

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	CSSB 26(FIN)
Fiscal Note Number:	9
(S) Publish Date:	3/13/2017

Identifier: SB26CS(FIN)-DOR-PFD-03-10-17
 Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Senate Finance

Department: Permanent Fund ERA Appropriations
 Appropriation: PF ERA Appropriations
 Allocation: To General Fund (Revenue)
 OMB Component Number: 3121

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					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1250 UGF Rev (UGF)		693,000.0	699,000.0	705,000.0	703,500.0	689,700.0	710,200.0
1251 Non-UGF (Other)		(693,000.0)	(699,000.0)	(705,000.0)	(703,500.0)	(689,700.0)	(710,200.0)
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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Senate Finance Committee Substitute changed dividend calculation to 25% of maximum POMV draw.

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 Agency: Department of Revenue

Phone: (907)465-4785
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REPORTED OUT OF
 SFC 03/12/2017

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 fiscal and operational impacts. Changes include establishing a set dividend amount for the next three years, modifying the dividend calculation, and transitioning to a Percent of Market Value (POMV) model. Additionally, the annual Permanent Fund Dividends to eligible Alaskans would be funded by General Fund appropriation, rather than appropriated from the Earnings Reserve.

First and foremost, the legislation will set the dividend amount at \$1,000 for the next three years with a Percent of Market Value (POMV) set at five and a quarter percent. 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 \$689 million up to \$710 million.

On the fourth year, the 2021 dividend, changes to the dividend calculation formula would be implemented. The annual draw would change from 21% of the net income for the last five years to five percent of the average market value of the fund for the first five of the preceding six fiscal years. Additionally, the total available for distribution will be divided by one fourth, 25%, rather than cut in half, 50%. Calculating prior year liabilities, reserves and appropriations will remain consistent.