

COMMITTEE REPORT  
SENATE

FURTHER:

1/16/86

Date 2/19/86

Mr. President

The Committee on FINANCE considered SB 346  
relating to the income of the Alaska 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 CS for SB 346 (Fin)
- new title
- same title and recommends Do Pass
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE  
2/19/86 (BFC)
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]

Rick Halford

Paul Fisher

[Signature]

\_\_\_\_\_

\_\_\_\_\_

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MEMBERS HAVING  
OTHER RECOMMENDATIONS

Ferguson - Keep 5 year average

\_\_\_\_\_

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[Signature]  
Chairman

do pass  
Chairman recommendation

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : CSSB 346 (Fin)  
 Title : Act relating to income of  
Alaska permanent fund  
 \_\_\_\_\_  
 Sponsor : Senator Halford  
 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

Prepared by : Jan Faiks, Co-chairman  
 Division : Senate Finance Committee

Phone : 465-4523  
 Date : 2/19/86

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

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

Distribution (by Agency preparing fiscal note) :

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

Original sponsors: Halford, Kerttula,  
Faiks, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 346 (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 relating to the income of the Alaska perma-  
7 nent fund; and providing for an effective date."

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

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

10 Sec. 37.13.140. INCOME. Net income of the corporation shall  
11 [MUST] be computed annually as of the last day of the fiscal year in  
12 accordance with generally accepted accounting principles, excluding  
13 any unrealized gains or losses. Income available for distribution  
14 equals the [AVERAGE] net income of the corporation for the [LAST FIVE  
15 FISCAL YEARS, INCLUDING THE] fiscal year just ended [, BUT MAY NOT  
16 EXCEED NET INCOME OF THE CORPORATION FOR THE FISCAL YEAR JUST ENDED  
17 PLUS THE BALANCE IN THE UNDISTRIBUTED INCOME ACCOUNT DESCRIBED IN  
18 AS 37.13.145].

19 \* Sec. 2. AS 37.13.145 is amended to read:

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21 fiscal year, in order [AN AMOUNT SUFFICIENT] to help offset the effect  
22 of inflation on principal of the Alaska permanent fund during that  
23 year, 50 percent of the income available for distribution under  
24 AS 37.13.140 [AS MEASURED BY A NATIONALLY RECOGNIZED INDEX,] shall be  
25 transferred [FROM NET INCOME AS DEFINED IN AS 37.13.140, EXCLUDING  
26 INCOME ON THE UNDISTRIBUTED INCOME ACCOUNT IN THE ALASKA PERMANENT  
27 FUND,] to the principal of the Alaska permanent fund for reinvestment.  
28 The balance of the [NET] income available for distribution under [AS  
29 DEFINED IN] AS 37.13.140 shall be transferred to the dividend fund

1 established under AS 43.23.045 [UNDISTRIBUTED INCOME ACCOUNT IN THE  
2 ALASKA PERMANENT FUND. MONEY IN THE UNDISTRIBUTED INCOME ACCOUNT  
3 SHALL BE INVESTED IN INVESTMENTS AUTHORIZED UNDER AS 37.13.120.  
4 INCOME FROM THE INVESTMENT OF THE UNDISTRIBUTED INCOME ACCOUNT SHALL  
5 BE TREATED AS AN ADDITION TO THAT ACCOUNT].

6 \* Sec. 3. This Act takes effect July 1, 1986.  
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## SECTIONAL ANALYSIS OF SENATE BILL 346

An Act relating to the income of the Alaska permanent fund and providing for an effective date

### Section 1

Amends Chapter 13 of Title 37 having to do with income of the Alaska Permanent Fund. Currently, income available for distribution equals the average net income of the Alaska Permanent Fund over the last five fiscal years. This bill would change that definition to net income of the Permanent Fund for the fiscal year just ended. This change would increase the amount of the Permanent Fund Dividend.

### Section 2

This section amends Section 145 relating to Disposition of Income. Under current law, 50% of the net income of the Permanent Fund goes for dividends, an amount sufficient to offset the effect of inflation is required to be transferred from net income to the principal of the Permanent Fund and the remainder goes into the undistributed income account.

This bill would alter that formula by mandating that 50% of net income of the Permanent Fund be transferred into the principal in order to help offset inflation. The other 50% of net income would go towards Permanent Fund dividends.

### Section 3

The effective date of this act is contingent upon the passage of a bill that appropriates the unexpended and unobligated balance of the undistributed income account into the Permanent Fund.

