

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSSJR 18(STA)
 (S) Publish Date: 3/1/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Constitutional Amendment RDU AK Permanent Fund Corporation
Permanent Fund Appropriations Component AK Permanent Fund Corporation
 Sponsor Senate Rules Committee
 Requester Senate Judiciary 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						
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CHANGE IN REVENUES ()						
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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)

SJR18 would ask the voters at the next general election whether to approve an amendment to the Constitution of the State of Alaska that would limit appropriations from the Permanent Fund to no more than 5% of the average year-end market values of the fund for the preceding five years.

SJR18 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 schedules for financial projections and analysis of the Fund comparing the "Status Quo" to a 5% percent-of-market-value (POMV) spending limit.

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 Division Alaska Permanent Fund Corporation Date/Time 1/18/04 8:51 AM
 Approved by: Steve Porter, Deputy Commissioner Date 1/18/2004
 Agency Department of Revenue



SJR 18 - 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%	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	5,524	5,865	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)	<u>27,601</u>	<u>29,417</u>	<u>31,268</u>	<u>33,072</u>	<u>34,823</u>	<u>36,600</u>	<u>38,414</u>	<u>40,245</u>	<u>42,133</u>	<u>44,084</u>	<u>46,087</u>	<u>48,165</u>	
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	

POMV - 5% (beginning in FY05)	-----projected 5% POMV 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)	<u>27,601</u>	<u>28,605</u>	<u>29,621</u>	<u>30,654</u>	<u>31,686</u>	<u>32,710</u>	<u>33,739</u>	<u>34,782</u>	<u>35,840</u>	<u>36,912</u>	<u>38,025</u>	<u>39,153</u>
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 \$354 million of FY04's projected inflation-proofing of \$523 was pre-funded in FY03.