

Original sponsors: Duncan, Coll
Sund, et al

Funding Information

General Fund	\$ - 0 -
Other Funds	400,000,000
	<u>\$400,000,000</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 28 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation from the
7 undistributed income account in the Alaska permanent
8 fund to the principal of the permanent fund; and
9 providing for an effective date."

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

11 * Section 1. The sum of \$400,000,000 is appropriated from the undis-
12 tributed income account in the Alaska permanent fund to the principal of
13 the Alaska permanent fund.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 28 (Fin)
 Title: Appropriation of Undistributed
 Income to Permanent Fund
 Sponsor: House Finance
 Requestor: House Rules
 Date of Request: March 27, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES				-	-	-
200 TRAVEL				-	-	-
300 CONTRACTUAL				-	-	-
400 SUPPLIES				-	-	-
500 EQUIPMENT				-	-	-
600 LANDS & STRUCTURES				-	-	-
700 GRANTS, CLAIMS				-	-	-
800 MISCELLANEOUS				-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

Rec'd
 4-5-85
 R.O. 3-22-85

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: March 28, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/5/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 28 (Fin)
 Title: Appropriation of Undistributed
Income to Permanent Fund
 Sponsor: House Finance
 Requestor: House Rules
 Date of Request: March 27, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: March 28, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/5/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: CSHB 28 (Fin)
 Title: ...Making a special appropriation from the PF-UIA to the principal
 Sponsor: House Finance Committee
 Requestor: House Rules
 Date of Request: 3/27/85

FISCAL DETAIL

Agency Affected: REVENUE
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
PF-UIA	0	(417.6)	(19.4)	(22.5)	(25.8)	(27.2)
PF-PRINCIPAL	0	417.6	19.4	22.5	25.8	27.2

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: MCF RWE
 Mary Ellen Frank/Robert W. Elliott
 Division: Revenue - Research Section

Phone: 465-2174
 Date: 4/2/85

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 2/15/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE CSHB 28 (Fin)
ATTACHMENT

TABLE 1
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
Transfer from UIA to PF-Prin.	0	400.0	0	0	0	0
Extra Infl. Proofing Gain to PF-Prin.	0	17.6	19.4	22.5	25.8	27.2
Loss to PF-UIA	0	417.6	19.4	22.5	25.8	27.2

If a transfer of \$400m was made at the beginning of FY 86 from the PF Undistributed Income Account to the principal, the result would be to increase the PF principal by both the transfer and the increase in inflation proofing required to protect the extra principal amounts from being degraded in real terms. Both the transfer and the extra inflation proofing would reduce the UIA balance correspondingly; therefore, the total assets of the PF and earnings on those assets would remain unchanged (as would dividends which are figured from asset earnings).

The balances in the UIA and PF principal after this transfer, based on January 1985 revenue projections, is presented below.

Table 3
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
UIA balance	762.7	467.5	500.0	568.2	605.3	648.8
PF principal	5709.7	6752.8	7428.1	8185.7	9026.1	9905.1
PF total assets	6472.4	7220.3	7928.1	8753.9	9631.4	10553.9

Offered: 3/25/85
Referred: Rules

Original sponsors: Duncan, Goll
Sund, et al

Funding Information
General Fund \$ - 0 -
Other Funds 400,000,000
\$400,000,000

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 28 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation from the
7 undistributed income account in the Alaska permanent
8 fund to the principal of the permanent fund; and
9 providing for an effective date."

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

11 * Section 1. The sum of \$400,000,000 is appropriated from the undis-
12 tributed income account in the Alaska permanent fund to the principal of
13 the Alaska permanent fund.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 28
 Title: Relating to the income of the
Permanent Fund
 Sponsor: Duncan, et. al.
 Requestor: House State Affairs
 Date of Request: January 14, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
PF-UIA	(450.2)	(22.1)	(22.0)	(53.6)	(30.6)	(32.4)
PF - PRINCIPAL	450.2	22.1	22.0	53.6	30.6	32.4

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: MET RWE
 Mary Ellen Frank/Robert W. Elliott
 Division: Research Section

Phone: 465-2173
 Date: 1/25/85

Approved by Commissioner: Walt Bonker
 Agency: Revenue

Date: 2-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

8294

FISCAL NOTE HB 28
Attachment

Analysis of HB 28

If the balance in the Undistributed Income Account (UIA) of the Permanent Fund (PF) in excess of five percent of the PF principal were transferred to that principal each year, the result would be to increase the PF principal by both the transfer and the increase in inflation proofing required to protect the extra principal amounts from being degraded in real terms. Both the transfer and the extra inflation proofing would reduce the UIA balance correspondingly; therefore, the total assets of the PF and earnings on those assets would remain unchanged (as would dividends which are figured from asset earnings).

Table 1
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
Transfer from UIA to PF-Prin.	438.0	2.3	0	28.2	0	0
Extra Inflation Proofing Gain to PF-Prin.	12.2	19.8	22.0	25.4	30.6	32.4
Loss to PF-UIA	450.2	22.1	22.0	53.6	30.6	32.4

The \$438.0 million transfer in FY 85 includes \$315.0 million residual UIA from FY 84 and \$123.0 million residual UIA from FY 85. The extra FY 85 inflation proofing \$12.2 million is required to protect the FY 84 transfer. The calculation of these residuals is presented following.

$$\begin{aligned} \text{TRANSFER} &= \text{UIA bal} - .05 * (\text{PF-Prin}) \\ 1984: 315 &= 557 \text{ 1/} - .05 * (4838) \\ 1985: 123 &= 425 - .05 * (6037) \end{aligned}$$

The extra FY 85 inflation proofing (\$12.2 million) is required to protect the FY 84 transfer.

