

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

March 24, 2025

3:30 p.m.

DRAFT

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Bill Wielechowski, Vice Chair
Senator Matt Claman
Senator Forrest Dunbar
Senator Scott Kawasaki
Senator Shelley Hughes
Senator Robert Myers

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: ALASKA'S RENEWABLE FINANCIAL RESOURCE

- HEARD

PRESENTATION: ALASKA'S RENEWABLE REVENUE CURRICULUM

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DEVEN MITCHELL, Executive Director and Chief Executive Officer
(CEO)

Alaska Permanent Fund Corporation
Juneau, Alaska

POSITION STATEMENT: Provided the presentation: Alaska's
Renewable Financial Resource.

ELLA EDE, Executive Director
Alaska Resource Education
Anchorage, Alaska

POSITION STATEMENT: Co-presented: Alaska's Renewable Revenue Curriculum.

TAYLOR BURGH, Operations Manager
Alaska Resource Education
Anchorage, Alaska

POSITION STATEMENT: Co-presented: Alaska's Renewable Revenue Curriculum.

ACTION NARRATIVE

[3:30:16 PM](#)

CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Myers, Dunbar, Kawasaki, Claman, Wielechowski, and Chair Giessel. Senator Hughes arrived shortly thereafter.

PRESENTATION: ALASKA'S RENEWABLE FINANCIAL RESOURCE

[3:30:44 PM](#)

CHAIR GIESSEL announced the presentation: Alaska's Renewable Financial Resource, by the Alaska Permanent Fund Corporation.

[3:31:24 PM](#)

DEVEN MITCHELL, Executive Director and Chief Executive Officer (CEO), Alaska Permanent Fund Corporation, Juneau, Alaska, presented: Alaska's Renewable Financial Resource.

[3:31:53 PM](#)

MR. MITCHELL moved to and narrated slide 2:

[Original punctuation provided.]

A Legacy of Intergenerational Resource Contribution Alaskans' Extraordinary Vision

In 1976 -

Alaskans chose to permanently forgo immediate use of at least 25 percent of oil and mineral revenues, saving instead to create a renewable financial resource for generations—the Alaska Permanent Fund.

Today, the Fund -

- **Leads the Nation**

The largest U.S. sovereign wealth fund, globally recognized for converting finite resources into lasting wealth.

- **Supports Alaska**

Provides over 50 percent of the state's unrestricted general fund revenue for dividends and essential services.

Alaska Constitution Article IX, Section 15
Alaska Permanent Fund

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a Permanent Fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for Permanent Fund investments. All income from the Permanent Fund shall be deposited in the general fund unless otherwise provided by law.

[3:32:16 PM](#)

SENATOR HUGHES joined the meeting.

[3:34:47 PM](#)

MR. MITCHELL moved to slide 3:

[Original punctuation provided.]

Consistent Discipline
Stewardship

- Honoring the vision and sacrifices of the Alaskans that created the Fund and leadership committed to ensuring that a portion of our mineral wealth is saved and invested to benefit all Alaskans, today and tomorrow.
- Protecting the Principal and maximizing investment returns for the benefit of current and future generations of Alaskans.
- Providing a predictable revenue stream to help balance the State's budget now and into the future.

MR. MITCHELL said discipline had been a key component of the fiscal strategy that permeated the Permanent Fund's existence, with each year of policymakers and Alaskans representing a

generation and every generation honoring this tradition. He compared this discipline to the principle of maximum sustainable harvest, noting that one does not set a net across a river to catch every fish because doing so would limit future generations' ability to fish. In the same way, each successive generation had set money aside through constitutionally mandated, statutory, ad hoc, and inflation-proofing contributions to build the Permanent Fund to its current level. He emphasized that the Permanent Fund's structure required significant manual inputs and created difficulties when investment revenues were insufficient or when there was pressure to take more than a generation's fair share. He said this was an inherent weakness of the Fund's current construct.

[3:36:22 PM](#)

CHAIR GIESSEL asked to return to slide 2 and questioned a prior statement about transferring an additional 25 percent into the Permanent Fund, asking for clarification about the origin of the additional 25 percent.

[3:36:49 PM](#)

MR. MITCHELL explained that the additional contributions came from the same revenue sources defined in the constitution, primarily mineral leases, rentals, and oil royalties from North Slope production, including certain fields that began producing after 1979. He acknowledged that this did not fully double the constitutionally required contribution but had nonetheless been a significant source of funding.

[3:37:29 PM](#)

MR. MITCHELL moved to and narrated slide 4:

[Original punctuation provided.]

AS 37.13.020

The legislature's findings for the purpose of the Permanent Fund:

- the fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;
- the fund's goal should be to maintain safety of principal while maximizing total return;
- the fund should be used as a savings device managed to allow the maximum use of disposable income from the fund for purposes designated by law.

- **Permanent Savings**
- **Maximum Risk-Adjusted Returns**
- **Use of Earnings: Driven by Legislation**

MR. MITCHELL said the Fund's investments reflected Alaska's generally conservative approach, minimizing risk and preserving capital. By statute, earnings were placed into a separate earnings reserve account, where they remained until appropriated by the legislature. He noted that the Fund's return objective did not focus on realized income, and under modern accounting practices, unrealized gains were recorded when they occurred but were not immediately available for spending. Instead, these unrealized earnings shifted between the principal and the earnings reserve under a pro rata framework until realized through asset sales, which often caused confusion when discussing balances in either account.

