

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HJR 47  
 (H) Publish Date: 4/15/04

Revision Date/Time (Note if correction):  
 Title Const. Am: PF Approps/Inflation-Proofing

Dept. Affected: Revenue  
 RDU AK Permanent Fund Corporation  
 Component AK Permanent Fund Corporation

Sponsor House Finance Committee  
 Requester House Finance 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 47 would ask voters in the next general election whether to approve a constitutional amendment that limits appropriations from the Alaska Permanent Fund to the lesser of 5% of the Fund's market value or the market value of the Fund above principal. Principal is defined as \$22,988,019,019.78 plus the deposits and appropriations made to the principal after June 30, 2003. HJR 47 would only allow appropriations from the Fund for operating costs, dividends and education spending. HJR 47 would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it 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, Executive Director  
 Division: Alaska Permanent Fund Corporation  
 Approved by: Steve Porter, Deputy Commissioner  
 Agency: Department of Revenue

Phone 465-2047  
 Date/Time 4/12/2004  
 Date 4/12/2004



Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under status quo versus POMV spending limit beginning in FY05 (retaining principal distinction).

\$ millions

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
<b>Status Quo</b>												<b>Totals</b>
Contributions & appropriations (principal)	24,456	25,390	26,290	27,203	28,139	29,099	30,081	31,079	32,098	33,131	34,184	
Unrealized appreciation/depreciation on assets	3,488	3,561	3,520	3,725	3,765	4,033	4,094	4,408	4,479	4,824	5,150	
Realized earnings account ( REA, after payouts)	1,965	2,770	3,575	4,037	4,669	5,137	5,842	6,376	7,179	7,789	8,472	
<b>Total market value end of year (after payouts)</b>	<b>29,909</b>	<b>31,722</b>	<b>33,385</b>	<b>34,965</b>	<b>36,573</b>	<b>38,268</b>	<b>40,017</b>	<b>41,863</b>	<b>43,755</b>	<b>45,743</b>	<b>47,806</b>	47,806
<b>Total dividend appropriation</b>	<b>595</b>	<b>695</b>	<b>919</b>	<b>1,119</b>	<b>1,204</b>	<b>1,239</b>	<b>1,305</b>	<b>1,332</b>	<b>1,412</b>	<b>1,449</b>	<b>1,514</b>	12,782
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	788	813	840	866	8,138
<b>POMV - 5% (beginning in FY05)</b>												<b>Totals</b>
Contributions & appropriations (principal)	23,836	24,128	24,362	24,586	24,810	25,033	25,254	25,466	25,673	25,867	26,055	
Unrealized appreciation/depreciation on assets	3,488	3,538	3,460	3,614	3,607	3,813	3,820	4,056	4,065	4,316	4,542	
Realized earnings account ( REA, after payouts)	1,862	2,630	3,545	4,226	5,054	5,684	6,530	7,172	8,059	8,731	9,450	
<b>Total market value end of year (after payouts)</b>	<b>29,187</b>	<b>30,295</b>	<b>31,367</b>	<b>32,427</b>	<b>33,471</b>	<b>34,530</b>	<b>35,604</b>	<b>36,694</b>	<b>37,796</b>	<b>38,914</b>	<b>40,047</b>	40,047
<b>5 year average market value lagged one year</b>	<b>26,333</b>	<b>26,896</b>	<b>28,038</b>	<b>29,701</b>	<b>31,506</b>	<b>32,774</b>	<b>33,907</b>	<b>35,039</b>	<b>36,174</b>	<b>37,313</b>	<b>38,460</b>	
<b>Total available for appropriation</b>	<b>1,317</b>	<b>1,345</b>	<b>1,402</b>	<b>1,485</b>	<b>1,575</b>	<b>1,639</b>	<b>1,695</b>	<b>1,752</b>	<b>1,809</b>	<b>1,866</b>	<b>1,923</b>	17,807
<b>payout 50% lump sum dividend</b>	<b>658</b>	<b>672</b>	<b>701</b>	<b>743</b>	<b>788</b>	<b>819</b>	<b>848</b>	<b>876</b>	<b>904</b>	<b>933</b>	<b>961</b>	8,904
<b>payout 50% for government services</b>	<b>658</b>	<b>672</b>	<b>701</b>	<b>743</b>	<b>788</b>	<b>819</b>	<b>848</b>	<b>876</b>	<b>904</b>	<b>933</b>	<b>961</b>	8,904

Assumptions:

- Both scenarios show payouts after 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 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 02/29/04. All payouts are assumed to happen at fiscal year end, all dollar values in millions.