HOUSE BILL NO. 249

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE HOPKINS

Introduced: 1/18/22
Referred: House Special Committee on Ways and Means, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska permanent fund; relating to dividends for state residents; relating to the use of certain state income; and providing for an effective date."

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

*** Section 1.** AS 37.13.140 is amended to read:

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

(b) The corporation shall determine the amount available for appropriation each year. The amount available for appropriation is five percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended, computed annually for each fiscal year in accordance with generally accepted accounting principles. **The amount available for appropriation may not exceed the balance in the earnings reserve account described in AS 37.13.145.** In this subsection, "average market value of the fund" includes the balance of the earnings reserve account established under AS 37.13.145, but does not include that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* **Sec. 2.** AS 37.13.145(b) is amended to read:

(b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve account to the dividend fund established under AS 43.23.045,

(1) 10 percent of the amount available for appropriation under AS 37.13.140(b) in fiscal year 2023;

(2) 15 percent of the amount available for appropriation under AS 37.13.140(b) in fiscal year 2024;

(3) 20 percent of the amount available for appropriation under AS 37.13.140(b) in fiscal year 2025;

(4) 25 percent of the amount available for appropriation under AS 37.13.140(b) in each fiscal year after fiscal year 2025 [50 PERCENT OF THE INCOME AVAILABLE FOR DISTRIBUTION UNDER AS 37.13.140].

* **Sec. 3.** AS 37.13.145(c) is amended to read:

(c) After the **appropriations** [TRANSFER] under (b) and [AN APPROPRIATION UNDER] (e) of this section, the **legislature may appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on the principal of the fund during that fiscal year. However, none of the amount **appropriated under this subsection** [TRANSFERRED] shall be applied to increase the value of that portion of the principal attributed to the settlement of State v.

Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004. The corporation shall calculate the amount **that may be appropriated** [TO TRANSFER] to the principal under this subsection by

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

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended, including that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* **Sec. 4.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for **appropriation** [DISTRIBUTION] to the dividend fund **under AS 37.13.140(b)**, for **an appropriation** [TRANSFERS] to the principal under (c) of this section, or for an appropriation under (e) of this section, and shall be annually deposited into the Alaska capital income fund (AS 37.05.565).

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

(f) The combined total of the **appropriations** [TRANSFER] under (b) **and** [OF THIS SECTION AND AN APPROPRIATION UNDER] (e) of this section may not exceed the amount available for appropriation under AS 37.13.140(b).

* **Sec. 6.** AS 37.13.300(c) is amended to read:

(c) Net income from the mental health trust fund may not be included in the computation of **the amount** [NET INCOME OR MARKET VALUE] available for [DISTRIBUTION OR] appropriation under **AS 37.13.140(b)** [AS 37.13.140].

* **Sec. 7.** AS 37.14.031(c) is amended to read:

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

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

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

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

(A) the amount **appropriated** [OF INCOME OF THE ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund under AS 37.13.145(b) **and AS 43.23.045(f)** during the current year;

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

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

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

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

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

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

amount determined under (2) of this subsection.

*** Sec. 9.** AS 43.23.028(a) is amended to read:

(a) By October 1 of each year, the commissioner shall give public notice of the value of each permanent fund dividend for that year and notice of the information required to be disclosed under **<u>(2)</u>** [(3)] of this subsection. In addition, the stub attached to each individual dividend disbursement advice must

(1) disclose the amount of each dividend attributable to **<u>legislative appropriations</u>** [INCOME EARNED BY THE PERMANENT FUND FROM DEPOSITS TO THAT FUND REQUIRED UNDER ART. IX, SEC. 15, CONSTITUTION OF THE STATE OF ALASKA];

(2) [DISCLOSE THE AMOUNT OF EACH DIVIDEND ATTRIBUTABLE TO INCOME EARNED BY THE PERMANENT FUND FROM APPROPRIATIONS TO THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO OFFSET THE EFFECTS OF INFLATION;

(3)] disclose the amount by which each dividend has been reduced due to each appropriation from the dividend fund, including amounts to pay the costs of administering the dividend program and the hold harmless provisions of AS 43.23.240;

<u>(3)</u> [(4)] include a statement that an individual is not eligible for a dividend when

(A) during the qualifying year, the individual was convicted of a felony;

(B) during all or part of the qualifying year, the individual was incarcerated as a result of the conviction of a

(i) felony; or

(ii) misdemeanor if the individual has been convicted of a prior felony or two or more prior misdemeanors;

<u>(4)</u> [(5)] include a statement that the legislative purpose for making individuals listed under **<u>(3)</u>** [(4)] of this subsection ineligible is to

(A) provide funds for services for and payments to crime victims and operating costs of the Violent Crimes Compensation Board;

(B) provide funds to pay restitution owed to crime victims;

(C) provide funds for grants to nonprofit organizations for services for crime victims and for mental health services and substance abuse treatment for offenders;

(D) provide funds for the office of victims' rights;

(E) provide funds to the Council on Domestic Violence and Sexual Assault for grants for the operation of domestic violence and sexual assault programs; and

(F) obtain reimbursement for some of the costs imposed on the Department of Corrections related to incarceration or probation of those individuals;

<u>(5)</u> [(6)] disclose the total amount that would have been paid during the previous fiscal year to individuals who were ineligible to receive dividends under AS 43.23.005(d) if they had been eligible;

<u>(6)</u> [(7)] disclose the total amount transferred or appropriated for the current fiscal year under AS 43.23.048 for each of the accounts, funds, and agencies listed in AS 43.23.048.

*** Sec. 10.** AS 43.23.045 is amended by adding new subsections to read:

(f) Each fiscal year, the legislature may appropriate to the dividend fund an amount equal to

(1) 35 percent of all oil and gas royalties and payments in fiscal year 2023;

(2) 40 percent of all oil and gas royalties and payments in fiscal year 2024;

(3) 45 percent of all oil and gas royalties and payments in fiscal year 2025;

(4) 50 percent of all oil and gas royalties and payments in each fiscal year after fiscal year 2025.

(g) In this section, "oil and gas royalties and payments" means oil, gas, or oil and gas lease rentals, royalties, royalty sale proceeds, and federal revenue sharing payments and bonuses received by the state during a fiscal year.

*** Sec. 11.** This Act takes effect July 1, 2022.