[3:40:03 PM](#)

SENATOR DUNBAR referred to prior discussions in the finance subcommittee about how the Permanent Fund helped insulate state savings from a potential economic downturn. He noted that gold prices had reached record or near-record highs, reportedly benefiting Alaska gold mines. He questioned whether higher gold prices meaningfully affected deposits into the Permanent Fund or whether the Fund's revenue sources, which he noted were primarily oil revenues, were largely insulated from changes in gold prices.

[3:41:00 PM](#)

MR. MITCHELL said he did not know the exact amount but noted that the Tax Division's annual revenue sources book showed mineral revenue deposits into the Permanent Fund. Based on his last review, gold-related revenues amounted to only a few million dollars, which was small compared to oil revenues that generated hundreds of millions of dollars when oil prices were in the \$70 range. He said that even if gold revenues doubled, they would still represent a relatively minor contribution compared to oil.

[3:41:42 PM](#)

SENATOR DUNBAR noted a recent presentation from the mining industry showing corporate taxes had dropped to nearly zero, though the presenter thought it might have been a calculation error. He remarked how little revenue Alaska received from mining at only a few million dollars per year, even with gold at \$3,500 an ounce, highlighting the relatively small contribution compared to North Slope oil.

[3:42:24 PM](#)

MR. MITCHELL commented on the financial impacts of mining, noting that the location of mines on federal versus state land affected how royalties were distributed. Mines on federal land generate revenue for the federal government, which may or may not benefit the state of Alaska. He noted that mines also significantly support local tax bases, as seen with the Red Dog Mine funding schools in the Northwest Arctic Borough. Similarly, he noted that hard rock mines near Juneau contributed substantially to local taxes. He suggested that, from a state perspective, projects on state land were worth examining for their financial benefits.

[3:43:27 PM](#)

MR. MITCHELL moved to slide 5, highlighting Alaska's impressive financial strategy of diversifying its economy by investing Permanent Fund money globally, reducing reliance on state-generated revenue. He said the fund was initially invested entirely in fixed income in 1980, and gradually expanded into equities, real estate, private equity, hedge funds, and other asset classes to optimize returns while managing risk. He explained that annual evaluations assess risk, asset allocation, and performance against benchmarks to meet long-term targets, including CPI plus five percent, ensuring sustainable income for the state:

[Original punctuation provided.]

Global Investment

Through prudent asset allocation and strategic decision-making, APFC has robust performance across asset classes, reinforcing our commitment to deliver sustainable value for our stakeholders—**the people of Alaska.**

The Alaska Permanent Fund is the largest sovereign wealth fund in the U.S. and is recognized globally as **a model for converting a nonrenewable natural resource into a renewable financial resource.**

[Slide 5 includes a global map illustrating worldwide APF investments.]

[Slide 5 includes pie charts illustrating the asset allocation evolution of the Permanent Fund from 1980 to 2025, including the following assets:

- Public Equities
- Fixed Income
- Private Equity
- Real Estate
- Private Income
- Absolute Return
- Tactical Ops
- Cash]

[3:46:43 PM](#)

SENATOR MYERS said he would like to see how the Fund's performance compared to standard benchmarks, such as the S&P 500 or Dow Jones Industrial Average.

[3:47:13 PM](#)

MR. MITCHELL replied that the Fund's asset allocation followed a statutory framework shaped by past legislators, reflecting a long-standing conservative, low-risk approach.

[3:47:50 PM](#)

MR. MITCHELL moved to slide 6 and observed the dip during the 2008-2018 period to illustrate how the global financial crisis caused severe losses, highlighting the risks of relying on strong past performance. He emphasized that, even with recent strong equity returns, historical precedent and potential overvaluation made future returns uncertain, underscoring the importance of diversification. He said he wouldn't necessarily suggest a return to the 1980 asset allocation, but there was room for discussion about adjusting strategies with input from financial professionals.

[Original punctuation provided.]

A maximum risk-adjusted return
Investing for the Long Term

[Slide 6 provides a bar graph illustrating: Total return = Inflation + Real Return compared with the Return Objective (CPI+5 percent) for ten year increments]

Real Return

Annual investment performance adjusted for inflation indicates sustained value and purchasing power.

The Board's objective for the Fund:

- **Investment Performance**

Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period.

- **Investment Risk**

Ability of the Fund to achieve the longterm target while conforming to the Board's approved risk appetite metric.

[3:50:36 PM](#)

SENATOR WIELECHOWSKI referred to the graph on slide 6 and asked for clarification. He asked whether return objectives had been met.

[3:51:32 PM](#)

MR. MITCHELL said slide 6 illustrated rolling 10-year periods, showing that roughly half of those periods achieved a return of Consumer Price Index (CPI) plus 5 percent, while the other half did not, particularly in the decade following a global financial crisis. He said CPI plus 5 percent was a challenging benchmark. In any given year the target may or may not be met, but over the long term it appeared to represent an upper-end, realistically achievable return for a relatively risk-averse portfolio.

[3:52:32 PM](#)

SENATOR MYERS asked why the graph was displayed in ten-year increments, noting that the Permanent Fund draws were based on five-year increments.

