

COMMITTEE REPORT  
SENATE

FURTHER:

1/21/86

Date 2/19/86

Mr. President

The Committee on FINANCE considered CSHB 28Fin (2d titleam)  
(re-eng)  
making a special appropriation from the undistributed income account in  
the Alaska permanent fund to the principal of the permanent fund; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for HB CS28 (Fin)
- new title *majority*
- same title and *majority* recommends Do Pass
- and attached a "LETTER OF INTENT"
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

NEW FISCAL NOTE  
*Depend. Taxes  
Revenues in Endist Acct.  
as of 2/1/86*

MEMBERS SIGNING

DO PASS

Rich Halford

Paul Fisher

W. G. ...

MEMBERS HAVING

OTHER RECOMMENDATIONS

J. ... NO Rec

Heyson - Basic Capital Needs  
ARE NOT MET.

Paul Fisher

Chairman

do pass  
Chairman recommendation

Official FR  
 to accompany  
 SCS CSRB 28 (Fin)  
 R/o SEC  
 2/19/86

SENATE JOURNAL SUPPLEMENT

2/20/86 TUESDAY No. 52

FISCAL NOTE SCS  
 CSRB  
 28  
 (FIN)

**REQUEST**  
 Bill Resolution No.: SCSHB 28 (Fin)  
 Title: An Act Making a Special Appropriation from the UA of the Alaska Permanent Fund to the Principal  
 Sponsor: Rep. Duncan  
 Requestor: Sen. Finance  
 Date of Request: 2/20/86

**FISCAL DETAIL**  
 Affected: Revenue  
 Component:

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

**FUNDING : (Thousands of Dollars)**

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
CONTRIBUTION	38.77	39.07	41.17	53.60	56.37	59.20
SPRING FUNDS	(185.27)	(19.07)	(17.17)	(53.68)	(56.37)	(59.20)
TOTAL						

**ANALYSIS :** Attach a separate page if necessary  
 Increase in PE-Prin after 1986 is the result of increased inflation proofing

Prepared by: *Mary Ellen Frank*  
 Division: Revenue/Commissioner's Office/Research  
 Phone: 465-2174  
 Date: 2/20/86  
 Approved by Commissioner: *Mary H. Skidell*  
 Agency: \_\_\_\_\_  
 Date: 2/20/86

**STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE**

2/20/86  
11:45 am  
*Revised  
note prepared  
for 2 hour  
session*

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SCS CSHB 28 (Fin)  
 Title : Special appropriation from  
 PF undistributed income to PF  
 principal  
 Sponsor : \_\_\_\_\_  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : Department of Revenue  
 BRU : \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0	0	0	0	0

<b>CAPITAL</b>		0	0	0	0	0
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<b>REVENUE</b>		0	0	0	0	0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER		\$1,017,400,000*				
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

\*The Department of Revenue estimates that \$1,017,400,000 will be deposited into the principal of the Permanent Fund from the Undistributed Income Account on July 1, 1986.

Prepared by : \_\_\_\_\_ Phone : 465-4523  
 Division : Senator Jan Faiks, Co-chairman Date : 2/19/86  
Senate Finance Committee

Approved by Commissioner : \_\_\_\_\_ Date : \_\_\_\_\_  
 Agency : \_\_\_\_\_

**Distribution (by Agency preparing fiscal note) :**

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

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SCS CSHB 28 (Fin)  
 Title : Special appropriation from PF undistributed income to PF principal  
 Sponsor : Duncan  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : Department of Revenue  
 BRU : \_\_\_\_\_  
 Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0	0	0	0	0

<b>CAPITAL</b>		0	0	0	0	0
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<b>REVENUE</b>		0	0	0	0	0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		0	0	0	0	0

**POSITIONS :**

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

The Department of Revenue estimates that \$1,017,400,000 will be deposited into the principal of the Permanent Fund from the Undistributed Income Account on July 1, 1986.

Prepared by : Jan Faiks, Co-chairman Phone : 465-4523  
 Division : Senate Finance Committee Date : 2/19/86

Approved by Commissioner : \_\_\_\_\_ Date : \_\_\_\_\_  
 Agency : \_\_\_\_\_

**Distribution (by Agency preparing fiscal note) :**

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

2/19/86  
Cook  
Language  
J  
JCS(Fin)

WORK DRAFT

Original Sponsors: Duncan, Goll  
Sund

IN THE HOUSE

BY THE FINANCE COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 28 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

\* Section 1. If AS 37.13.140 is amended to delete the provisions relating to averaging income of the Alaska permanent fund corporation and the provision relating to the undistributed income account in the Alaska permanent fund, and if AS 37.13.145 is amended to delete the provision relating to the undistributed income account in the Alaska permanent fund, the unexpended and unobligated balance of the undistributed income account in the Alaska permanent fund (AS 37.13.145) is appropriated to the principal of the Alaska permanent fund.

