

**HB**

**249**

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 249

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income from the permanent fund."

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

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

9 Sec. 37.13.140. INCOME. (a) Real [NET] income of the corpora-  
10 tion shall be computed annually as of the last day of the fiscal year  
11 in accordance with generally accepted accounting principles, excluding  
12 ✓ (1) any unrealized gains or losses; and  
13 ✓ (2) an amount determined by the corporation to be suffi-  
14 cient to offset the effect of inflation on principal of the Alaska  
15 permanent fund during that year, as measured by the change in the  
16 calendar year average United States consumer price index for all urban  
17 consumers, multiplied by the average principal balance of the fund  
18 during that year.

19 (b) The amount calculated under (a)(2) of this section shall be  
20 treated as a return of capital to the principal of the permanent fund  
21 and shall be transferred by the corporation to the principal of the  
22 permanent fund.

23 (c) Income available for distribution equals 21 percent of the  
24 real [NET] income of the corporation for the last five fiscal years,  
25 including the fiscal year just ended, but may not exceed real [NET]  
26 income of the corporation for the fiscal year just ended plus the  
27 balance in the earnings reserve account described in AS 37.13.145.  
28 For years in which real income was not calculated, net income shall be  
29 used for purposes of determining the income available for

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10

1        distribution.

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

3                Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each  
4        fiscal year, [AN AMOUNT SUFFICIENT TO OFFSET THE EFFECT OF INFLATION  
5        ON PRINCIPAL OF THE ALASKA PERMANENT FUND DURING THAT YEAR, AS  
6        MEASURED BY THE CHANGE IN THE CALENDAR YEAR AVERAGE UNITED STATES  
7        CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS SHALL BE TRANSFERRED FROM  
8        NET INCOME AS DEFINED IN AS 37.13.140, EXCLUDING INCOME ON THE EARN-  
9        INGS RESERVE ACCOUNT IN THE ALASKA PERMANENT FUND, TO THE PRINCIPAL OF  
10       THE ALASKA PERMANENT FUND FOR REINVESTMENT. THE BALANCE OF] the  
11       income available for distribution under AS 37.13.140 shall be trans-  
12       ferred by the corporation to the earnings reserve account in the  
13       Alaska permanent fund. Money in the earnings reserve account shall be  
14       invested in investments authorized under AS 37.13.120. Income from  
15       the investment of the earnings reserve account shall be treated as an  
16       addition to that account.

17       \* Sec. 3. AS 43.23.045(b) is amended to read:

18                (b) Notwithstanding any contrary provision of law, each year the  
19       commissioner shall transfer to the dividend fund 50 percent of the  
20       income of the Alaska permanent fund earned during the fiscal year  
21       ending on June 30 of the current year and available for distribution  
22       under AS 37.13.140(c).

23       \* Sec. 4. MINIMUM AMOUNT OF DIVIDENDS. If the commissioner of revenue  
24       determines that the amount of a permanent fund dividend for a year before  
25       1995 will be less than \$750, the commissioner shall notify the Alaska  
26       Permanent Fund Corporation. Notwithstanding AS 37.13.145, the corporation  
27       shall transfer from the real income calculated under AS 37.13.140 to the  
28       dividend fund the amount needed to ensure that the dividend for that year  
29       equals \$750. If the amount of real income is insufficient for this pur-

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1 pose, the corporation shall transfer from the earnings reserve account the  
2 additional amount needed to ensure that the dividend equals \$750, or the  
3 balance in the account, whichever is less.

