

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	HCS CSSB 26 (FIN)
Fiscal Note Number:	11
(H) Publish Date:	4/12/2017

Identifier: SB026CS(FIN)-DOR-PFD-04-10-17
 Title: APPROP LIMIT & PER
 FUND:DIVIDEND;EARNINGS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: HOUSE FINANCE

Department: PF Dividends
 Appropriation: PF Dividends
 Allocation: To Permanent Fund Dividend Fund
 OMB Component Number: 2616

Expenditures/Revenues

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

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	137,350.0	695,650.0	881,000.0	875,000.0	894,000.0	913,000.0	934,000.0
Total Operating	137,350.0	695,650.0	881,000.0	875,000.0	894,000.0	913,000.0	934,000.0

Fund Source (Operating Only)

1041 PF ERA (UGF)	137,350.0	695,650.0	881,000.0	875,000.0	894,000.0	913,000.0	934,000.0
Total	137,350.0	695,650.0	881,000.0	875,000.0	894,000.0	913,000.0	934,000.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Updated to reflect changes in HFIN CS - This fiscal note reflects 33% of the payout from the Earning Reserve Account for dividends. The \$695,650.0 included in the Governor's budget (shown in the second column) covers a dividend of \$1000. The \$137,350.0 in the "FY18 Appropriation Requested" column is the additional amount needed to cover a dividend of \$1,250 as proposed by this legislation, bringing the total amount needed for FY18 to \$833 million. Numbers are based on the 2016 DOR Fall Forecast.

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 Approved By: Jerry Burnett, Deputy Commissioner
 Agency: Department of Revenue

Phone: (907)465-4785
 Date: 04/10/2017 04:00 PM
 Date: 04/10/17

**REPORTED OUT OF
HFC 04/11/2017**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

This legislation makes several changes that directly affect the Permanent Fund Dividend program, however it will have minimal operational impacts. Changes include establishing a minimum dividend amount for the next two years, modifying the dividend calculation, and transitioning to a Percent of Market Value (POMV) model.

First and foremost, the legislation will fund the dividend fund with 33% of the calculated Percent of Market Value (POMV) set at five and a quarter percent, with a minimum dividend amount of \$1,250 for the next two years. Although the division will not be using the formula that has been used in prior years to calculate the dividend, there are several factors that still must be considered including the amount required to fund prior year liabilities, reserves, and appropriations (hold-harmless provision for Public Assistance, Physical Health Care, and the Violent Crimes Compensation Board, and the Division's Administrative costs). The expected appropriation for the dividends, assuming an annual population growth, would range from \$833 million up to \$934 million.

On the third year, the 2020 dividend, there will no longer be a minimum dividend value.

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FY	Market value (first 5 of previous 6 years average)	Percentage used	Total POMV payout	Dividend funds	Dividend calculation	Royalties beyond 25% dedication*
2018	\$48,109	5.25%	\$2,526	\$833	33% of previous year's POMV or \$1250 * number of recipients	54.9
2019	\$50,844	5.25%	\$2,669	\$881	33% of previous year's POMV or \$1250 * number of recipients	62.2
2020	\$53,002	5.00%	\$2,650	\$875	33% of previous year's POMV	70.3
2021	\$54,204	5.00%	\$2,710	\$894	33% of previous year's POMV	77.0
2022	\$55,321	5.00%	\$2,766	\$913	33% of previous year's POMV	75.9
2023	\$56,632	5.00%	\$2,832	\$934	33% of previous year's POMV	75.3

For dividends, FY 2019 number reflects dividends paid in CY 2018, and so on.

FY 2018 dividend funds are assumed to be the same as FY 2019.

*Source: 2016 Fall RSB table 1-1

These numbers represent DOR's projection of royalties (petroleum and non-petroleum) that would be deposited into the Permanent Fund above the 33% constitutional requirement under the status quo. SB 26 reduces the royalty deposits to the constitutional requirement.