1/ This balance is the cumulative deposit since fund inception.

* see attachment

*At times, the Department of Revenue and the Alaska Permanent Fund Corporation may differ as to the estimated Fiscal impacts of legislation. Differences arise because each employs a different set of investment assumptions. Consequently, projections depicting net income, inflation proofing amounts and dividend transfers may likely vary.

Furthermore, while the Department of Revenue is strictly concerned with accurately forecasting total revenues, the Permanent Fund Corporation, with its trust fund management responsibilities, has established its assumptions to measure investment returns in accordance with standards developed for fiduciaries. Therefore, the Permanent Fund Corporation's assumptions will frequently and appropriately yield more conservative investment results.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: HB 28
 Title: Income of the Permanent Fund

 Sponsor: Duncan
 Requestor: House State Affairs
 Date of Request: January 16, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____

 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: This fiscal note addresses only administrative costs.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: January 16, 1985

Approved by Commissioner: Milt Barker for
 Agency: Department of Revenue

Date: 2-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

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ALASKA PERMANENT FUND CORPORATION
FINANCIAL PROJECTIONS AS OF 3/19/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)								
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Undistrib. Inflation Proofing	Inflation Adjusted Ending Balance	Inflation Adjusted Ending Balance	Distributions			Reserves			Total Assets	FY	
						Net Income	Inflation Dividends	State General Fund	Undistrib. Income Transfer	Trans. Adj.**	Add (Delete)			Total Balance
78		54.4		54.4	54.4	1.8		1.3		.5			55.0	78
79	54.4	84.1		138.5	138.5	8.0		6.6		1.4			140.5	79
80	138.5	344.4	.3	483.2	483.2	32.4	11.8	.3	11.8	8.5			502.9	80
81	483.2	900.0	385.1	1,768.5	1,768.5	149.9	27.5	.2	27.5	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0	400.5	2,969.0	2,969.0	368.4	71.1		71.1	41.1	185.1	243.8	3,301.7	82
83	2,969.0	400.0	421.0	4,021.2	4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	353.8	4,593.0	83
84	4,021.2	300.0	366.2	4,838.3	4,838.3	529.5	175.0	150.9			203.6	557.4	5,530.8	84
85	4,838.3	300.0	358.1	6,130.5	6,130.5	622.1	214.1	234.1		400.0	(226.1)	331.3	6,675.9	85
86	6,130.5	359.9	293.8	6,784.2	6,784.2	764.2	275.5	293.8			194.9	526.2	7,585.9	86
87	6,784.2	345.3	322.7	7,452.2	7,452.2	861.1	324.8	322.7			213.6	739.8	8,516.8	87
88	7,452.2	356.6	353.5	8,162.3	8,162.3	963.1	374.0	353.5			235.6	975.4	9,511.7	88
89	8,162.3	361.7	385.9	8,909.9	8,909.9	1,072.3	428.3	385.9			258.1	1,233.5	10,571.7	89
90	8,909.9	353.8	419.3	9,683.0	9,683.0	1,187.5	484.8	419.3			283.4	1,516.9	11,684.7	90
91	9,683.0	342.6	453.8	10,479.4	10,479.4	1,308.4	539.2	453.8			315.4	1,832.3	12,850.9	91
92	10,479.4	342.8	489.9	11,312.1	11,312.1	1,436.4	596.3	489.9			349.7	2,182.0	14,090.9	92
93	11,312.1	338.9	527.4	12,178.4	12,178.4	1,572.2	657.7	527.4			387.1	2,569.1	15,405.2	93
94	12,178.4	319.6	565.7	13,063.7	13,063.7	1,715.3	722.0	565.7			427.6	2,996.7	16,782.4	94
95	13,063.7	324.1	606.0	13,993.8	13,993.8	1,866.7	789.9	606.0			470.8	3,467.5	18,251.2	95
96	13,993.8	306.9	647.3	14,948.0	14,948.0	2,026.9	861.8	647.3			517.8	3,985.3	19,795.1	96
97	14,948.0	290.2	689.8	15,928.0	15,928.0	2,195.3	937.6	689.8			567.9	4,553.2	21,418.8	97
98	15,928.0	282.2	733.8	16,944.0	16,944.0	2,372.9	1,017.7	733.8			621.4	5,174.6	23,136.3	98
99	16,944.0	265.8	779.0	17,988.8	17,988.8	2,560.4	1,102.2	779.0			679.2	5,853.8	24,944.8	99
0	17,988.8	253.2	825.8	19,067.8	19,067.8	2,758.1	1,191.4	825.8			740.9	6,594.7	26,853.9	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.87% Return FY85

4.53% Average Inflation FY86-FY00 (avg. FY83,84,85)
11.51% Average Return FY86-FY00 (avg. FY83,84,85)

