1,600 | \$ 1,670 | \$ 1,740 | \$ 1,810 | \$ 1,880 | \$ 1,950 | \$ 16,440 |
| | | | | | | | | | | | | |
| Transfer status quo inflation-proofing (REA to Principal) | 620 | 643 | 666 | 689 | 713 | 737 | 762 | 787 | 812 | 839 | 865 | 8,132 |
| | | | | | | | | | | | | |
| POMV - 5% (beginning in FY05) | | | | | | | | | | | | |
| Contributions & appropriations (principal) | 23,840 | 24,128 | 24,358 | 24,580 | 24,800 | 25,021 | 25,237 | 25,447 | 25,648 | 25,841 | 26,026 | |
| Unrealized appreciation/depreciation on assets | 1,683 | 1,892 | 2,103 | 2,322 | 2,548 | 2,781 | 3,026 | 3,274 | 3,532 | 3,793 | 4,059 | |
| Realized earnings account (REA, after payouts) | 1,173 | 1,687 | 2,243 | 2,809 | 3,382 | 3,965 | 4,561 | 5,179 | 5,811 | 6,465 | 7,139 | |
| Total market value end of year (after payouts) | 26,695 | 27,707 | 28,703 | 29,712 | 30,730 | 31,768 | 32,824 | 33,900 | 34,991 | 36,099 | 37,224 | 37,224 |
| | | | | | | | | | | | | |
| 5 year average market value lagged one year | 25,851 | 25,902 | 26,508 | 27,614 | 28,846 | 30,012 | 31,066 | 32,140 | 33,234 | 34,344 | 35,472 | |
| | | | | | | | | | | | | |
| Total 5 % lump sum average market value available for appropriation | 1,293 | 1,295 | 1,325 | 1,381 | 1,442 | 1,501 | 1,553 | 1,607 | 1,662 | 1,717 | 1,774 | 16,549 |

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.



Alaska Permanent Fund Corporation

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend

| | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY05-FY15 Totals |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| POMV - 5% (beginning in FY05) | | | | | | | | | | | | |
| Contributions & appropriations (principal) | 23,840 | 24,128 | 24,358 | 24,580 | 24,800 | 25,021 | 25,237 | 25,447 | 25,648 | 25,841 | 26,026 | |
| Unrealized appreciation/depreciation on assets | 1,683 | 1,892 | 2,103 | 2,322 | 2,548 | 2,781 | 3,026 | 3,274 | 3,532 | 3,793 | 4,059 | |
| Realized earnings account (REA, after payouts) | 1,173 | 1,687 | 2,243 | 2,809 | 3,382 | 3,965 | 4,561 | 5,179 | 5,811 | 6,465 | 7,139 | |
| Total market value end of year (after payouts) | 26,695 | 27,707 | 28,703 | 29,712 | 30,730 | 31,768 | 32,824 | 33,900 | 34,991 | 36,099 | 37,224 | 37,224 |
| 5 year average market value lagged one year | 25,851 | 25,902 | 26,508 | 27,614 | 28,846 | 30,012 | 31,066 | 32,140 | 33,234 | 34,344 | 35,472 | |
| Total available for appropriation | 1,293 | 1,295 | 1,325 | 1,381 | 1,442 | 1,501 | 1,553 | 1,607 | 1,662 | 1,717 | 1,774 | 16,549 |
| AFPC management costs | (43) | (44) | (45) | (47) | (48) | (50) | (51) | (53) | (54) | (56) | (57) | (547) |
| payout 50% after APFC costs - lump sum dividend | 625 | 626 | 640 | 667 | 697 | 726 | 751 | 777 | 804 | 831 | 858 | 8,001 |
| payout 45% after APFC costs for government services | 562 | 563 | 576 | 600 | 627 | 653 | 676 | 699 | 723 | 748 | 772 | 7,201 |
| payout 5% after APFC costs for municipal dividend | 62 | 63 | 64 | 67 | 70 | 73 | 75 | 78 | 80 | 83 | 86 | 800 |
| Per person dividend | \$990 | \$990 | \$1,000 | \$1,040 | \$1,090 | \$1,130 | \$1,160 | \$1,200 | \$1,230 | \$1,270 | \$1,310 | \$12,410 |
| Total available for appropriation | 1,293 | 1,295 | 1,325 | 1,381 | 1,442 | 1,501 | 1,553 | 1,607 | 1,662 | 1,717 | 1,774 | 16,549 |
| AFPC management costs | (43) | (44) | (45) | (47) | (48) | (50) | (51) | (53) | (54) | (56) | (57) | (547) |
| payout 50% after APFC costs - lump sum dividend | 628 | 631 | 640 | 667 | 697 | 726 | 751 | 777 | 804 | 831 | 858 | 8,009 |
| payout 45% after APFC costs for government services | 559 | 558 | 576 | 600 | 627 | 653 | 676 | 699 | 723 | 748 | 772 | 7,193 |
| payout 5% after APFC costs for municipal dividend | 62 | 63 | 64 | 67 | 70 | 73 | 75 | 78 | 80 | 83 | 86 | 800 |
| Guarantee \$1,000 minimum dividend | \$1,000 | \$1,000 | \$1,000 | \$1,040 | \$1,090 | \$1,130 | \$1,160 | \$1,200 | \$1,230 | \$1,270 | \$1,310 | \$12,430 |