PERMANENT FUND EARNINGS AND BALANCE  
(Millions of Nominal \$)

FY	PRINCIPAL					PFD FLOOR @ \$750 PER CAP INCOME				Reserves					
	FY Begin Balance	Appro- priations	Dedicated		FY End Balance	NET INCOME MINUS PFD	Net Income	Distributions		Inflation Proofing	Add (Delete)	FY End Balance			
			State Revenues*	Inflation Proofing				Dividends	Per Capita Dividends**						
78			\$54.40	.00	\$54.40		\$1.80								
79	\$54.40		\$84.10	.00	\$138.50		\$8.00								
80	\$138.50		\$344.40	.30	\$483.20		\$32.40	\$11.80		\$ .30					
81	\$483.20	\$900.00	\$385.10	.20	\$1,768.50		\$149.90	\$27.50		\$ .20	\$58.70	\$58.70			
82	\$1,768.50	\$800.00	\$400.50	.00	\$2,969.00		\$368.40	\$71.10	\$1,000.00		\$185.10	\$243.80			
83	\$2,969.00	\$400.00	\$421.00	231.20	\$4,021.20		\$471.10	\$107.90	\$386.15	\$231.20	\$110.00	\$353.80			
84	\$4,021.20	\$300.00	\$366.20	150.90	\$4,838.30		\$529.50	\$175.00	\$331.29	\$150.90	\$203.00	\$556.80			
85	\$4,838.30	\$300.00	\$368.00	234.60	\$5,740.90		\$657.80	\$217.30	\$404.00	\$234.60	\$205.90	\$762.70			
86	\$5,740.90		\$323.40	216.40	\$6,260.80		\$1,020.90	\$303.40	\$556.26	\$216.40	\$501.10	\$1,264.40			
87	\$6,281.00	\$1,264.00	\$170.60	148.14	\$7,863.86		\$1,068.54	\$390.98	\$708.19	\$148.14	\$529.42	\$529.00			
88	\$7,863.86		\$417.93	302.86	\$8,584.65		\$789.15	\$424.38	\$826.93	\$302.86	\$61.91	\$590.91			
89	\$8,584.65		\$184.00	350.70	\$9,119.35		\$818.26	\$457.20	\$800.60	\$350.70	\$10.36	\$601.28			
90	\$9,119.35		\$190.00		\$9,309.35	\$9.90	\$445.20	\$438.79	\$750.00		\$6.42	\$607.69			
91	\$9,309.35		\$160.90		\$10,038.45	\$68.40	\$454.30	\$447.46	\$750.00		\$6.85	\$614.54			
92	\$10,038.45		\$168.60		\$10,819.45	\$168.80	\$485.60	\$456.34	\$750.00		\$29.26	\$643.80			
93	\$10,819.45		\$171.70		\$11,648.55	\$286.30	\$523.70	\$465.42	\$750.00		\$58.28	\$702.08			
94	\$11,648.55		\$169.80		\$12,521.25	\$260.20	\$569.10	\$474.74	\$750.00		\$94.37	\$796.45			
95	\$12,521.25		\$164.10		\$13,434.05	\$278.80	\$622.40	\$484.28	\$750.00		\$138.12	\$934.56			
96	\$13,434.05		\$161.70		\$14,390.65	\$302.90	\$684.30	\$494.12	\$750.00		\$190.19	\$1,124.75			
97	\$14,390.65		\$160.50		\$15,392.85	\$331.30	\$755.60	\$504.18	\$750.00		\$251.42	\$1,376.17			
98	\$15,392.85		\$157.90		\$16,439.55	\$364.30	\$837.90	\$514.51	\$750.00		\$323.40	\$1,699.56			
99	\$16,439.55		\$151.70		\$17,527.45	\$402.40	\$931.90	\$525.10	\$750.00		\$406.80	\$2,106.36			
0	\$17,527.45		\$147.40		\$18,658.65	\$446.10	\$1,038.90	\$535.94	\$750.00		\$502.96	\$2,609.32			
1	\$18,658.65		\$142.90		\$19,825.65	\$496.90	\$1,168.30	\$547.05	\$750.00		\$621.25	\$3,230.58			
2	\$19,825.65		\$133.90		\$21,021.45	\$555.80	\$1,316.20	\$558.45	\$750.00		\$757.75	\$3,988.33			
3	\$21,021.45		\$127.50		\$22,248.95	\$623.40	\$1,481.40	\$623.40	\$824.30		\$858.00	\$4,846.33			
4	\$22,248.95		\$120.20		\$23,507.25	\$699.90	\$1,660.50	\$699.90	\$908.28		\$960.60	\$5,806.93			
5	\$23,507.25		\$110.50		\$24,793.85	\$785.40	\$1,853.50	\$785.40	\$1,003.23		\$1,068.10	\$6,875.03			
Cumulative Totals						\$3,964.00	\$5,958.93	1,635.30	\$24,793.85	\$6,080.80		\$20,744.55	\$10,741.60	\$17,499.24	\$1,635.30

