

**SPONSOR SUBSTITUTE FOR SENATE BILL NO. 114**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

**BY SENATOR MCGUIRE**

**Introduced: 2/1/16**

**Referred: State Affairs, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska**  
2 **permanent fund, and the earnings reserve account; relating to the mental health trust**  
3 **fund; relating to deposits into the dividend fund; and providing for an effective date."**

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

5 **\* Section 1.** AS 37.13.010(a) is amended to read:

6 (a) Under art. IX, sec. 15, of the state constitution, there is established as a  
7 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

8 (1) 25 percent of all mineral lease rentals, royalties, royalty sale  
9 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue  
10 sharing payments received by the state from mineral leases [ISSUED ON OR  
11 BEFORE DECEMBER 1, 1979,] and 25 percent of all bonuses received by the state  
12 from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980;

13 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,  
14 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER

1 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING  
 2 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED  
 3 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED  
 4 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,  
 5 1980]; and

6 (2) [(3)] any other money appropriated to or otherwise allocated by  
 7 law or former law to the Alaska permanent fund.

8 \* **Sec. 2.** AS 37.13 is amended by adding a new section to read:

9 **Sec. 37.13.015. Appropriations to the dividend fund.** The legislature may  
 10 appropriate to the dividend fund established in AS 43.23.045, 74.5 percent of all  
 11 mineral lease rentals, royalties, royalty sale proceeds, net profit shares under  
 12 AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by  
 13 the state from mineral leases and 74.5 percent of all bonuses received by the state from  
 14 mineral leases. Nothing in the section creates a dedicated fund.

15 \* **Sec. 3.** AS 37.13.140 is amended to read:

16 **Sec. 37.13.140. Income.** (a) Net income of the fund includes income of the  
 17 earnings reserve account established under AS 37.13.145. **The corporation shall**  
 18 **determine the net** [NET] income of the fund [SHALL BE COMPUTED  
 19 ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in accordance with  
 20 generally accepted accounting principles **as the income is realized and received.**

21 (b) **The corporation shall determine the amount available for distribution**  
 22 **on July 1 of each year. The amount** [, EXCLUDING ANY UNREALIZED GAINS  
 23 OR LOSSES. INCOME] available for distribution equals **five** [21] percent of the  
 24 **average market value** [NET INCOME] of the fund, **including the balance of the**  
 25 **earnings reserve account established under AS 37.13.145,** for the **preceding**  
 26 [LAST] five fiscal years, including the fiscal year just ended, **computed annually for**  
 27 **each fiscal year in accordance with generally accepted accounting principles**  
 28 [BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE FISCAL  
 29 YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS RESERVE  
 30 ACCOUNT DESCRIBED IN AS 37.13.145].

31 \* **Sec. 4.** AS 37.13.145(a) is amended to read:

1 (a) The earnings reserve account is established as a separate account in the  
2 fund. **Except for income deposited into the general fund under (e) of this section,**  
3 **income** [INCOME] from the fund shall be deposited by the corporation into the  
4 account as soon as it is received. Money in the account shall be invested in  
5 investments authorized under AS 37.13.120.

6 \* **Sec. 5.** AS 37.13.145(d) is amended to read:

7 (d) Notwithstanding **(e)** [(b)] of this section, income earned on money  
8 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
9 (Superior Court, First Judicial District), including settlement, summary judgment, or  
10 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or  
11 interest earned on the money, or on the earnings of the money shall be treated in the  
12 same manner as other income of the Alaska permanent fund, except that it is not  
13 available for distribution to the dividend fund or for transfers to the **general fund**  
14 [PRINCIPAL] under **(e)** [(c)] of this section, and shall be annually deposited into the  
15 Alaska capital income fund (AS 37.05.565).

16 \* **Sec. 6.** AS 37.13.145 is amended by adding a new subsection to read:

17 (e) Under art. IX, sec. 15, Constitution of the State of Alaska, income from the  
18 fund, including the earnings reserve account established under AS 37.13.145, shall be  
19 deposited by the corporation into the general fund within 30 days after it is received,  
20 until the amount available for distribution determined by the corporation under  
21 AS 37.13.140(b) has been deposited into the general fund for that fiscal year. If the  
22 actual net income of the fund for a fiscal year is less than the amount of income  
23 available for distribution under AS 37.13.140(b) for that fiscal year, on the last day of  
24 the fiscal year, the corporation shall deposit into the general fund the amount from the  
25 earnings reserve account necessary to satisfy the amount of income available for  
26 distribution for that fiscal year or the balance of the earnings reserve account,  
27 whichever is less.