SB 346  
Halford

ALASKA STATE CHAMBER OF COMMERCE POSITION PAPER  
The Permanent Fund

The Corpus or Principal

It is the position of the Alaska State Chamber of Commerce that the principal of the Permanent Fund, currently worth some \$7.0 billion, is to be invested as determined by the Fund's trustees and not used for other purposes. It is important to note any use of the corpus other than investment must be by constitutional amendment. State windfalls as a result of current litigation should be placed in the principal.

Undistributed Income

Because the Fund has met its dual obligations of dividend payments and inflation proofing, approximately one billion dollars in "undistributed income" will exist in the Fund by June 30, 1986. It is the position of the ASCC that the entire undistributed income should be transferred to the corpus to protect it from current expenditure.

Adopted by the Executive Committee of the Alaska State Chamber of Commerce, January 10, 1986.

1/21/86. em





AB 346  
Hartford

1/21/86 am

FY	FY BEGIN BALANCE	APPRO- PRIATION	DEDICATED STATE REVENUES	NET INCOME	DIVIDENDS	DISTRIBUTIONS INFLATION PROOFING	ACTUAL INFLATION COSTS	+/-	FY END BALANCE
78			54.4	1.8					54.4
79	54.4		84.1	8.0					138.5
80	138.5		344.4	32.4	11.8	.3	.3		483.2
81	483.2	900.0	385.1	149.9	27.5	.2	.2		1768.5
82	1768.5	800.0	400.5	368.4	71.1				2969.0
83	2969.0	400.0	421.0	471.1	107.9	231.2	231.2		4021.2
84	4021.2	300.0	366.2	529.5	175.0	150.9	150.9		4838.3
85	4838.3	300.0	368.0	657.8	217.3	234.6	234.6		5740.9
86	5740.9		356.7	734.7	276.2	195.1	195.1		6292.7
87	6292.7	1026.7	296.4	703.8	309.7	394.1	456.9	( 62.8)	7967.7
88	8009.9		271.6	767.7	339.4	428.3	496.9	( 68.6)	8621.1
89	8709.8		266.2	833.4	369.7	463.7	538.6	( 74.9)	9299.8
90	9439.7		255.9	901.7	394.1	507.6	581.7	( 74.1)	9999.9
91	10203.2		251.0	973.4	418.0	555.4	627.3	( 71.9)	10728.0
92	11009.6		249.6	1049.3	452.6	596.7	675.6	( 78.9)	11489.0
93	11855.9		251.6	1129.2	488.7	640.5	726.5	( 86.0)	12287.9
94	12748.0		249.9	1213.2	526.7	686.5	779.9	( 93.4)	13122.7
95	13684.4		247.7	1301.3	566.6	734.7	835.9	( 101.2)	13994.6
96	14666.8		237.9	1393.4	608.6	784.8	894.3	( 109.5)	14897.5
97	15689.5		235.6	1489.7	652.7	837.0	955.5	( 118.5)	15840.6
98	16762.1		224.9	1590.3	698.8	891.5	1019.2	( 127.7)	16817.2
99	17878.5		157.3	1692.3	746.7	945.6	1082.1	( 136.5)	17770.6
00	18981.4		88.0	1793.0	795.9	997.1	1144.2	( 147.1)	18698.0
01	20066.5		48.3	1893.4	845.9	1047.5	1206.9	( 159.4)	19628.5
02	21162.3		54.0	1996.9	896.6	1100.3	1273.0	( 172.7)	20608.6
03	22316.6		59.7	2105.9	948.2	1157.7	1342.6	( 184.9)	21640.8
04	23534.0		63.9	2220.9	1001.0	1219.9	1415.9	( 196.0)	22725.9
05	24817.8		71.2	2342.2	1055.9	1286.3	1493.3	( 207.0)	23869.6

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ASSUMPTIONS

- 30% Case Forecast - December 1985
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 3.20% Inflation FY86
- 10.42% Return FY86
- 6% Inflation Rate FY87-FY05
- 9% Average Return FY87-FY05

ALASKA PERMANENT FUND CORPORATION

AB 346  
Halford

FINANCIAL PROJECTIONS AS OF 11/30/85  
(in millions)