ASSUMPTIONS:

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 89

6.00% Inflation Rate FY 90  
10.00% Rate of Return FY 90

\* SOURCE: Alaska Department of Revenue  
November 1988

CONSENSUS FORECAST FOR FY 89/90, DOR MID CASE (91-05)  
3/22/89-LFD

6.00% Inflation Rate FY 91-05  
10.00% Rate of Return FY 91-05

\*\* SOURCE: Population Projections From  
Revenue Mid Case Forecast - November 1988

April 3, 1989

Lisa Hochstadt  
House State Affairs Committee  
P.O. Box V  
Juneau, AK 99811

Re: Comments of Sterling Gallagher to the House State Affairs  
Committee on the Alaska Permanent Fund

Dear Ms. Hochstadt,

The Alaska Permanent Fund is the linchpin of the State's financial base. The reason for this is that the rating agencies view the Permanent Fund as a general fund State asset. While it is not pledged to any State bonds or State agency bonds, they correctly perceive that if one of the State agencies got into trouble, the State would use the income from the fund to solve the financial problem.

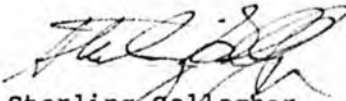
The State has an AA credit rating from both Moodys and Standard and Poors. This is an extremely high credit rating in light of the volatile and single revenue source. Louisiana has been downgraded to a Baa. All other oil states have been downgraded. The only exception is Alaska and the reason for this is the Alaska Permanent Fund. State debt is equal to 4% of the Permanent Fund (\$400 million). The State budget is approximately 23% of the Permanent Fund. The existence of the Permanent Fund also influences several other State financing agencies such as Alaska Housing Finance Corporation and it's \$6 billion assets, Alaska Industrial Economical Development Authority and it's \$1 billion of assets, Alaska Power Authority and its \$1 billion of assets, Alaska Municipal Bond Bank and it's \$100 million assets. The existence of the Permanent Fund also influences the credit rating, though not directly, of the the municipalities. Anchorage, Fairbanks, Juneau, Ketchikan and Kenai which are all A rated securities. These communities received an increase in their credit ratings in the early 1980s after the Permanent Fund became of substantial size. It is viewed by the market that the State cashflows are a major underpinning to these communities.

Several of the State bonding agencies use what is known as the State moral obligation to finance their operations. The moral obligation works by requiring the Governor to introduce a bill into the Legislature for funding certain reserve funds that the particular corporation have been drawn on. No State agency has had to draw on its reserve funds but the market perceives that the Legislature would fund such draws. The only case of such a draw was a case involving New York State and New York City and the Legislature did fund the reserve fund. Alaska Housing Finance Corporation, Alaska Industrial Economic Development Authority, Alaska Municipal Bond Bank, Alaska Power Authority and the Alaska Student Loan Corporation all have used the moral obligation in the past. Alaska Housing Finance Corporation does not currently use the moral obligation.

The moral obligation gives a State agency an automatic credit rating of one full step below the State rating so this insures that all the State agencies have at least A rated bonds. This has created substantial savings in the financing of various projects and has proved a feasibility for many projects.

The impact has been far beyond the \$10 billion of assets strictly involved with the Permanent Fund. It has given every State agency and municipality credit a strong market perception. This cannot be measured in just dollars but it also impacts the feasibility of the projects. The Alaska Permanent Fund has been a great asset in the development of the State in the last 10 years through its credit agencies.

Yours truly,



Sterling Gallagher  
Vice President

State Affairs Committee  
Alaska House of Representatives  
March 15, 1989

Testimony Of

**Jack Fargnoli**

Chief Analyst  
Division of Policy  
Office of the Governor

Mr. Chairman, members of the Committee, thank you for the opportunity to testify today on the matter of Permanent Fund modeling. I will keep my remarks brief.