[3:52:43 PM](#)

MR. MITCHELL said he hadn't thought of it that way, but that could be done for the committee. He said he expected five-year increments would also demonstrate that the return objective was met about half the time.

[3:53:20 PM](#)

MR. MITCHELL moved to and narrated slide 7:

[Original punctuation provided.]

**Alaska's Largest
Revenue Source**

	FY24	\$80,038.4
	FY23	\$77,587.5
	FY22	\$75,912.8
AS 37.13.140 (b)	FY21	\$81,472.4
Fund Value-Based	FY20	\$64,877.8

FY26 POMV	Avg.	\$75,977.8
Draw Calculation	5 percent	\$ 3,798.9

Percent of Market Value Draws

FY19-FY25
 \$ 22.4 billion over 7 fiscal years.

FY26 is \$ 3.8 billion.
 FY27 is \$ 4.0 billion estimated.

The Shift in Alaska's Revenue

Alaska's budget has transitioned from primarily relying on nonrenewable mineral royalty resources to depending on sustainable financial revenues generated by investments from the Fund.

[Slide 7 includes a graph illustrating the "State of Alaska Unrestricted General Fund Revenues in \$ millions" from FY 1959 through FY2028, including Petroleum and Non-Petroleum Revenues, PFD from ERA, and POMV from ERA.]

The POMV draw, enacted in 2018, has exceeded traditional revenue sources in providing unrestricted general fund revenues.

[3:53:23 PM](#)

MR. MITCHELL said the state's revenue shifted dramatically in 2019 with the implementation of the Percent of Market Value (POMV) draw. He noted the high volatility of the state's primary revenue source [oil] prior to 2019. He said the state was able to manage the volatility using the Constitutional Budget Reserve (CBR) through the 1990s. Combined with the high-revenue years of 2005 to 2007, this allowed for relatively levelized spending, with the CBR acting as a shock absorber during tough years. Using the CBR in that manner stopped being sustainable after oil prices fell in the second half of 2014 and stayed at very low levels for the next four to five years. As the CBR was drawn

down, it became clear that additional revenue was needed to continue providing state services, leading to the creation of the Percent of Market Value (POMV) transfer: transferring 5 percent of the average Permanent Fund balance over the last five completed fiscal years to the state. The POMV transfer was about \$3.8 billion for fiscal year 2026 and was projected at roughly \$4 billion for fiscal year 2027.

[3:55:41 PM](#)

MR. MITCHELL said reliance on the use of the Permanent Fund increased significantly after 2019. Before 2019, only a portion of earnings was used, half of 21 percent of the last five years of earnings went to dividends, and the other half was saved, growing the fund each year. After 2019 the state began relying on Permanent Fund revenue not just for dividends, but also to support state expenditures. He compared this financial behavior to that of a retiree.

[3:56:28 PM](#)

SENATOR DUNBAR referred to the graph on slide 7. He asked whether the figures represented real adjusted dollars or nominal dollars.

[3:56:45 PM](#)

MR. MITCHELL said they were nominal dollars.

[3:56:50 PM](#)

SENATOR DUNBAR concluded that the Permanent Fund's recent earnings were significantly lower than oil [earnings].

MR. MITCHELL concurred.

[3:57:04 PM](#)

MR. MITCHELL moved to slide 8:

[Original punctuation provided.]

The Permanent Fund Total Value \$81.3B

As of February 28, 2025

[Slide 8 includes a pie chart graphic illustrating the Permanent Fund's total value.]

\$71.5B Principal:

\$58.7 Permanent Deposits

\$12.8 Unrealized Gains

\$9.8B Earnings Reserve Account (ERA) :

\$3.8B for the FY26 POMV - Committed for the Percent of Market Value "POMV" Draw to the state's general fund for dividends and government services

\$1.0B for Inflation Proofing - Committed for the FY25 transfer to the Principal for intergenerational purchasing power given the two-account structure

\$3.2B "Spendable" Earnings
Available as realized income

\$1.8B Unrealized Gains
Represents changes in asset values from the purchase date to the most current

[3:57:12 PM](#)

MR. MITCHELL said the situation with the Permanent Fund was not as straightforward as it might appear. Under the present two-account structure, the earnings reserve account held about \$9.8 billion, but a \$3.8 billion draw was scheduled for FY 2026. In addition, \$1 billion had already been appropriated in the current fiscal year for inflation proofing, and \$1.8 billion of the earnings reserve balance consisted of unrealized gains that could not be treated as statutory net income. After accounting for those factors, there was about \$3.2 billion in spendable earnings. At the same time, he said the state must set aside the FY 2027 POMV transfer on July 1, 2025, one year in advance. That transfer was projected at \$4 billion, meaning current spendable earnings were not sufficient and additional earnings were needed this year. He pointed out that there was very little left available for inflation proofing.

[3:58:35 PM](#)

MR. MITCHELL said to maintain liquidity in the earnings reserve account, the legislature had effectively avoided inflation proofing. He noted that the principal was often cited as \$71.5 billion, but argued that figure included \$12.8 billion in unrealized gains, and only about \$20 billion represented actual royalty revenue deposited into the fund. He said that, under the current structure, the amount theoretically appropriable, potentially requiring statutory changes, was about \$22 billion.