REAL
PF AVG. RATE OVER LAST
3 FISCAL YEARS

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 3/21/85

ACTUAL & PROJECTED (in millions)										INCOME: ACTUAL & PROJECTED (in millions)				
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Undistrib. Income Transfer	Inflation Proofing	Adjusted Inflation Proofing (Shortfall)	Ending Balance	Distributions			Reserves		Total Assets	FY	
							Net Income	Inflation Dividends Proofing	State General Fund	Undistrib. Income Transfer	Trans. Adj.**			Add (Delete) Balance
78		54.4		54.4		54.4	1.8		1.3	.5		55.0	78	
79	54.4	84.1		138.5		138.5	8.0		6.6	1.4		140.5	79	
80	138.5	344.4		483.2		483.2	32.4	11.8	11.8	8.5		502.9	80	
81	483.2	900.0	385.1	1,768.5		1,768.5	149.9	27.5	27.5	36.0	58.7	1,874.6	81	
82	1,768.5	800.0	400.5	2,969.0		2,969.0	369.4	71.1	71.1	41.1	185.1	3,301.7	82	
83	2,969.0	400.0	421.0	4,021.2	231.2	4,021.2	471.1	107.9	231.2	109.5	(87.5)	4,593.0	83	
84	4,021.2	300.0	366.2	4,838.3	150.9	4,838.3	529.5	175.0	150.9		203.6	5,530.8	84	
85	4,838.3	300.0	358.1	6,147.6	400.0	6,147.6	622.1	214.1	251.2	400.0	(243.2)	6,675.9	85	
86	6,147.6		359.9	6,898.0	390.5	6,898.0	597.8	258.9	390.5		(51.6)	7,419.5	86	
87	6,898.0		345.3	7,677.9	434.6	7,677.9	660.0	288.1	434.6		(62.7)	8,165.9	87	
88	7,677.9		356.6	8,516.6	482.1	8,516.6	725.1	313.5	482.1		(70.5)	8,959.5	88	
89	8,516.6		361.7	9,411.0	532.7	9,411.0	794.4	339.9	532.7		(78.2)	9,802.1	89	
90	9,411.0		353.8	10,319.0	554.2	10,319.0	867.5	364.5	554.2		(51.2)	10,683.5	90	
91	10,319.0		342.6	11,206.6	545.0	11,206.6	944.1	399.1	545.0			11,605.7	91	
92	11,206.6		342.8	12,137.9	588.5	12,137.9	1,024.0	435.5	588.5			12,573.4	92	
93	12,137.9		338.9	13,110.7	633.9	13,110.7	1,107.7	473.8	633.9			13,594.5	93	
94	13,110.7		319.6	14,110.8	680.5	14,110.8	1,194.3	513.8	680.5			14,624.6	94	
95	14,110.8		324.1	15,164.0	729.1	15,164.0	1,284.6	555.5	729.1			15,719.5	95	
96	15,164.0		306.9	16,250.6	779.7	16,250.6	1,378.6	598.9	779.7			16,849.5	96	
97	16,250.6		290.2	17,372.3	831.5	17,372.3	1,475.6	644.1	831.5			18,016.4	97	
98	17,372.3		282.2	18,539.8	885.3	18,539.8	1,576.2	690.9	885.3			19,230.7	98	
99	18,539.8		265.8	19,746.5	940.9	19,746.5	1,680.5	739.6	940.9			20,486.1	99	
0	19,746.5		253.2	20,998.3	998.6	20,998.3	1,788.6	790.0	998.6			21,788.3	0	

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.87% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00

PF PROJECTED REAL RATE OF RETURN

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 15, 1985

SUBJECT: Committee Substitute for House Bill 28
TO: Representative Jim Duncan
FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked whether the proposed committee substitute for House Bill 28 is procedurally proper.

In my opinion it is. ~

A committee substitute for a bill is an amendment to the bill. Rule 35 of the Uniform Rules provides in relevant part:

A motion or proposition on a subject may not be admitted under color of amendment if the subject matter is different from that under consideration.

This is supplemented by Mason's Manual of Legislative Procedure which provides in Sec. 402.

Sec. 402. Amendments Must Be Germane

1. Every amendment proposed must be germane to the subject of the proposition or to the section or paragraph to be amended, and an amendment is not in order which is not germane to the question to be amended. This is, basically, a phase of the rule that each proposition have but one subject and that members have the right to vote separately on each question.

2. To determine whether an amendment is germane, the question to be answered is whether the question is relevant, appropriate, and in a natural and logical sequence to the subject matter of the original proposal.

3. To be germane, the amendment is required only to relate to the same subject. It may entirely change the effect of the motion or measure and still be germane to the subject.
4. An entirely new proposal may be substituted by amendment so long as it is germane to the main purpose of the original proposal.
5. An amendment to an amendment must be germane to the subject of the amendment as well as to the main question.
6. No independent new question can be introduced under cover of an amendment. But an amendment may be in conflict with the spirit of the original motion, and still be germane and, therefore, in order.
7. The admissibility of an amendment should be judged from the provisions of the text, rather than from the purpose which circumstances may suggest.
8. Whether a proposed amendment is consistent with the measure, motion or question proposed to be amended, is a question to be decided by the body and not by the presiding officer.

House Bill 28 makes several changes to the disposition of the income of the undistributed income account. Among the changes is a provision that would transfer funds in the account to the principal of the Alaska Permanent Fund.

The proposed committee substitute directly appropriates the sum of \$400,000,000 from the account to the principal.

In my opinion these relate to the same subject and the substitute is therefore germane. While normally an appropriation bill is different in kind from a substantive bill here the transfer has much the same effect as an appropriation and is constitutionally permissible under the exception to the prohibition of dedication found in Section 15 of Article IX of the Constitution which creates the Permanent Fund.

The substitute is narrower in scope than the original bill but still relates to a principal subject of the bill. Of

Representative Jim Duncan
March 15, 1985
Page 3

course an amendment may properly delete portions of the original bill.