Today's review of Permanent Fund modeling is especially timely because it focuses attention on the fact that the way we look at the Permanent Fund is changing. In the past oil revenue was plentiful, and we had no need to clarify our understanding or our expectations of the Fund. Today, however, both of those needs are great.

Several factors make this so:

- o Given our fiscal and budgetary outlook, the role of the Permanent Fund in the State's fiscal affairs will increasingly be greater, not lesser.
- o Existing statutes already pose a potential conflict insofar as dividends and inflation-proofing increasingly compete for Permanent Fund earnings, rendering problematic any additional use of earnings in the future.
- o As outlined recently by Scott Goldsmith of ISER, the Permanent Fund already may have reached its maximum size in constant-dollar terms.
- o There is as yet little agreement on the fundamental purpose or purposes of the Permanent Fund.

It is in this context of changing needs and unresolved questions that issues about Permanent Fund modeling and projections should be raised.

First, it needs to be said that forecasts and projections of all kinds are essentially ham-handed attempts to grasp the future. We should not rely on, or base fundamental policy decisions on, the appearance of precision in them. What matters is the extent to which they facilitate understanding, the extent to which they improve contingency planning through prediction and the assessment of probabilities, and the extent to which they enable decisions based on the best knowledge and experience available.

Second, it needs to be said that the projections of the Permanent Fund Corporation do not adequately meet any of these standards. The reasons for saying this are as follows:

- o Most importantly, the Corporation's projections are not projections, but rather only a static (and arbitrary) description of what the Permanent Fund's future performance might be, if the Trustees' three percent real rate of return earnings goal were to be achieved. The projections indicate nothing about the likelihood of such an achievement, or about the nature of Fund performance that can actually be expected. Though the projection model is simplistic, and guilty of some methodological inconsistencies, this is its main shortcoming: beyond the current fiscal year, it does not provide a projection.
- o By appearing to provide a projection when in fact it does not, the Permanent Fund's model confounds understanding by promulgating misleading fiscal information, and by creating an unreliable basis for evaluating policy options. Any amount of scenario testing (higher or lower earnings, inflation or dedicated revenue assumptions) quickly reveals how differently such critical factors as reserve account balances, per capita dividend amounts, the growth of principal and conflicts between dividends and inflation-proofing (as well as the interactions among these factors) can appear - - i.e., how extremely sensitive these factors are to input assumptions, and how differently their importance appears under varying scenario assumptions. Lack of a true projection thus complicates any assessment involving the restructuring or augmenting of current Permanent Fund policies.
- o In spite of all the proven investment management knowledge, skills and expertise of the Permanent Fund Corporation, little if any of these resources seem to inform the Corporation's projections. Evidence of this is the fact that (except for those governing the current fiscal year) the model's assumptions, which presumably should reflect the Corporation's informed outlook, have remained exactly the same from month to month for years now, though investment market conditions have continuously changed. The Permanent Fund model thus by no means provides policy makers with the benefit of the Corporation's "best guess" about future Permanent Fund performance.

Overall, therefore, it is not surprising that different modeling techniques including ad hoc procedures have been adopted by various agencies in their efforts to estimate future Fund performance and evaluate a multitude of Permanent Fund proposals. Nor is it surprising that policy makers as well as the general public have been frustrated in their attempts to interpret, compare and reconcile the results of these varying estimates and evaluations.

The bottom line is that a crucial gap exists in our understanding of the Permanent Fund, its expected performance, and the possible long term effects on the Fund of any of a dozen or more major policy and budgetary proposals. The Permanent Fund Corporation is not entirely at fault in all this, because conditions have changed. What sufficed in the past, however, simply will not suffice any longer. We must progress from a state of limited useful information about the Permanent Fund to one that truly supports public decision making.