MR. MITCHELL concluded that the existing framework had not kept pace with accounting practices, asset allocation, or the total-return investment objectives of the Alaska Permanent Fund.

[3:59:40 PM](#)

SENATOR MYERS referred to the \$12.8 billion in unrealized gains and asked, if that asset were to be sold, whether those gains would end up in the principal or in the earnings reserve account.

[3:59:58 PM](#)

MR. MITCHELL said the gains would go in the earnings reserve account.

[4:00:03 PM](#)

SENATOR MYERS asked why unrealized gains were counted as part of the principal when, once they were realized and converted to cash, they ultimately went into the earnings reserve account.

[4:00:21 PM](#)

MR. MITCHELL explained that an attorney general's opinion required unrealized gains and losses to be reported [in the earnings reserve account]. Before that opinion, unrealized gains or losses could have been held in the earnings reserve account, but doing so would have left an insufficient balance to pay dividends. After a period of negative market performance with significant unrealized losses, keeping those losses in the earnings reserve account would have effectively depleted it from an accounting standpoint. As a result, the current methodology was adopted.

[4:01:19 PM](#)

MR. MITCHELL moved to slide 9:

[Original punctuation provided.]

Proposed: Single-Fund Endowment Model

Adopting this model, which would include a Constitutionally established spending limit, would strengthen the Fund's long-term stability and purchasing power for future generations.

- Merge the Principal and the ERA into a Single-Fund.
- Limit annual distributions through a Constitutional POMV Rule.
- Ensure automatic inflation proofing by adhering to a long-term sustainable withdrawal rate.

The change to a Single-Fund would ensure that an annual POMV transfer would be available each year but would not affect the discretion in deciding how to spend the money.

The power of appropriation remains with the Legislature, while the annual draw from the Fund would be limited.

MR. MITCHELL explained that for more than 20 years the trustees have advocated replacing the two-account, earnings-based structure with a single endowment model to eliminate the risk of overdrawing the Permanent Fund, reduce intergenerational equity concerns, remove the possibility of failed transfers due to statutory constraints, and simplify the system to one inflow consisting of royalty revenues deposited into the fund, and one outflow, the POMV transfer to the State of Alaska.

[4:02:21 PM](#)

MR. MITCHELL suggested that concerns about how this change would affect the Permanent Fund Dividend were separate from the proposed structural changes. He opined that, if anything, the change could increase the likelihood of a dividend because it would provide regular, recurring revenue. He said the process for determining the dividend would remain essentially the same, with the legislature continuing to appropriate funds for it each year.

[4:03:11 PM](#)

SENATOR HUGHES referred to slide 8 and noted that, in the earnings reserve account breakdown, the first two segments represented the upcoming fiscal year's budget starting July 1. She asked for confirmation that the projected \$4 billion POMV draw, combined with inflation proofing, would essentially consume the remaining two portions of the earnings reserve account.

[4:03:43 PM](#)

MR. MITCHELL explained that inflation proofing for the coming year was estimated at \$1.4 to \$1.6 billion, which, combined with a \$4 billion [Percent of Market Value (POMV)] draw, would total roughly \$5.5 billion and create a deficiency if only \$3.2 billion were available on July 1. He noted that this situation had already occurred. In the current year there was a roughly \$400 million shortfall because only \$4.4 billion was available to cover a \$3.8 billion POMV draw and \$1.0 billion for inflation

proofing. He said this was the first time such a deficiency happened.

[4:04:22 PM](#)

SENATOR HUGHES noted there was a resolution for a constitutional amendment that would appear on the fall 2026 ballot. She asked whether there would be sufficient funds in the earnings reserve for fiscal year 2028, beginning January 1, 2027, if the amendment did not pass.

[4:05:01 PM](#)

MR. MITCHELL said it depended [on market performance]. He referred to Legislative Finance modeling suggesting a 30 to 40 percent chance of being unable to make the POMV draw at the start of the fiscal year, though positive earnings during the year could still ultimately cover it. He said the concern was less immediate and more about risk management: the state currently has options and runway, but a severe, multi-year market downturn could create vulnerability. He noted that during the dot-com era, there were a couple years when the statutory net income from the Permanent Fund was in the hundreds of millions of dollars. He said a similar scenario could quickly allow for a [POMV] transfer.

[4:06:20 PM](#)

SENATOR HUGHES acknowledged the need for conservative financial assumptions and expressed concern about relying on large returns. She highlighted excitement about the recent Sockeye-2 oil discovery and said that the project could be fast-tracked, was on state land, and could generate over 16 percent in revenues and royalties for the state. She asked whether such potential future projects were considered in planning or only accounted for once they actually materialize.

[4:07:00 PM](#)

MR. MITCHELL said [the Permanent Fund] did not actively analyze projected revenue sources and instead accounted for revenue as it was received each year. He pointed out that annual revenue of about \$400 million would be beneficial, but had a much smaller impact on the fund's sustainability now that the fund was \$80-82 billion, compared to when it was much smaller.

[4:07:32 PM](#)

SENATOR CLAMAN asked whether merging the [earnings reserve and the principle] would allow the legislature to spend from the principle of the fund.