Therefore in my opinion the proposed committee substitute is proper.

BGB:ojb
J12/108

RESOLUTIONS PASSED BY

North and Northwest Mayors Conference

Alaska Eskimo Whaling Commission

Kotzebue IRA

Maniilaq Board of Directors

Kotzebue Advisory School Board

City of Golovin

Alaska Eskimo Whaling Commission

Box 570
Barrow, Alaska 99723

ALASKA ESKIMO WHALING COMMISSION

Resolution Number 85-04

A RESOLUTION REQUESTING THE GOVERNOR AND LEGISLATURE TO CONSIDER USING THE DIFFERENT FUND BALANCES OF VARIOUS PROGRAMS AND PROJECTS FOR THE PURPOSES OF MAINTAINING AND FUNDING ESSENTIAL BASIC SERVICES.

WHEREAS, state revenues are projected by the State Department of Revenue to be down by \$300 to \$500 million from last year due to rapidly falling world oil prices which neither the Governor, Legislature nor local governments have any control over; and

WHEREAS, the State Constitution prohibits deficit spending or spending more than the State receives; and

WHEREAS, there are other alternatives to raise state revenues other than new or higher taxes which creates bigger government; and

WHEREAS, without utilizing these alternative sources of revenue the State is faced with drastic cuts in both the operating and capital budget; and

WHEREAS, the "Rainy Day Account" was set up in statute by the legislature that allows the Governor to decide by proclamation to utilize the funds when state revenues are declining; and

WHEREAS, the "Undistributed Income Account" is designated by law to be spent as determined by the legislature; and

WHEREAS, unless the public expresses a need to consider these alternatives the Governor and legislature are reluctant to use the funds from these two accounts.

NOW THEREFORE BE IT RESOLVED BY THE ALASKA ESKIMO WHALING COMMISSION THAT, the Governor and legislature consider using the "Rainy Day Account" and "Undistributed Income Account" to maintain and fund essential basic services.

PASSED AND APPROVED BY THE ALASKA ESKIMO WHALING COMMISSION
THIS DAY 13 OF FEBRUARY, 1985.

Suzanne R. Little

ATTESTED

February 13, 1985

DATE APPROVED

John Cottrell

CHAIRMAN, AEWIC

RESOLUTION OF THE BOARD OF TRUSTEES
ALASKA PERMANENT FUND CORPORATION
PERTAINING TO THE DESIGNATION OF A CONTINUING
RESERVE OF UNDISTRIBUTED INCOME FOR THE PURPOSE
OF FUTURE INFLATION IMPACT AND DIVIDEND PAYMENTS

RESOLUTION 84-12

WHEREAS, section 37.13.145 of the Alaska Statutes provides that net income of the Alaska Permanent Fund Corporation not required to offset the impact of inflation on principal during the previous fiscal year, and not appropriated for the payment of dividends during the current fiscal year, shall be held in an undistributed income account by the Alaska Permanent Fund Corporation; and

WHEREAS, the Legislature of the State of Alaska has defined the purpose of the undistributed income account as a reserve to insure a stable source of income from which the real earning power of the Fund can be sustained, and from which dividend payments and other distributions appropriated by the Legislature can be made; and

WHEREAS, dividend payments are the only distributions of net income currently defined by the Alaska Statutes; and

WHEREAS, the Board of Trustees is granted full authority to manage the assets of the Alaska Permanent Fund Corporation, including the undistributed income account, by the provisions of section 37.13.040 of the Alaska Statutes; and

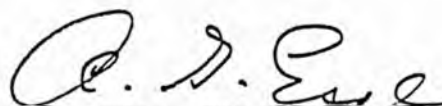
WHEREAS, the Board of Trustees have a fiduciary responsibility to provide for the future impact of inflation and for future distributions of net income by designating reserves of undistributed income; and

WHEREAS, regardless of accounting treatment, said account is subject to legislative appropriation pursuant to section 37.13.145 of the Alaska Statutes;

WHEREAS, the Board of Trustees believes that it is sound public policy and incumbent upon them as fiduciaries to designate such reserves;

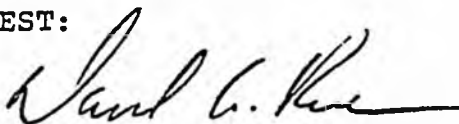
NOW THEREFORE BE IT RESOLVED, that the balance of the undistributed income account shall be designated as a reserve to offset the future impact of inflation on the principal of the Permanent Fund and for the future payment of dividends.

PASSED AND APPROVED by the Board of Trustees of the
Alaska Permanent Fund Corporation, this 21st day of September,
1984.



A.G. Espe, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

CALCULATIONS USED IN DETERMINING
DIVIDEND PAYMENTS
AND
UNDISTRIBUTED INCOME

UNDISTRIBUTED INCOME ACCOUNT

NET INCOME FOR CURRENT YEAR ON PERMANENT FUND PRINCIPAL

PLUS NET INCOME FOR CURRENT YEAR ON ACCOUNT

EQUALS: CURRENT YEAR ADDITION TO ACCOUNT

PLUS: PRIOR YEAR ACCUMULATION IN ACCOUNT

EQUALS: TOTAL IN ACCOUNT

LESS: DIVIDENDS AS CALCULATED
PAID FIRST FROM INTEREST EARNED ON ACCOUNT
PAID SECOND FROM THE ACCOUNT

LESS: INFLATION PROOFING

EQUALS: BALANCE IN ACCOUNT

DIVIDEND PAYMENT TO STATE

NET INCOME FOR CURRENT YEAR

ADD: NET INCOME PRIOR 4 YEARS

DIVIDE: BY 5

EQUALS: FIVE YEAR INCOME AVERAGE

DIVIDE: BY 2

EQUALS: DIVIDEND PAYMENT TO STATE





Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

MEMORANDUM

DATE: January 9, 1985

TO: Representative Jim Duncan
Alaska State Legislature

FROM: David A. Rose, Executive Director
Alaska Permanent Fund Corporation

SUBJECT: Fiscal Note on Proposed Legislation

This supercedes my memoranda of January 4, 1985 on the same subject.