In view of these factors, the following suggestions are offered for consideration:

- o The Permanent Fund Corporation should make every effort to provide decision makers with a periodically updated projection that truly reflects their reasoned expectations about future events and actual Fund performance.
- o The projection should be more than just a spreadsheet print-out. Like our revised revenue forecast, it might include a narrative explaining the choice of assumptions used in compiling the projection, the sensitivity of key variables, and the market outlook on which the projection is based. In short, the projection should be recast as a tool useful to policy makers.
- o Policy makers should make their needs known, in this regard, to the Permanent Fund Corporation.
- o Technical and methodological inconsistencies in the model developed for the projections should be corrected.
- o The model should be used by other agencies as the basis for their own modeling of Permanent Fund performance and evaluations of Permanent Fund proposals.
- o More oversight of the Permanent Fund is needed.
- o A joint legislative-administration review of the Permanent Fund projection model should be undertaken.

Thank you, Mr. Chairman. I would be happy to answer any questions.

**HOUSE COMMITTEE ON STATE AFFAIRS**

**RECAP OF  
HB 249**

*Income of Permanent Fund*

Received March 23, 1989  
by the Finance Committee

Heard April 13, 1989  
Heard April 25, 1989

Committee Substitute adopted April 25, 1989

Passed Out of Committee April 25, 1989  
3 Do Not Pass  
3 No Recommendation

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STATE OF ALASKA  
THE LEGISLATURE

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

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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HB 249

Name State Affairs 3/15/89

Original sponsor(s): Finance Committee

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19 (b) The amount calculated under (a)(2) of this section shall be  
20 treated as a return of capital to the principal of the permanent fund  
21 and shall be transferred by the corporation to the principal of the  
22 permanent fund.

23 (c) For reporting purposes, the corporation may compute net  
24 income by any method that accords with generally accepted accounting  
25 principles.

26 (d) Income available for distribution equals 21 percent of the  
27 real [NET] income of the corporation for the last five fiscal years,  
28 including the fiscal year just ended, but may not exceed real [NET]  
29 income of the corporation for the fiscal year just ended plus the

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16 Alaska permanent fund. Money in the earnings reserve account shall be  
17 invested in investments authorized under AS 37.13.120. Income from  
18 the investment of the earnings reserve account shall be treated as an  
19 addition to that account.

20 \* Sec. 3. AS 43.23.045(b) is amended to read:

21 (b) Notwithstanding any contrary provision of law, each year the  
22 Alaska Permanent Fund Corporation [COMMISSIONER] shall transfer to the  
23 dividend fund 50 percent of the income of the Alaska permanent fund  
24 earned during the fiscal year ending on June 30 of the current year  
25 and available for distribution under AS 37.13.140(d). However, income  
26 earned on money awarded after trial in State v. Amerada Hess, et al.;  
27 1JU-77-847 Civ. (Superior Court, First Judicial District) shall be  
28 treated in the same manner as other income of the Alaska permanent  
29 fund, except that it is not available for distribution to the dividend

1 fund, and shall be annually deposited into the principal of the Alaska  
2 permanent fund. If the commissioner of revenue determines that the  
3 amount of a permanent fund dividend will be less than \$873, the com  
4 missioner shall notify the corporation. Notwithstanding AS 37.13.145  
5 the corporation shall transfer from the real income calculated unde  
6 AS 37.13.140 to the dividend fund the amount needed to ensure that the  
7 dividend for that year equals \$873. If the amount of real income is  
8 insufficient for this purpose, the corporation shall transfer from the  
9 earnings reserve account the additional amount needed to ensure that  
10 the dividend equals \$873, or the balance in the account, whichever is  
11 less.