4:07:55 PM

MR. MITCHELL moved to slide 12 to answer the question. He explained that while the current earnings-based model appeared to better protect the fund's principal, it left a much larger amount, \$22 billion, available for appropriation compared to \$3.8 billion under the proposed single-account, percent-of-market-value endowment model. He said extreme, prolonged market downturns could theoretically risk principal under the new model, but that the fund's built-in discipline, retaining earnings in strong years, would generally provide greater resilience. He opined that the current structure put the principal more at risk than the proposed model:

[Original punctuation provided.]

Comparing Fund Structures

The Single-Fund Endowment Model is not constrained in providing the set annual POMV draw, while the two-account structure is limited to the ERA's available balance.

\$81.3 Billion Total Fund Value, FYTD as of February
28, 2025

Current Two-Account Structure	Proposed Endowment Model
Constitutionally Protected: 72 percent% \$58.7 billion	Constitutionally Protected: 95 percent \$77.5 billion

[Slide 12 includes pie charts comparing the two models.]

Endowment Retains Earnings

- Under the Single-Fund Endowment Structure, income would be calculated according to generally accepted accounting principles, meaning all earnings (realized and unrealized) would be retained within the Fund.
- All earnings are retained and reinvested in the Single-Fund, thus eliminating the need for inflation proofing.

[4:09:47 PM](#)

SENATOR CLAMAN asked whether, under the current system without an endowment model, the legislature already had the authority to appropriate funds from the principal.

[4:10:14 PM](#)

MR. MITCHELL explained that much of what was labeled principal was not constitutionally protected. He said \$12.8 billion in unrealized earnings could become spendable through legislative actions, such as skipping inflation proofing or mandating realization of those earnings. Additionally, funds already in the earnings reserve could be appropriated relatively easily. He said the current two-account structure allowed greater access to spendable funds and required more fiscal discipline than the proposed single-account POMV payout model.

[4:11:42 PM](#)

SENATOR WIELECHOWSKI asked whether a single-fund endowment (POMV) model reduced the risk, during market downturns, of forced asset sales at depressed prices to generate realized earnings needed to meet payout requirements, compared with the current structure.

[4:12:10 PM](#)

MR. MITCHELL said there was no clear yes-or-no answer. He explained that in market downturns, liquidity constraints, especially in private market assets, made it harder to rebalance portfolios, so cash needs were typically met by drawing from liquid public equities. He said this challenge existed under both the current structure and a single-fund endowment model. He acknowledged that repeated draws can complicate rebalancing in weak markets, but he opined that the risk was not materially greater under a unified fund structure.

[4:14:15 PM](#)

SENATOR WIELECHOWSKI suggested that a single-fund endowment model may provide greater flexibility to invest for the long term, since short-term market downturns would not force the realization of earnings. He opined that this could allow investments to be held through recoveries and potentially support higher long-term returns.

[4:14:57 PM](#)

MR. MITCHELL explained that the Permanent Fund was not managed to maximize statutory net income or the realization of earnings, so moving to a single-fund endowment model would not materially change current investment practices. However, if the legislature

were to require investments to prioritize statutory net income, that could harm performance by limiting exposure to higher-return, illiquid assets like private equity, which are expected to perform best over the next decade.

[4:16:21 PM](#)

SENATOR MYERS questioned whether the single-account model truly protected funds over the long term, noting that historical data showed extended periods when returns did not meet a 5 percent plus CPI threshold. He interpreted a 46 percent probability of underperformance as suggesting the proposed draw rate may be too high and asked whether that conclusion was correct.

[4:17:17 PM](#)

MR. MITCHELL explained that the issue was largely a policy choice. He pointed out that over most 10-year periods, returns were sufficient to support a 5 percent draw, even in weaker markets. During those periods, the trade-off was that inflation proofing may not occur, reducing purchasing power protection for future generations. He said strong performance in other periods can offset shortfalls from years when returns do not exceed inflation plus the 5 percent draw.

[4:18:20 PM](#)

SENATOR MYERS argued that historical return data showed extended periods—roughly 1999 to 2018—when returns fell short of what was needed to fully support a POMV draw plus inflation. He suggested that if a POMV model had been adopted in the late 1990s, the fund would likely be less valuable today due to higher spending or erosion from inflation. He asked whether that interpretation was correct.

[4:19:05 PM](#)

MR. MITCHELL confirmed that drawing 5 percent during that period would have reduced the fund's value but noted that at the time the fund was only used for Permanent Fund dividends, which changes the outcome. He emphasized that failing to achieve returns of CPI plus 5 percent for certain periods did not automatically mean the fund's value would decline.

[4:19:33 PM](#)

SENATOR DUNBAR noted that the Permanent Fund supported moving to a single-fund endowment model but that some commonly assumed benefits, like enabling less risky or longer-term investing were not actually accurate. He praised the fund's honesty and asked for a clear, layman's explanation of the real benefits of

adopting the endowment model so he could explain it to constituents.

[4:20:42 PM](#)

MR. MITCHELL explained that the main benefits of a single-fund endowment model were increased certainty and long-term sustainability. He said it would eliminate the risk of a failed POMV transfer, which would be catastrophic given the state's reliance on that revenue. The model would also prevent over-drawing the fund for the benefit of one generation, limit access to large portions of the fund that are currently appropriable, and automatically account for inflation through the draw rate. He acknowledged that market downturns remained a concern, and suggested statutory guardrails, such as maximum draw rates or flexibility to draw less in bad years, to guide future legislatures and make the system more durable and reliable for future generations.

