

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSHJR 26(FIN)
 (S) Publish Date: 5/6/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Const. Am:PF Approps/Inflation-Proof RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor House Rules Committee
 Requester House Rules Committee 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 1105 PF Receipts | | | | | | |
| 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)

HJR 26 will not effect the budgeted costs to manage and invest the Permanent Fund.

HJR 26 will not change the amount of income earned by Permanent Fund investments.

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 Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 4/13/04 12:00 AM
 Approved by: William Corbus, Commissioner Date 4/13/2004
 Agency Department of Revenue

Alaska Permanent Fund Corporation CSHJR 26(FIN) FN#4
 HJR 26 - Financial projection comparison of the Alaska Permanent
 Fund under status quo versus POMV spending limit beginning in

\$ millions



| Status Quo | -----projected----- | | | | | | | | | | | |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 |
| Total Return | 15.25% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% |
| Contributions & appropriations (after payouts) | 23,300 | 24,179 | 25,042 | 25,922 | 26,824 | 27,748 | 28,688 | 29,652 | 30,628 | 31,623 | 32,668 | 33,725 |
| Unrealized appreciation/depreciation on invested assets | 3,451 | 3,898 | 4,284 | 4,634 | 4,958 | 5,262 | 5,546 | 5,824 | 6,065 | 6,191 | 6,125 | 6,498 |
| Realized earnings account (after payouts) | 850 | 1,341 | 1,943 | 2,516 | 3,041 | 3,591 | 4,180 | 5,069 | 5,640 | 6,270 | 7,294 | 7,942 |
| Total market value end of year (after payouts) | 27,601 | 29,417 | 31,268 | 33,072 | 34,823 | 36,600 | 38,414 | 40,245 | 42,133 | 44,084 | 46,087 | 48,165 |
| Annual realized income | 1,311 | 1,602 | 1,796 | 1,969 | 2,129 | 2,280 | 2,430 | 2,866 | 2,643 | 2,799 | 3,329 | 3,044 |
| Dividend (lump sum) - status quo | 561 | 499 | 560 | 739 | 925 | 1,027 | 1,113 | 1,226 | 1,297 | 1,367 | 1,477 | 1,542 |
| Transfer status quo Inflation-proofing (ER to principal) | 0 | 613 | 635 | 657 | 680 | 703 | 727 | 751 | 776 | 801 | 828 | 855 |
| -----projected 5% POMV beginning in FY05----- | | | | | | | | | | | | |
| POMV - 5% (beginning in FY05) | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 |
| Total Return | | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% | 7.60% |
| Total Market Value End of Year (after payouts) | 27,601 | 28,605 | 29,621 | 30,654 | 31,686 | 32,710 | 33,739 | 34,782 | 35,840 | 36,912 | 38,025 | 39,153 |
| 5 year average market value lagged one year | | 26,224 | 26,669 | 27,674 | 29,191 | 30,843 | 32,061 | 33,146 | 34,243 | 35,346 | 36,453 | 37,572 |
| POMV Payout available for appropriation in lump sum | | 1,311 | 1,333 | 1,384 | 1,460 | 1,542 | 1,603 | 1,657 | 1,712 | 1,767 | 1,823 | 1,879 |

Assumptions:

- Both scenarios show payouts net of inflation.
- POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.
- Callan Associates 2003 Capital Market Assumptions, APFC 2003 asset allocation, Fall 2003 revenue forecast, financial statements through 12/31/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.
- Per SB 100, currently there is no FY04 inflation-proofing appropriation, and \$35.4 million of FY04's projected inflation-proofing of \$523 was pre-funded in FY0 3.