\* Section 2. This act takes effect July 1, 1986.

Tam Cook  
Language  
Cook  
2/18/86 ✓

Original sponsors: Duncan, Goll  
Sund, et al

... eno. - can. in the

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 28 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND 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 *is amended to delete provisions relating to averaging income ab*  
12 *relating to the undistributed income account in the Alaska permanent fund*  
13 \* Section 1. If AS 37.13.140 and 37.13.145 ~~are~~ amended to delete the  
14 provisions relating to the undistributed income account in the Alaska  
15 permanent fund, the unexpended and unobligated balance of the undistributed  
16 income account in the Alaska permanent fund (AS 37.13.145) is appropriated  
17 to the principal of the Alaska permanent fund.

18 \* Sec. 2. This Act takes effect July 1, 1986.  
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A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

*Handwritten notes:*  
100  
4-2-85

Page 1 of 3

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

Revision Date \_\_\_\_\_

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
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

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:

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

ANALYSIS: Attach a separate page for analysis.

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

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

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

Date: \_\_\_\_\_

- Distribution (by Agency preparing fiscal note):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)

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
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

**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  
Agency: Department of Revenue

Date: 1-13-85

Distribution (by Agency preparing fiscal note):

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

HB 28

RECEIVED JAN 17 1986  
WALTER J. JENSEN  
POLICE V  
JUNEAU ALASKA 99901  
(907) 465 3811  
(907) 465 1720

LEGISLATIVE  
BEN GRUSSENDORF

# Alaska State Legislature

P.O. Box 1111  
SITKA ALASKA 99835  
(907) 747-6456



FAIR'S COMMITTEE  
LEGISLATIVE COUNCIL

DISTRICT 2  
REPUBLICAN  
BEN GRUSSENDORF  
SITKA  
TENNESSEE

House of Representatives  
SPEAKER OF THE HOUSE

January 17, 1986

The Honorable Don Bennett  
President  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Bennett,

I have asked the Chief Clerk to formally request that HB 28, "An act making a special appropriation of \$400,000,000 from the undistributed income account in the Alaska Permanent Fund to the principal of the Permanent Fund, and providing for an effective date," which is now in the Senate Finance Committee, be returned to the House. I would ask that you please consider my request as additional work is needed on this legislation.

Sincerely,

Rep. Ben Grussendorf  
House Speaker

BFG/kmt

cc: Senator John Sackett  
Senator Jan Faiks



0  
NB28

**Alaska Permanent Fund Corporation**  
Pouch 4-1000 Juneau, Alaska 99802  
TFL 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 super<sup>s</sup>cedes 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

Offered: 3/25/85  
Referred: Rules

Original sponsors: Duncan, Goll  
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)(2d title am)  
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).

Offered: 3/25/85  
Referred: Rules

Original sponsors: Duncan, Goll  
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)(title am)  
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 of  
7 \$400,000,000 from the undistributed income account in  
8 the Alaska permanent fund to the principal of the  
9 permanent fund; and 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).

Cook  
2/18/86 ✓

Original sponsors: Duncan, Goll  
Sund, et al

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IN THE HOUSE

BY THE FINANCE COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 28 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

\* Section 1. The unexpended and unobligated balance of the undistributed income account in the Alaska permanent fund (AS 37.13.145) is appropriated to the principal of the Alaska permanent fund.

\* Sec. 2. This Act takes effect on the effective date of CSSB 346(Fin) enacted by the Fourteenth Legislature.

Cook  
2/18/86 ✓

Original

*CSSB*  
*updated*  
*2/10/86*

1 IN THE

BY THE FINANCE COMMITTEE

2 USE BILL NO. 28 (Finance)

3 OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND 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 unexpended and unobligated balance of the undistri-  
12 buted income account in the Alaska permanent fund (AS 37.13.145) is appro-  
13 priated to the principal of the Alaska permanent fund.

14 \* Sec. 2. This Act takes effect on the effective date of CSSB 346(Fin)  
15 enacted by the Fourteenth Legislature.