[4:23:28 PM](#)

SENATOR CLAMAN noted that the legislature could come in and say that the unrealized earnings were going to the earnings reserve. He asked whether the legislature could also pass legislation saying the unrealized earnings stay in the principal.

[4:23:52 PM](#)

MR. MITCHELL explained that the legislature could redefine what counts as "principal," but doing so would undermine future income by removing funds needed to generate regular realized gains. He said the current investment structure relied on building large unrealized gains from illiquid assets, which later converted into realized income; eroding this "war chest" exposed a fundamental structural weakness. As the earnings reserve account has grown large, past legislatures have sometimes transferred money from it into principal rather than using money in the earnings reserve to fund government. He emphasized that this lever was available to lawmakers, but it could create long-term vulnerability by allowing one generation to override the sacrifices and protections established by earlier generations.

[4:26:10 PM](#)

MR. MITCHELL moved to slide 10. He said the proposed structure [for the Permanent Fund] would simplify the current system by combining contributions into a single investment account with one unified asset allocation and a single payout, eliminating the separate principal and earnings reserve structure and reducing the policy levers lawmakers must manage:

[Original punctuation provided.]

Proposed:

Single-Fund Endowment

Contributions: Royalties, Special Deposits

∖

Alaska Permanent Fund

∖

Percent of Market Value (POMV)

Average Market Value for the first 5 of the preceding
6 Fiscal Years

Income Producing Investments

Alaska Permanent Fund Corporation Management and
Investment of the Fund

An annual appropriation from the Fund may be made to
support management and investment costs.

The Fund is invested in income-producing investments
with a limited annual draw.

The transition to a Single-Fund would guarantee
availability for an annual POMV transfer while
maintaining flexibility in how the money is utilized.

Annual draw certainty would ensure the ability to
provide for a dividend and essential government
services

[4:26:51 PM](#)

MR. MITCHELL moved to slide 11. He said the current system was complex, with many moving parts that forced the legislature and governor to make numerous policy decisions and continually struggle to maintain fiscal discipline:

[Original punctuation provided.]

Current:

Two-Account Structure

Contributions

- Royalties
- Special Appropriations
- Inflation Proofing

Principle

Alaska Constitution,
Article IX, Section 15

Income Producing Investments

Alaska Permanent Fund Corporation
Management and Investment of the Fund
Single Asset Allocation (pro-rata shares)
Stocks, bonds, Real Estate, Alternatives

Sale and Distribution of Assets

Statutory Net Income AS 37.13.140
Cash Flow Income
Realized gains/losses

Earnings Reserve Account

Alaska Statutes AS 37.13.145(a)
Realized gains/losses from sale of assets
Pro-Rata share of Investments and net unrealized gains

The Principal provides permanent savings to be used only for income-producing investments.

Realized earnings are deposited into the Earnings Reserve Account (ERA) for appropriation by the Legislature.

POMV draws to support the state's current revenue needs and transfers to inflation proof the Principal for an intergenerational benefit are limited to the balance of the ERA.

[4:27:23 PM](#)

MR. MITCHELL moved to slide 13. He concluded the presentation, encouraging Alaskans and lawmakers to read Trustee Paper 10:

[Original punctuation provided.]

Trustees' Paper Volume 10

A Rules-Based Permanent Endowment Model for Alaska

"Within the world of sovereign wealth funds, the Alaska Permanent Fund is admired and respected for its long tradition of rules-based policymaking, prudent investment management, and sound governance.

That said, the paper shows that the current two-account structure introduces significant risks to the ability to fund the annual POMV transfer that supports the state budget and the Permanent Fund Dividend.

The paper outlines reforms that should be pursued with urgency to ensure that the Fund continues to underpin the sustainability of Alaska's public finances for current and future generations."

Dr. Malan Rietveld
Sovereign Wealth Fund Expert

PRESENTATION: ALASKA'S RENEWABLE REVENUE CURRICULUM

[4:28:04 PM:](#)

CHAIR GIESSEL announced the presentation: Alaska's Renewable Revenue Curriculum, by Alaska Resource Curriculum.

[4:28:33 PM](#)

ELLA EDE, Executive Director, Alaska Resource Education, Anchorage, Alaska, praised legislators work to manage the complexity of the Permanent Fund. She said Alaska Resource Education, at the request of the Permanent Fund, accepted the challenge to develop high-school curriculum to make the topic understandable and engaging.

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MS. EDE explained that Alaska Resource Education was a 501 c3 nonprofit organization. She moved to and narrated slide 2:

[Original punctuation provided.]

Mission

Educate students about Alaska's natural resources.

Vision

Empower students to be informed stewards of Alaska's natural resources.

Values

- Innovation
- Collaboration

- Flexibility
- Fun

[4:30:10 PM](#)

MS. EDE moved to and narrated slide 3:

[Original punctuation provided.]