FY	PRINCIPAL					INCOME				ASSETS		F
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Distributions		Reserves		FY End Balance	
							Net Income	Dividends	Inflation Proofing	Add (Delete)		
78			54.4		54.4						55.0	7
79	54.4		84.1		138.5						140.5	7
80	138.5		344.4	.3	483.2						502.9	8
81	483.2	900.0	385.1	.2	1,768.5						1,874.6	8
82	1,768.5	800.0	400.5		2,969.0				58.7	58.7	3,301.7	8
83	2,969.0	400.0	421.0	231.2	4,021.2				185.1	243.8	4,593.0	8
84	4,021.2	300.0	366.2	150.9	4,838.3				110.0	353.8	5,530.8	8
85	4,838.3	300.0	368.0	234.6	5,740.9				203.6	557.4	6,722.9	8
86	5,740.9		356.7	195.1	6,292.7				205.9	763.3		8
87	6,292.7		296.4	395.3	6,984.4				257.8	1,026.7	7,595.6	8
88	6,984.4		271.6	435.4	7,691.4				( 1.2)	1,025.5	8,319.6	8
89	7,691.4		266.2	477.5	8,435.1				( 7.1)	1,018.4	9,049.2	8
90	8,435.1		255.9	521.5	9,212.5				( 13.8)	1,004.6	9,809.4	8
91	9,212.5		251.0	567.8	10,031.3				( 13.9)	990.7	10,597.3	8
92	10,031.3		249.6	616.9	10,897.8				( 12.4)	978.3	11,427.6	8
93	10,897.8		251.6	669.0	11,818.4				( 20.2)	958.1	12,308.5	8
94	11,818.4		249.9	724.1	12,792.4				( 28.5)	929.6	13,236.7	8
95	12,792.4		247.7	782.4	13,822.5				( 37.6)	892.0	14,211.1	8
96	13,822.5		237.9	843.6	14,904.0				( 47.7)	844.3	15,233.4	8
97	14,904.0		235.6	908.4	16,048.0				( 58.8)	785.5	16,298.1	8
98	16,048.0		224.9	976.4	17,249.3				( 71.4)	714.1	17,414.8	8
99	17,249.3		157.3	1,044.4	18,451.0				( 84.9)	629.2	18,577.3	8
0	18,451.0		88.0	1,112.3	19,651.3				( 98.8)	530.4	19,728.1	8
1	19,651.3		48.3	1,182.0	20,881.6				( 115.2)	415.2	20,862.4	8
2	20,881.6		54.0	1,256.1	22,191.7				( 134.5)	280.7	22,008.2	8
3	22,191.7		59.7	1,282.7	23,534.1	52.4			( 155.8)	124.9	23,213.2	8
4	23,534.1		63.9	1,219.9	24,817.9	196.0			( 124.9)		24,482.3	8
5	24,817.9		71.2	1,286.3	26,175.4	207.0					25,818.9	8
											27,231.3	8

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\*SOURCE: Alaska Department of Revenue

1/21/86 em

# Alaska State Legislature

Fourteenth Legislature — Second Session

## Senate Calendar

TUESDAY  
January 21, 1986  
11:00 a.m.

Official Business of the Senate

Ninth Legislative Day

Chaplain: Pastor Kenneth Yates of the Church of God

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### CITATIONS

Honoring Ethel Lund  
by Representatives Duncan, M.M. Miller, Herrmann, Taylor and Goll;  
Senators Ray and Eliason

Honoring - Anchorage Taxi Association  
by Representatives Gruenberg and Rieger;  
Senators Sturgulewski, Abood and Halford

In Memoriam Barbara Berger  
by Senator Josephson

### Publication Notice

Honoring - Margy Johnson by Representatives Szymanski, Cato and Hanley; Senator Kerttula

In Memoriam - Robert Mack, Sr. by Senator Zharoff and Representative Herrmann

In Memoriam - Forbes L. Baker by Senators Bennett and Coghill

In Memoriam - Paul Greimann, Sr. by Senators Bennett and Coghill

Introduced: 1/16/86  
Referred: Finance

BY HALFORD, KERTTULA, FAIKS,  
STURGULEWSKI, V. FISCHER,  
ELIASON AND BENNETT

1 IN THE SENATE

2 SENATE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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1        established under AS 43.23.045 [UNDISTRIBUTED INCOME ACCOUNT IN THE  
2        ALASKA PERMANENT FUND. MONEY IN THE UNDISTRIBUTED INCOME ACCOUNT  
3        SHALL BE INVESTED IN INVESTMENTS AUTHORIZED UNDER AS 37.13.120.  
4        INCOME FROM THE INVESTMENT OF THE UNDISTRIBUTED INCOME ACCOUNT SHALL  
5        BE TREATED AS AN ADDITION TO THAT ACCOUNT].

6        \* Sec. 3. This Act takes effect on the effective date of an Act appro-  
7        priating the unexpended and unobligated balance of the undistributed income  
8        account in the Alaska permanent fund to the principal of the Alaska perma-  
9        nent fund.