

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	HB 5001
Fiscal Note Number:	4
(H) Publish Date:	7/11/2016

Identifier: 0513-DOR-APFC-07-07-16  
 Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: GOVERNOR

Department: Department of Revenue  
 Appropriation: Alaska Permanent Fund Corporation  
 Allocation: APFC Operations  
 OMB Component Number: 109

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2017 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services	14,800.0		14,800.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>14,800.0</b>	<b>0.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>

**Fund Source (Operating Only)**

1105 PF Gross	14,800.0		14,800.0	14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
<b>Total</b>	<b>14,800.0</b>	<b>0.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	383,640.0		380,100.0	362,160.0	344,720.0	326,070.0	304,750.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable. Initial version.
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Division:	Alaska Permanent Fund Corporation	Date:	07/07/2016 12:00 AM
Approved By:	Angela Rodell	Date:	07/07/16
Agency:	Alaska Permanent Fund Corporation		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

## Analysis

This bill transfers management of the Constitutional Budget Reserve to APFC.

For the purposes of this fiscal note, it is assumed -

- earnings are being spent and there would be no change to the CBR principal balance.
- the CBR is invested in the same asset allocation as the Fund.
- this transfer would result in a net increase of assets under management of approximately \$5 billion, or approximately 10% of the total fund.

The projected increase in management fees is based on a 10% increase over the current FY17 Operating Budget APFC Investment Management Fees Allocation of \$148,191,000.

In addition, the bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25% of the average market value of the fund, including earnings reserve, for the first five of the preceding six fiscal years. This draw would be allocated between the Dividend Fund and the General Fund. Managing toward this liability may change the asset allocation of the Permanent Fund, however at this time it is difficult to forecast if it would impact the asset allocation to a degree that would require additional investment staff, accounting staff or related resources.

Anticipated earnings on the CBR have been added to reflect change in revenues.

CBR Projected Revenue Assumptions -

- Callan 10-yr return assumption 6.9%
- Initial transfer occurs on 7/1/16
- Deposit and draws occur on 7/1
- Beginning balance, deposits, and draw amounts provided by Department of Revenue.