ARE Board of Directors
Executive Committee

Clayton Gooden, Chair, NANA Regional Corp.
Casey Sullivan, Vice Chair, Marathon Petroleum
Elena Romerdahl, Secretary, Perkins Coie
Jerry Webre, Treasurer, Little Red Services
Terry Aldridge, Crowley
Logan Birch, Alaska Growth Capital
Lisa Cassino, Usibelli Coal Mine
Jessica Croffut, Matson
Mike Driscoll, ConocoPhillips
Corri Feige, Terra Piniun, LLC
Scott Habberstad, Alaska Airlines
Dave Hoeffel, Frontier Supply
Dave Karp, Saltchuk
Kyle Kohman, Santos
Rochelle Lindley, Coeur Alaska
Judy Patrick, Judy Patrick Photography
Pete Stokes, Petrotechnical Resources Alaska
Jason Brune, Executive Director Emeritus

[4:30:17 PM](#)

MS. EDE moved to and narrated slide 4:

[Original punctuation provided.]

ARE Core Team

Ella Ede, Executive Director
Beki Toussaint, Program Director
Taylor Burgh, Operations Manager
Natalie Gomez, Events & Marketing Manager
Brant Hylinski, STEM Educator
Naomi Mitchell, Interior Program Coordinator
Leola Rutherford, STEM Educator

MS. EDE introduced Taylor Burgh to continue the presentation.

[4:30:33 PM](#)

TAYLOR BURGH, Operations Manager, Alaska Resource Education Anchorage, Alaska, moved to and narrated slide 5. She said ARE provided instruction statewide, in person and on-line:

K-12 [Science, Technology, Engineering and Mathematics] STEM Education

CLASSROOM VISITS

Guest teaching in schools across Alaska in person and on Zoom

YOUTH PROGRAMS

Deeper explorations in after school programs, STEM nights, & camps

TEACHER TRAININGS

Educating teachers about our resources and how to implement them in the classroom

Rocks & Minerals

What is a Natural Resource

Energy

Where do they come from and how do we get them?

Forestry

What are the associated careers?

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MS. BURGH moved to and narrated slide 6:

[Original punctuation provided.]

Spark

Spark interest in learning about Alaska's resources

Ignite

Ignite passion for understanding connections to our resources

Launch

Launch into the next phase with the knowledge to make informed decisions

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MS. BURGH moved to and narrated slide 7:

[Original punctuation provided.]

The Permanent Fund
Alaska's
Renewable
Revenue

Understanding of our largest financial resource

Alaska's Renewable Revenue Curriculum aligns with state curriculum standards in high school **Math, Science, Government, and History** incorporates:

- The Alaska Permanent Fund overview
- Investment management
- How the Fund converts nonrenewable resources into a renewable economic resource
- Financial literacy

[Slide 7 included a table of state curriculum standards for Maath, Science, Government and History which are met by the Renewable Revenue Curriculum.]

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MS. BURGH moved to and narrated slide 8:

[Original punctuation provided.]

Lessons Overview

Create-a-State

Students simulate funding a state government with available natural resources

Renewable Financial Resource

Students learn about investment types and the importance of diversification

Fund Sustainability Simulation

Students learn the importance and challenge of managing money keeping future generations in mind

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MS. BURGH moved to and narrated slide 9:

[Original punctuation provided.]

Create-A-State:

Essential Question: How do states have money to run their government?

What role do natural resources play?

Students simulate funding a state government with available natural resources and are challenged to think about how they can transform a nonrenewable resource into a renewable resource.

Learning Outcomes:

- Students describe how Alaska's government funds its needs with different revenue streams.
- Students can articulate potential issues with having a non-diverse revenue stream.

[4:36:26 PM](#)

MS. BURGH moved to and narrated slide 10:

[Original punctuation provided.]

The Permanent Fund:

A Renewable Financial Resource

Essential Question: How do the mineral revenues from Alaska's oil and gas industries provide for Alaskans today and in the future? What is the Alaska Permanent Fund? How does Alaska invest the Permanent Fund and manage it for the long run, as a renewable financial resource? What are the risks/rewards associated with investing and why is it important to diversify your investments?

Students learn about investment types and the importance of diversification.

Learning Outcomes:

- Students explain how the Fund benefits Alaskans today and saves money for future generations.
- Students identify who manages and invests the Fund.
- Students can define and give an investment example of a stock, bond, and real estate.

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MS. BURGH moved to and narrated slide 11:

[Original punctuation provided.]

Fund Sustainability Simulation Game

Essential Question: How does the money of the Permanent Fund get managed and spent?

Students learn the importance and challenge of managing money keeping future generations in mind.

Learning Outcomes:

- Students practice compromise and long-term planning.
- Students can explain the concept of the POMV (Percent of Market Value) rule and why it was enacted.
- Students can describe the Legislative roles and responsibilities concerning spending.

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MS. BURGH moved to and narrated slide 12:

[Original punctuation provided.]

Teacher Resources

Curriculum Workbook

- Full workbook, including lesson plan materials and activity components to be used in the classroom (or at home).

Teaching Kit

- Includes workbook as well as all lesson material manipulatives and print-outs.

Educational Videos

- The curriculum utilizes three videos for students to watch in the classroom to solidify concepts taught in each of the three lessons.

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SENATOR MYERS asked whether the curriculum addressed the "resource curse," the problems associated with using resources as the primary government revenue resource.

[4:40:44 PM](#)

MS. BURGH said the first lesson, Create A State, initiated the discussion about the pros and cons of various resources as revenue sources.

[4:40:59 PM](#)

SENATOR CLAMAN asked whether paying a dividend was part of the function of the model states created in the curriculum.

MS. BURGH affirmed that paying a dividend was included as a state function.