Attached please find two computer runs which reflect the impact of transfers of earnings from the Undistributed Income Account to the corpus of the Fund.

The first run (Sheet Number One) indicates that the transfer as of the end of FY84 will be \$315,500,000. This will raise the corpus amount from \$4,838,300,000 to \$5,153,800,000. The balance in the Undistributed Income Account will be 5% of the \$4,838,300,000 level which is \$241,915,000.

At the end of FY85 there will be another transfer, assuming our earnings projection for the year is realized. The corpus balance at the end of FY85 will be \$6,056,000,000. To this will be added another transfer of \$99,400,000. This will raise the corpus to \$6,155,400,000. The balance in the Undistributed Income Account will be 5% of the \$6,056,000,000 level which is \$302,800,000.

FY84 and FY85 are the only two years in which transfers are projected. You will note that the reserve (Undistributed Income Account) is drawn down in the succeeding five years and runs out in 1990.

Sheet Number Two is identical to Sheet Number One but it goes further in that a column titled "Dividend Shortfall"

is added. This depicts FY90 as the critical year in which dividend shortfalls occur and sets forth the amounts of shortfall during the following decade. Note, however, that even with this shortfall, the amounts available for dividends climb from \$305,700,000 in FY91 to \$637,000,000 in FY2000.

We have also reviewed the impact of the legislative proposal on the Corporation operating budget. Since total funds are invested, safeguarded, accounted for and audited -- regardless of whether in corpus or in an undistributed earnings account -- there is no effect on the operating budget.

If you require additional information or better clarity of explanation, please do not hesitate to contact me.

DAR:bm

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/9/85

-----PRINCIPAL: ACTUAL & PROJECTED-----						-----INCOME: ACTUAL & PROJECTED-----								
(in millions)						(in millions)								
Beginning FY Balance	Appro- priations	Dedicated		Undistrib.		Distributions			Reserves			Total Assets	FY	
		State Revenues*	Inflation Proofing	Income Transfer	Ending Balance	Net Income	Inflation Proofing	Dividends	State General Fund	Undistrib. Income Transfer	Trans. Adj.**			Add (Delete)
78		54.4			54.4	1.8		1.3		.5			55.0	78
79	54.4	84.1			138.5	8.0		6.6		1.4			140.5	79
80	138.5	344.4	.3		483.2	32.4	.3	11.8	11.8	8.5			502.9	80
81	483.2	900.0	385.1	.2	1,768.5	149.9	.2	27.5	27.5	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0	400.5		2,969.0	368.4		71.1	71.1	41.1	185.1	243.8	3,301.7	82
83	2,969.0	400.0	421.0	231.2	4,021.2	471.1	231.2	107.9	109.5	(87.5)	110.0	353.8	4,593.0	83
84	4,021.2	300.0	366.2	150.9	5,153.8	529.5	150.9	175.0			(111.9)	241.9	5,530.8	84
85	5,153.8	300.0	358.1	244.1	6,155.4	618.1	244.1	213.7		99.4	60.9	302.8	6,671.9	85
86	6,155.4		359.9	390.9	6,906.2	597.4	390.9	258.5		(52.0)	250.8	7,415.5	86	
87	6,906.2		345.3	435.1	7,686.6	659.7	435.1	287.6		(63.0)	187.8	8,162.0	87	
88	7,686.6		356.6	482.6	8,525.8	724.7	482.6	312.9		(70.8)	117.0	8,955.7	88	
89	8,525.8		361.7	533.3	9,420.8	794.1	533.3	339.4		(73.6)	38.4	9,798.6	89	
90	9,420.8		353.8	586.5	10,361.1	867.3	586.5	319.2		(38.4)		10,680.3	90	
91	10,361.1		342.6	642.2	11,345.9	947.9	642.2	305.7				11,651.6	91	
92	11,345.9		342.8	701.3	12,390.0	1,036.6	701.3	335.3				12,725.3	92	
93	12,390.0		338.9	763.7	13,492.6	1,130.4	763.7	366.7				13,859.3	93	
94	13,492.6		319.6	828.7	14,640.9	1,228.7	828.7	400.0				15,040.9	94	
95	14,640.9		324.1	897.9	15,862.9	1,332.3	897.9	434.4				16,297.3	95	
96	15,862.9		306.9	970.2	17,140.0	1,441.5	970.2	471.3				17,611.3	96	
97	17,140.0		290.2	1,045.8	18,476.0	1,555.7	1,045.8	509.9				18,985.9	97	
98	18,476.0		282.2	1,125.5	19,883.7	1,675.5	1,125.5	550.0				20,433.7	98	
99	19,883.7		265.8	1,209.0	21,358.5	1,801.5	1,209.0	592.5				21,951.0	99	
0	21,358.5		253.2	1,296.7	22,908.4	1,933.7	1,296.7	637.0				23,545.4	0	