28 \* **Sec. 7.** AS 37.13.300(c) is amended to read:

29 (c) Net income from the mental health trust fund may not be included in the  
30 computation of [NET] income available for distribution under **AS 37.13.140(b)**  
31 [AS 37.13.140].

1 \* **Sec. 8.** AS 37.14.031(c) is amended to read:

2 (c) The net income of the fund shall be **computed annually** [DETERMINED]  
 3 by the Alaska Permanent Fund Corporation **as of the last day of the fiscal year in**  
 4 **accordance with generally accepted accounting principles, excluding any**  
 5 **unrealized gains or losses** [IN THE SAME MANNER THE CORPORATION  
 6 DETERMINES THE NET INCOME OF THE ALASKA PERMANENT FUND  
 7 UNDER AS 37.13.140].

8 \* **Sec. 9.** AS 43.23.025(a) is amended to read:

9 (a) By October 1 of each year, the commissioner shall determine the value of  
 10 each permanent fund dividend for that year by

11 (1) determining the total amount available for dividend payments,  
 12 which equals

13 (A) the amount **appropriated** [OF INCOME OF THE  
 14 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund  
 15 under **AS 37.13.015** [AS 37.13.145(b)] during the current year;

16 (B) plus the unexpended and unobligated balances of prior  
 17 fiscal year appropriations that lapse into the dividend fund under  
 18 AS 43.23.045(d);

19 (C) less the amount necessary to pay prior year dividends from  
 20 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and  
 21 43.23.055(3) and (7);

22 (D) less the amount necessary to pay dividends from the  
 23 dividend fund due to eligible applicants who, as determined by the department,  
 24 filed for a previous year's dividend by the filing deadline but who were not  
 25 included in a previous year's dividend computation;

26 (E) less appropriations from the dividend fund during the  
 27 current year, including amounts to pay costs of administering the dividend  
 28 program and the hold harmless provisions of AS 43.23.075;

29 (2) determining the number of individuals eligible to receive a  
 30 dividend payment for the current year and the number of estates and successors  
 31 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

1 (3) dividing the amount determined under (1) of this subsection by the  
2 amount determined under (2) of this subsection.

3 \* **Sec. 10.** AS 43.23.025 is amended by adding a new subsection to read:

4 (c) If the value of each permanent fund dividend calculated under (a) of this  
5 section results in a dividend for each eligible individual that is less than \$1,000, then  
6 the legislature may appropriate from the earnings reserve account established in  
7 AS 37.13.145 an amount necessary to pay each eligible individual a permanent fund  
8 dividend of \$1,000.

9 \* **Sec. 11.** AS 43.23.045(d) is amended to read:

10 (d) Unless specified otherwise in an appropriation act, the unexpended and  
11 unobligated balance of an appropriation to implement this chapter lapses into the  
12 dividend fund on June 30 of the fiscal year for which the appropriation was made and  
13 may [SHALL] be used in determining the amount of and paying the subsequent year's  
14 dividend as provided in AS 43.23.025(a)(1)(B).

15 \* **Sec. 12.** AS 37.13.145(b) and 37.13.145(c) are repealed.

16 \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 TRANSITION. (a) Notwithstanding AS 43.23.025(a), as amended by sec. 9 of this  
19 Act, AS 43.23.025(c), added by sec. 10 of this Act, and AS 43.23.045(d), as amended by sec.  
20 11 of this Act, the commissioner of revenue shall determine the value of each permanent fund  
21 dividend for the 2016 dividend year under AS 43.23.025 and 43.23.045(d), as those sections  
22 read on the day before the effective date of secs. 9 - 11 of this Act.

23 (b) The commissioner of revenue and the Alaska Permanent Fund Corporation may  
24 adopt regulations, policies, and procedures necessary to implement this Act. The regulations,  
25 policies, or procedures may not take effect before the effective date of the law implemented  
26 by the regulation, policy, or procedure.

27 \* **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to  
28 read:

29 RETROACTIVITY. If secs. 1 - 13 of this Act take effect after July 1, 2016, secs. 1 -  
30 13 of this Act are retroactive to July 1, 2016.

31 \* **Sec. 15.** Sections 13 and 14 of this Act take effect immediately under AS 01.10.070(c).

1      \* **Sec. 16.** Except as provided in sec. 15 of this Act, this Act takes effect July 1, 2016.