There was a brief pause to address technical difficulties with the presentation.

[4:41:52 PM](#)

At ease

[4:42:14 PM](#)

CHAIR GIESSEL reconvened the meeting.

The presentation continued with an overview video titled: The Permanent Fund - Alaska's Renewable Revenue | Alaska.

[4:46:08 PM](#)

MS. BURGH said Alaska Resource Education (ARE) worked with the Alaska Permanent Fund Corporation (APFC) to create this and other videos that were accurate and fun presentations, simplifying complex topics.

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SENATOR WIELECHOWSKI stated that most Alaskans think of the dividend when they think of the Alaska Permanent Fund. He observed that the materials presented didn't seem to mention the dividend.

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MS. EDE answered that the APFC intended that the curriculum would focus on the investment aspect of the fund rather than the dividend.

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MS. BURGH added that the curriculum briefly referenced the dividend as an accessible entry point, using students' familiarity with it to introduce and build understanding of the Alaska Permanent Fund and its purpose.

[4:48:04 PM](#)

CHAIR GIESSEL asked whether instructors ever encountered students who have no idea about the dividend.

[4:48:10 PM](#)

MS. BURGH said they did not. She said that most parents typically had the money, but most students have at least a semblance of an idea about the dividend.

[4:48:26 PM](#)

MS. BURGH moved to and narrated slide 14, explaining that the Permanent Fund curriculum was integrated with the other elements of the ARE program:

[Original punctuation provided.]

Curriculum Integration into ARE's Programs

The Alaska Permanent Fund
Alaska's Renewable Revenue:

Rockstars
Our Alaska, Academies of Anchorage
AMPED on ENERGY
Natural Resource Management, Teacher Externship
P.O.W.R.

[4:49:36 PM](#)

MS. EDE moved to and narrated slide 15, illustrating the implementation of the curriculum in 2022:

[Original punctuation provided.]

**Implementation of Alaska's
Renewable Revenue Curriculum**

675	Students Taught
1,153	Student contact hours
85	Teachers trained
22	Communities

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MS. EDE moved to slide 16:

[Original punctuation provided.]

Teacher Testimonials

"The lessons are easy to use and very engaging for students" - 12th grade Economics teacher

"The Renewable Revenue curriculum has been invaluable to me in the classroom. The materials make this sometimes-cumbersome topic fun with games and personal buy-in. The hands-on lessons allow the students to better understand something that will directly affect them as Alaskans." - 9th grade Alaska Studies teacher

"These lessons are a fun, hands-on way to teach students about complex topics and make them relevant to their lives. My students loved them!" - 9th grade Alaska Studies teacher

MS. EDE said the lessons had been well-received by students and teachers. She appreciated the partnership with the Alaska Permanent Fund Corporation (APFC) to develop the curriculum.

MS. EDE noted that ARE had developed extensive curriculum on many resource topics.

[4:51:08 PM](#)

MS. EDE concluded by inviting committee members to a lunch and learn opportunity when ARE would present the extensive curriculum they had developed and made available across the state.

[4:51:48 PM](#)

SENATOR HUGHES noted her recent experience observing lessons in a fourth-grade classroom. She enthusiastically described the high level of student engagement and interest.

[4:52:20 PM](#)

SENATOR DUNBAR noted that ARE was a 501 c3 organization. He asked what their primary revenue resource was. He also asked whether their curriculum addressed the visitor industry as one of Alaska's natural resources.

[4:52:58 PM](#)

MS. EDE said ARE's revenue sources were a combination of private funding and corporate funding, grants and fund-raising events. She emphasized their efforts to maintain a diversity of funding sources.

MS. EDE said there was not currently curriculum that included the visitor industry, but that ARE would be interested in developing it, perhaps in partnership with tourism industry members of ARE's board.

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SENATOR MYERS noted that the prior presentation by the Alaska Permanent Fund Corporation (APFC) characterized the investment perspective of the fund to resemble that of a "retired" person. With the perspective in mind that the state was now simply living off past income generated by the state's resources, he asked whether the use of the Permanent Fund for government undermined interest in resource development.

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MS. EDE noted that ARE, as a 501c3 educational nonprofit organization, did not take political positions. However, she said ARE could develop curriculum to teach about the proposed change [to the Permanent Fund structure].

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CHAIR GIESSEL asked whether ARE would teach through the summer. She noted that there were efforts to execute a constitutional amendment resolution [addressing the structure of the Permanent Fund] to go before the voters in 2026. She advocated for a plan to educate voters as well as students.

[4:55:51 PM](#)

MS. EDE said ARE met with APFC frequently to adapt and update their goals. She said there were summer programs planned as well as teacher externships. She emphasized that the videos were available on both ARE's and APFC's websites for anyone to watch and she concurred that all Alaskans could benefit from the material.

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CHAIR GIESSEL noted the many new residents in the state and asked whether ARE waited to be invited to schools or approached schools [to offer their materials].

[4:57:00 PM](#)

MS. BURGH said there was no shortage of interest in ARE's offerings. She noted that the Permanent Fund curriculum was new and there had been concerted outreach to get it in classrooms. She said economic and financial literacy classes were new spaces for resource education.

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CHAIR GIESSEL expressed gratitude for both presentations.

[4:58:25 PM](#)

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:58 p.m.