

COMMITTEE REPORT
SENATE

FURTHER:

4/15/85

Date _____

Mr. President

The Committee on FINANCE considered SENATE
relating to the method and procedure used to return surplus
and income to principal to effect the debt reduction.

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 CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Introduced: 2/27/85
Referred: Finance

BY RODEY, KELLY
AND V. VISCHER

1 IN THE SENATE

2 SENATE BILL NO. 196

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 methods and procedures used
7 to return Alaska permanent fund income to principal
8 to offset the effect of inflation; and providing for
9 an effective date."

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

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 AS 37.13.145 is repealed and reenacted to read:

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

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

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

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

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

2 (b) Each [NOTWITHSTANDING ANY CONTRARY PROVISION OF LAW, EACH]
3 year, after the transfer to the principal of the Alaska permanent fund
4 required by AS 37.13.145 has been made, the commissioner shall, if
5 possible, transfer to the dividend fund 50 percent of the income of
6 the Alaska permanent fund that has been earned during the fiscal year
7 ending on June 30 of the current year and that is available for dis-
8 tribution under AS 37.13.140.

9 * Sec. 3. This Act takes effect June 30, 1985.
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ALASKA STATE LEGISLATURE

14th... Legislature FIRST.. Session

SENATE BILL..... NO. 196....

By RODEY, KELLY, V. FISCHER...

"An Act relating to the methods and procedures used to return Alaska permanent fund income to principal to offset the effect of inflation; and providing for an effective date."

Introduced in the Senate ..2/27.., 19..85

HISTORY IN THE SENATE

19 85

2 27

Read first time and referred to Committee on

Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 196
 Title: Return Permanent Fund Income and
 Offset Inflation
 Sponsor: Rodey
 Requestor: Senate Finance
 Date of Request: March 1, 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 4, 1985

Approved by Commissioner: *Henry H. Stundale*
 Agency: Department of Revenue

Date: 3/21/85

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: SB 196
 Title: Relating to the Alaska
Permanent Fund
 Sponsor: Rodey, et. al.
 Requestor: Senate Finance Committee
 Date of Request: March 8, 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
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
PF-UIA	<467.04>	<20.46>	<22.67>	<36.80>	<30.63>	<32.36>
PF-PRIN.	467.04	20.46	22.67	36.80	30.63	32.36

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Bob Elliott
 Division: Revenue - Research Section

Phone: 465-2174
 Date: 3/18/85

Approved by Commissioner: Mary Ellen Frank
 Agency: Revenue

Date: 3/21/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
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FISCAL NOTE SB 196
ATTACHMENT

Estimates reflect the amount exceeding 5% in the Undistributed Income Account (UIA) which is annually transferred to the principal of the Permanent Fund. Since the proposed bill eliminates the exclusion of UIA interest earnings for inflation proofing there will not be a shortfall in inflation proofing for FY 1996 - 2000 (previously projected at \$428.4 million if use of UIA interest earnings is interpreted to be restrictive.)

Fiscal Note estimates were based on the January 1985 revenue projections (30% case).

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.



SB 196

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

March 19, 1985

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

Dear Senator Bennett:

The Trustees of the Alaska Permanent Fund Corporation wish to go on record in support of House Bill No. 28 and Senate Bill No. 196.

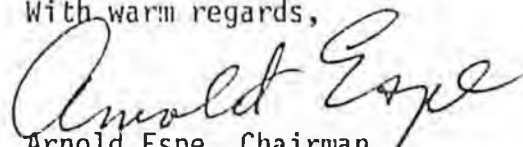
We are charged with the responsibility for managing and investing the assets of the Fund. Our goal, as specified in Alaska Statute 37.13.020, is "to maintain safety of principal while maximizing total return."

Conserving the value of the Fund is not only our goal, it is also our fiduciary obligation as trustees. Thus, we endorse legislation, as embodied in the aforementioned bills, which would virtually insure that the Fund will maintain its real value over time against the effects of inflation.

Except for our interest in "inflation-proofing", the Trustees remain neutral on any other uses of the earnings. All decisions about how to dispose of the real earnings of the Fund belong to the owners of the Fund --the public, and its elected representatives.

The Trustees request that you spread this letter in the Journal for the information of all the members.

With warm regards,


Arnold Espe, Chairman
Board of Trustees

AE:JK:bm

SECTIONAL ANALYSIS ON SENATE BILL 196

An Act relating to the methods and procedures used to return Alaska permanent fund income to principal to offset the effect of inflation and providing for an effective date

Section 1

This section amends the chapter of the statutes having to do with Disposition of Income of the Alaska Permanent Fund. It retains current law that requires transferring a portion of the net income of the Permanent Fund in an amount sufficient to offset the effect of inflation. After deducting the amount necessary to offset inflation, the commissioner shall deposit if possible, 50% of net income into the distribution account. Any remaining balance shall be deposited into the Undistributed Income Account.

If the amount in the Undistributed Income Account exceeds an amount equal to 5% of the principal in the Permanent Fund, that excess shall be deposited into the Permanent Fund.

Section 2

Amends current law relating to the Permanent Fund Dividend Program. Under current law, the commissioner shall deposit 50% of the net income of the Permanent Fund into the distribution account. The change in this section adds the stipulation "if possible".

Section 3

Effective date of June 30, 1985.

Introduced: 2/27/85
Referred: Finance

BY RODEY, KELLY
AND V. VISCHER

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7 ending on June 30 of the current year and that is available for dis-
8 tribution under AS 37.13.140.

9 * Sec. 3. This Act takes effect June 30, 1985.