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1992, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

-
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00
- 5% Reserve Factor

SHEET NUMBER ONE

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/9/85

-----PRINCIPAL: ACTUAL & PROJECTED-----
(in millions)

-----INCOME: ACTUAL & PROJECTED-----
(in millions)

Beginning Balance	Distributions				Reserves				Total Assets					
	Appropriations	Dedicated State Revenues*	Inflation Proofing	Undistrib. Income Transfer	Ending Balance	Net Income	Inflation Proofing	Dividend		State General Fund	Undistrib. Income Transfer	Trans. Adj.**	Add (Delete)	Dividend Shortfall
3		54.4			54.4	1.8			1.3		.5			55.7
9	54.4	84.1			138.5	8.0			6.6		1.4			140.5
0	138.5	344.4	.3		483.2	32.4	.3	11.8	11.8		8.5			502.5
1	483.2	900.0	385.1	.2	1,768.5	149.9	.2	27.5	27.5		36.0	58.7	58.7	1,874.5
2	1,768.5	800.0	400.5		2,969.0	368.4		71.1	71.1		41.1	185.1	243.8	3,301.7
3	2,969.0	400.0	421.0	231.2	4,021.2	471.1	231.2	107.9	109.5		(87.5)	110.0	353.8	4,593.0
4	4,021.2	300.0	366.2	150.9	5,153.8	529.5	150.9	175.0		315.5		(111.9)	241.9	5,530.2
5	5,153.8	300.0	358.1	244.1	6,155.4	618.1	244.1	213.7		99.4		60.9	302.8	6,671.5
5	6,155.4		359.9	390.9	6,906.2	597.4	390.9	258.5			(52.0)	250.8		7,415.5
7	6,906.2		345.3	435.1	7,696.6	659.7	435.1	287.6			(63.0)	187.8		8,162.0
3	7,686.6		356.6	482.6	8,525.8	724.7	482.6	312.9			(70.8)	117.0		8,955.7
3	8,525.8		361.7	533.3	9,420.8	794.1	533.3	339.4			(78.6)	38.4		9,798.5
3	9,420.8		353.8	586.5	10,361.1	867.3	586.5	319.2			(38.4)		45.1	10,680.5
1	10,361.1		342.6	642.2	11,345.9	947.9	642.2	305.7					93.7	11,651.5
2	11,345.9		342.8	701.3	12,390.0	1,036.6	701.3	335.3					101.8	12,725.5
3	12,390.0		338.9	763.7	13,492.6	1,130.4	763.7	366.7					110.9	13,859.5
4	13,492.6		319.6	828.7	14,640.9	1,228.7	828.7	400.0					121.1	15,040.5
5	14,640.9		324.1	897.9	15,362.9	1,332.3	897.9	434.4					133.2	16,297.5
5	15,862.9		306.9	970.2	17,140.0	1,441.5	970.2	471.3					145.7	17,611.5
7	17,140.0		290.2	1,045.8	18,476.0	1,555.7	1,045.8	509.9					159.0	18,985.5
3	18,476.0		282.2	1,125.5	19,883.7	1,675.5	1,125.5	550.0					173.4	20,433.7
3	19,883.7		265.8	1,209.0	21,358.5	1,801.5	1,209.0	592.5					188.2	21,951.0
7	21,358.5		253.2	1,296.7	22,908.4	1,933.7	1,296.7	637.0					203.8	23,545.4

* Source: Alaska Department of Revenue

* Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00
- 5% Reserve Factor

SHEET NUMBER TWO

(in millions)

(in millions)

Beginning Balance	Appro- priations	Dedicated		Undistrib. Income Transfer	Ending Balance	Distributions				Reserves			Total Assets	FY	
		State Revenues*	Inflation Proofing			Net Income	Inflation Proofing	Dividends	State General Fund	Undistrib. Income Transfer	Trans. Adj.**	Add (Delete)			Balance
		54.4			54.4	1.8			1.3		.5			55.0	78
54.4		84.1			138.5	8.0			6.6		1.4			140.5	79
138.5		344.4	.3		483.2	32.4	.3	11.8	11.8		8.5			502.9	80
483.2	900.0	385.1	.2		1,768.5	149.9	.2	27.5	27.5		36.0	58.7	58.7	1,874.6	81
1,768.5	800.0	400.5			2,969.0	368.4		71.1	71.1		41.1	185.1	243.8	3,301.7	82
2,969.0	400.0	421.0	231.2		4,021.2	471.1	231.2	107.9	109.5		(87.5)	110.0	353.8	4,593.0	83
4,021.2	300.0	366.2	150.9	315.5	5,153.8	529.5	150.9	175.0		315.5		(111.9)	241.9	5,530.8	84
5,153.8	300.0	358.1	244.1	99.4	6,155.4	618.1	244.1	213.7		99.4		60.9	302.8	6,671.9	85
6,155.4		359.9	273.6	136.3	6,925.2	716.9	273.6	270.4		136.3		36.6	339.4	7,535.0	86
6,925.2		345.3	305.4	144.5	7,720.4	803.2	305.4	313.9		144.5		39.4	378.8	8,413.1	87
7,720.4		356.6	339.2	156.6	8,572.8	894.0	339.2	356.2		156.6		42.0	420.8	9,349.8	88
8,572.8		361.7	375.3	168.5	9,478.3	990.8	375.3	402.3		168.5		44.7	465.5	10,346.1	89
9,478.3		353.8	412.9	183.5	10,428.5	1,093.0	412.9	449.8		183.5		46.8	512.3	11,390.6	90
10,428.5		342.6	452.4	200.7	11,424.2	1,200.1	452.4	498.1		200.7		48.9	561.2	12,483.5	91
11,424.2		342.8	494.2	217.7	12,478.9	1,312.9	494.2	549.1		217.7		51.9	613.1	13,641.1	92
12,478.9		338.9	538.3	236.3	13,592.4	1,432.2	538.3	602.9		236.3		54.7	667.8	14,863.1	93
13,592.4		319.6	584.3	256.5	14,752.8	1,557.4	584.3	659.6		256.5		57.0	724.8	16,137.2	94
14,752.8		324.1	633.2	276.0	15,986.1	1,689.1	633.2	719.2		276.0		60.7	785.5	17,490.8	95
15,986.1		306.9	684.3	298.2	17,275.5	1,827.9	684.3	782.0		298.2		63.4	848.9	18,906.4	96
17,275.5		290.2	737.8	321.0	18,624.5	1,973.1	737.8	848.0		321.0		66.3	915.2	20,387.7	97
18,624.5		282.2	794.1	344.3	20,045.1	2,125.5	794.1	917.3		344.3		69.8	985.0	21,947.4	98
20,045.1		265.8	853.1	369.2	21,533.2	2,285.6	853.1	990.1		369.2		73.2	1,058.2	23,581.5	99
21,533.2		253.2	915.0	395.0	23,096.4	2,453.5	915.0	1,066.6		395.0		76.9	1,135.1	25,298.1	0

