

CS FOR HOUSE BILL NO. 132(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 5/15/19

Referred: Finance

Sponsor(s): REPRESENTATIVE WOOL

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska permanent fund; relating to the earnings reserve
2 account; relating to the permanent fund dividend; relating to deposits into the
3 permanent fund; relating to appropriations to the dividend fund and general fund; and
4 providing for an effective date."

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

6 * **Section 1.** AS 37.05.565(a) is amended to read:

7 (a) There is established in the general fund the Alaska capital income fund
8 consisting of money appropriated [DEPOSITED TO THE FUND UNDER
9 AS 37.13.145(d) AND OF APPROPRIATIONS] to the fund. The fund shall be
10 invested by the Department of Revenue to yield competitive market rates as provided
11 in AS 37.10.071. Income earned on money in the fund may be appropriated to the
12 fund.

13 * **Sec. 2.** AS 37.13.010(a) is amended to read:

14 (a) Under art. IX, sec. 15, of the state constitution, there is established as a

1 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

2 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
3 proceeds, **bonuses**, net profit shares under AS 38.05.180(f) and (g), and federal
4 mineral revenue sharing payments received by the state [FROM MINERAL LEASES
5 ISSUED ON OR BEFORE DECEMBER 1, 1979, AND 25 PERCENT OF ALL
6 BONUSES RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED ON
7 OR BEFORE FEBRUARY 15, 1980;

8 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,
9 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
10 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
11 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
12 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
13 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
14 1980]; and

15 **(2)** [(3)] any other money appropriated to or otherwise allocated by
16 law or former law to the Alaska permanent fund.

17 * **Sec. 3.** AS 37.13.140 is amended to read:

18 **Sec. 37.13.140. Income.** (a) [NET INCOME OF THE FUND INCLUDES
19 INCOME OF THE EARNINGS RESERVE ACCOUNT ESTABLISHED UNDER
20 AS 37.13.145.] Net income of the fund shall be computed annually as of the last day
21 of the fiscal year in accordance with generally accepted accounting principles,
22 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
23 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
24 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
25 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE
26 FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS
27 RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

28 (b) The corporation shall determine the amount available for appropriation **to**
29 **the general fund** each year. The amount available for appropriation is 5.25 percent of
30 the average market value of the fund for the first five of the preceding six fiscal years,
31 including the fiscal year just ended, computed annually for each fiscal year in

1 accordance with generally accepted accounting principles. In this subsection, "average
 2 market value of the fund" includes the balance of the earnings reserve account
 3 established under AS 37.13.145 [, BUT DOES NOT INCLUDE THAT PORTION OF
 4 THE PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF STATE v.
 5 AMERADA HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT, FIRST
 6 JUDICIAL DISTRICT)].

7 * **Sec. 4.** AS 37.13.140(b), as amended by sec. 2, ch. 16, SLA 2018, is amended to read:

8 (b) The corporation shall determine the amount available for appropriation
 9 each year. The amount available for appropriation is five percent of the average
 10 market value of the fund for the first five of the preceding six fiscal years, including
 11 the fiscal year just ended, computed annually for each fiscal year in accordance with
 12 generally accepted accounting principles. In this subsection, "average market value of
 13 the fund" includes the balance of the earnings reserve account established under
 14 AS 37.13.145 [, BUT DOES NOT INCLUDE THAT PORTION OF THE
 15 PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF STATE v. AMERADA
 16 HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT, FIRST JUDICIAL
 17 DISTRICT)].

18 * **Sec. 5.** AS 37.13.145(c) is amended to read:

19 (c) After the **appropriations** [TRANSFER] under (b) and [AN
 20 APPROPRIATION UNDER] (e) of this section, the **legislature may appropriate**
 21 [CORPORATION SHALL TRANSFER] from the earnings reserve account to the
 22 principal of the fund an amount sufficient to offset the effect of inflation on the
 23 principal of the fund during that fiscal year. [HOWEVER, NONE OF THE AMOUNT
 24 TRANSFERRED SHALL BE APPLIED TO INCREASE THE VALUE OF THAT
 25 PORTION OF THE PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF
 26 STATE v. AMERADA HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT,
 27 FIRST JUDICIAL DISTRICT) ON JULY 1, 2004.] The corporation shall calculate
 28 the amount to **appropriate** [TRANSFER] to the principal under this subsection by

29 (1) computing the average of the monthly United States Consumer
 30 Price Index for all urban consumers for each of the two previous calendar years;

31 (2) computing the percentage change between the first and second

1 calendar year average; and

2 (3) applying that rate to the value of the principal of the fund on the
3 last day of the fiscal year just ended [, INCLUDING THAT PORTION OF THE
4 PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF STATE v. AMERADA
5 HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT, FIRST JUDICIAL
6 DISTRICT)].

7 * **Sec. 6.** AS 37.13.145(e) is amended to read:

8 (e) The legislature may [NOT] appropriate from the earnings reserve account
9 to the general fund a total amount **not to exceed** [THAT EXCEEDS] the amount
10 available for appropriation under AS 37.13.140(b) in a fiscal year.

11 * **Sec. 7.** AS 37.13.150 is amended to read:

12 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
13 investments must be identified as the source of the operating budget of the corporation
14 in the state's operating budget under AS 37.07 (Executive Budget Act). The
15 unexpended balance of the corporation's annual operating budget does not lapse at the
16 end of the fiscal year but shall be treated as [INCOME AND] part of the market value
17 of the fund under AS 37.13.140.

18 * **Sec. 8.** AS 37.13.300(c) is amended to read:

19 (c) Net income from the mental health trust fund may not be included in the
20 computation of [NET INCOME OR] market value available for [DISTRIBUTION
21 OR] appropriation under AS 37.13.140.

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

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

25 (1) determining the total amount available for dividend payments,
26 which equals

27 (A) the amount of income of the Alaska permanent fund
28 **appropriated** [TRANSFERRED] to the dividend fund under **AS 43.23.023**
29 [AS 37.13.145(b)] during the current year;

30 (B) plus the unexpended and unobligated balances of prior
31 fiscal year appropriations that lapse into the dividend fund under

1 AS 43.23.045(d);

2 (C) less the amount necessary to pay prior year dividends from
3 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
4 43.23.055(3) and (7);

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

9 (E) less appropriations from the dividend fund during the
10 current year, including amounts to pay costs of administering the dividend
11 program and the hold harmless provisions of AS 43.23.240;

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

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

17 * **Sec. 10.** AS 43.23 is amended by adding a new section to read:

18 **Sec. 43.23.047. Appropriations to the dividend fund.** Each fiscal year, the
19 legislature may appropriate from the general fund to the dividend fund established
20 under AS 43.23.045 the lesser of

21 (1) the amount equal to 40 percent of

22 (A) mineral lease bonuses, rentals, royalties, royalty sale
23 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral
24 revenue sharing payments received by the state during the previous fiscal year;
25 and

26 (B) the oil and gas production tax deposited into the general
27 fund during the previous calendar year under AS 43.55; or

28 (2) the amount necessary for a \$1,800 permanent fund dividend for
29 each individual

30 (A) eligible to receive a dividend under AS 43.23.005; and

31 (B) ineligible to receive a dividend under AS 43.23.005(d).

- 1 * **Sec. 11.** AS 37.13.145(b), 37.13.145(d), and 37.13.145(f) are repealed.
- 2 * **Sec. 12.** Section 28, ch. 134, SLA 1992, is repealed.
- 3 * **Sec. 13.** Section 4 of this Act takes effect on the effective date of sec. 2, ch. 16, SLA
- 4 2018.
- 5 * **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect July 1, 2020.