Representative Jim Duncan:

Source: Alaska Department of Revenue

Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 4.20% Average Inflation FY86-FY00
- 10.80% Average Return FY86-FY00
- 5% Reserve Factor

This is the pro forma you have requested. It reflects continued transfers to corpus from Undistributed Income. This occurs because the projected real rate of return for FY85 (6.6%) is carried forward for each future year. I CONSIDER THIS VERY UNREALISTIC. ADDITIONALLY, THE TRUSTEE GOAL IS A 3% REAL RATE OF RETURN OVER TIME, NOT 6.6%.


Dave Rose



Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: February 4, 1985
TO: Senator Joe Josephson
FROM: David A. Rose
Executive Director
SUBJECT: Inflation Proofing and the Undistributed Income Account

In response to your specific questions as communicated to this office by David Finklestein of your staff:

* The term "principal", as it applies to the Alaska Permanent Fund, is defined by Resolution 83-8 as approved by the Board of Trustees on July 22, 1983. Attached, for your information, is a copy of that resolution (A) as well as a legal review (B) of its content which was performed by the Office of the Attorney General.

* The "nationally recognized index" which is used by the Alaska Permanent Fund Corporation for the purpose of inflation proofing is the published U.S. Consumer Price Index previous calendar year average for all urban consumers. Attached are copies of a memorandum from me to the Trustees (C) explaining why this index was recommended and, Resolution 83-7 (D) which formally adopted this index for use as of July 22, 1983.

* Regarding net income and its relationship to the Undistributed Income Account, please find attached copies of Resolutions 83-9 and 83-11 (E) which define the term "net income", and Resolution 84-12 (F) which describes the purpose of the Undistributed Income Account and designates it as a reserve to offset the future impact of inflation on the principal of the Permanent Fund and for the future payment of dividends. Also attached is Resolution 83-2 (G) which sheds further light on the need to protect the Fund against the impact of inflation, and a memorandum from me dated September 6, 1983 (H), regarding distributions of Permanent Fund income.

Senator Joe Josephson
February 4, 1985
Page 2

* Regarding historical rates of inflation, attached is a copy of page 13 of the 1984 Annual Report (I) which gives the rates of inflation for the years 1977-1984.

If I can be of further assistance, please do not hesitate to give me a call.

DAR/bn

Enclosures, as stated

Alaska Permanent Fund Corporation

A Public Trust Investing For Alaska's Future

Alaska Permanent Fund
Realized Rates of Return
1984 - 1977
(Percent)

<u>Year</u>	<u>Nominal</u>	<u>Inflation</u>	<u>Real</u>
1984	10.89	3.22	7.67
1983	12.76	6.10	6.66
1982	15.10	10.37	4.73
1981	16.00	13.52	2.48
1980	11.29	11.26	.03
1979	8.24	7.66	.58
1978	7.53	6.45	1.08
1977*	5.54	5.77	(.23)

*Four months ended June 30.

The inflation rate used consistently by the Trustees is the published U. S. Consumer Price Index previous calendar year average for all urban consumers.



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M E M O R A N D U M

DATE: January 25, 1985
TO: Trustees
FROM: Jim Kelly, Research & Liaison Officer
SUBJECT: 1985 Legislation

This is to inform you of the status of legislation pending in the First Session of the 14th Alaska State Legislature which, if passed, would directly affect the Alaska Permanent Fund. To date, there have been six such bills introduced in the House and two in the Senate. A brief description of the bills follows.

Attached are copies of the bills, as well as financial projections, prepared by Alaska Permanent Fund Corporation staff, which illustrate the impact of the proposed legislation.

- House Bill No. 9 by Rep. Szymanski: This bill would increase the current statute dedication to a 50% contribution rate. It would increase Permanent Fund dedicated State revenues by \$360 million in FY 86, \$345.4 million in FY 87, etc. By the year 2000, the Permanent Fund principal would be \$6.6 billion higher, and the annual net income \$561 million more, than under the status quo. This bill would also have the effect of causing a shortfall in inflation-proofing in FY 95 (one year earlier than under the status quo), increasing the size of the dividends, and increasing the amount of the annual net income. The bill has an immediate effective date.

- House Bill No. 28 by Rep. Duncan: This bill does four things:
 - * Changes the priority of use of Fund earnings. Currently, dividends are paid first and inflation-proofing second. This revises the order and provides for inflation-proofing first.

- * Provides that the Undistributed Income Account shall equal not more than 5% of the corpus.
- * Amounts in the Undistributed Income Account in excess of the 5% reserve are transferred to the corpus each year.
- * The bill is retroactive to FY 84 and transfers all surplus over the 5% level on June 30, 1984 to the corpus. Transfers to the corpus would amount to \$315.5 million for FY 84, and \$99.4 million for FY 85. These are the only two years in which transfers are projected.

The bill would result in an eventual shortfall in the dividend fund, expected in FY 90. Thereafter it would have the effect of decreasing the size of the dividends, and increasing the amount of the annual net income. By the year 2000, the Permanent Fund principal would be \$1.9 billion higher, and the annual net income \$145.5 million more, than under the status quo.

- House Bill No. 32 by Rep. Marrou: This bill would increase the current statute dedication to a 50% contribution rate, like HB 9, but it also would increase the amount of transfer to the dividend fund from 50 to 75%. This would result in an increase in the Fund's size in the year 2000 of \$945.2 million over the status quo, but it also creates an ever-increasing inflation-proofing shortfall each year after FY 88 . It would immediately increase the size of the dividend payments and the amount of the annual net income. The projected payout to the Permanent Fund Dividend program for the next 15 years under this bill would be \$12.1 billion, compared to \$7.4 billion under the status quo.
- House Bill No. 71 by the Rules Committee by Request of the Governor: This bill would make a special appropriation of \$500 million to the Permanent Fund. The timing of the appropriation would be at the Governor's discretion, in a manner virtually identical to that of the \$1.8 billion appropriation made by the 1981 Legislature. The language of this bill is slightly different from the earlier one, but the net effect would be the same.

Assuming deposit of the full amount by June 30, 1987, the Permanent Fund principal, by the year 2000, would be \$1.1 billion higher, and the annual net income \$90.2 million more, than under the status quo.

- House Bill No. 82 by Rep. Martin: This bill would amend the statutory dedication to the Permanent Fund to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement. The financial impact of this bill has not yet been determined due to the uncertain nature of the various oil lawsuits still pending.
- House Bill No. 84 by Rep. Pignalberi: This bill would appropriate the entire Undistributed Income Account to the principal of the Permanent Fund on July 1, 1985.
- Senate Bill No. 24 by Sen. Fischer: This bill, like HB 9, would increase the current statute dedication to a 50% contribution rate, and like HB 82, would amend the statutory dedication to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement.
- Senate Bill No. 56 by Sen. Ray: This bill amends the longevity bonus program, and establishes a new annuity program. It affects the Permanent Fund only in that a provision is included in the bill which specifically authorizes the Legislature to appropriate funds from the Undistributed Income Account to fund the new annuity program. This represents no change from current law as the Legislature already has the power to appropriate these funds. The Governor, however, in this year's budget address "strongly suggests" that the Undistributed Income Account be left alone as he considers that money to be part of the Permanent Fund.

The House bills all have State Affairs and Finance referrals. SB 24 has referrals to State Affairs, Judiciary and Finance; SB 56, State Affairs and Finance. All bills are still in the committee of first referral.

Introduced: 1/14/85
Referred: State Affairs and
Finance

BY DUNCAN, GOLL, SUND,
SZYMANSKI AND POURCHOT

1 IN THE HOUSE

2 HOUSE BILL NO. 28

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the income of the permanent fund;
7 and providing for an effective date."

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

9 * Section 1. AS 37.13.145 is repealed and reenacted to read:

10 Sec. 37.13.145. DISPOSITION OF INCOME. (a) At the end of each
11 fiscal year, an amount sufficient to offset the effect of inflation on
12 principal of the Alaska permanent fund during that year, as measured
13 by a nationally recognized index, shall be transferred from net income
14 as defined in AS 37.13.140 to the principal of the Alaska permanent
15 fund for reinvestment.

16 (b) From the net income remaining after the transfer under (a)
17 of this section, the commissioner of revenue shall transfer the amount
18 required to be transferred to the dividend fund under AS 43.23.045(b).

19 (c) The balance of the net income remaining after the transfer
20 under (b) of this section shall be transferred to the undistributed
21 income account in the Alaska permanent fund.

22 (d) At the end of each fiscal year, funds in the undistributed
23 income account exceeding an amount equal to five percent of the prin-
24 cipal of the Alaska permanent fund shall be transferred to the princi-
25 pal of the Alaska permanent fund for reinvestment. Funds remaining in
26 the undistributed income account shall be invested in investments
27 authorized under AS 37.13.120.

28 * Sec. 2. AS 43.23.045(b) is amended to read:

29 (b) Each [NOTWITHSTANDING ANY CONTRARY PROVISION OF LAW, EACH]

1 year the commissioner shall transfer to the dividend fund 50 percent
2 of the income of the Alaska permanent fund earned during the fiscal
3 year ending on June 30 of the current year and available for distribu-
4 tion.

5 * Sec. 3. This Act is retroactive to June 30, 1984.

6 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
7 10.070(c).