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of January 31, 1990

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78	0		54		54	
79	54		84		139	
80	139		344		493	
81	483	900	385		1,769	
82	1,769	800	400		2,969	
83	2,969	400	421	231	4,021	
84	4,021	300	366	151	4,838	
85	4,838	300	368	235	5,741	
86	5,741		323	216	6,281	
87	6,281	1,264 **	170	148	7,864	
88	7,864		418	303	8,585	
89	8,585		228	360	9,173	
90	9,173		253	446	9,872	
91	9,872		260	500	10,633	
92	10,633		290	539	11,462	
93	11,462		304	581	12,346	
94	12,346		319	625	13,291	
95	13,291		317	673	14,280	
96	14,280		300	722	15,302	
97	15,302		284	772	16,358	
98	16,358		266	825	17,449	
99	17,449		244	879	18,571	
00	18,571		220	934	19,725	
01	19,725		202	991	20,918	
02	20,918		176	1,050	22,144	
03	22,144		158	1,111	23,414	
04	23,414		143	1,174	24,731	
05	24,731		130	1,240	26,101	
Cumulative Totals Projected For FY 1990 - 2005:			3,866	13,062		

USE OF FUND INCOME							
Net Income	Distributions			Reserves		FY	
	Inflation Proofing	Per Capita Dividends	General Fund	Add (Delete)	FY End Balance		
2					1		78
8					7		79
32		12			12		80
150		28			59	59	81
368		71	\$1,000.00		185	244	82
471	231	108	\$386.15	110	110	354	83
530	151	175	\$331.29		203	557	84
658	235	217	\$404.00		206	763	85
1,021	216	303	\$556.26		501	1,264 **	86
1,069	148	391	\$708.19		529	529	87
788	303	424	\$826.93		62	591	88
868	360	460	\$873.16	4	44	635	89
931	446	479	\$873.00		6	641	90
1,003	500	518	\$873.00		(15)	626	91
1,075	539	529	\$873.00		7	633	92
1,154	581	539	\$873.00		34	667	93
1,242	625	550	\$873.00		67	734	94
1,337	673	561	\$873.00		103	837	95
1,439	722	572	\$873.00		145	983	96
1,548	772	584	\$873.00		192	1,175	97
1,665	825	595	\$873.00		245	1,420	98
1,790	879	608	\$873.00		304	1,723	99
1,923	934	620	\$873.00		369	2,092	00
2,066	991	633	\$873.00		441	2,533	01
2,218	1,050	646	\$873.00		522	3,055	02
2,382	1,111	660	\$873.00		611	3,667	03
2,559	1,174	674	\$873.00		711	4,378	04
2,749	1,240	688	\$873.00		822	5,199	05
27,079	13,062	9,454	\$13,968				

#### ASSUMPTIONS:

	Nominal Returns	Inflation	Real Rates of Return
FY 90:	9.14%	4.80%	4.34%
FY 91:	9.00%	5.00%	4.00%
FY 92-05:	9.00%	5.00%	4.00%

H.B. BILL NO. 249 WITH MID-CASE REVENUE PROJECTIONS

\* SOURCE: Dedicated oil revenue estimates are from the Department of Revenue Fall '89 Mid-Case Forecast; population estimates used to calculate per capita dividends are from the Department of Revenue Spring '89 Low-Case Forecast, except FY 90 estimate of 530,000 PFD qualified applicants by DOR Dividend Division. NOTE: The FY 90 per capita PFD calculation assumes (per HB 500) that the following amounts are deducted (in millions): \$3.6 admin costs, \$12.3 hold harmless, \$763 to Corrections, and \$736 to Public Safety; in addition, it assumes that \$1.5 million is added to the PFD fund from the General Fund (per HB 428).

\*\* The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of January 31, 1990

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78			54		54	
79	54		84		139	
80	139		344		483	
81	483	900	385		1,769	
82	1,769	800	400		2,969	
83	2,969	400	421	231	4,021	
84	4,021	300	366	151	4,838	
85	4,838	300	368	235	5,741	
86	5,741		323	216	6,281	
87	6,281	1,264 **	170	148	7,864	
88	7,864		418	303	8,585	
	8,585		228	360	9,173	
90	9,173		253	446	9,872	
91	9,872		260	500	10,633	
92	10,633		290	539	11,462	
93	11,462		304	581	12,346	
94	12,346		319	625	13,291	
95	13,291		317	673	14,280	
96	14,280		300	722	15,302	
87	15,302		284	772	16,358	
88	16,358		266	825	17,449	
99	17,449		244	879	18,571	
0	18,571		220	934	19,725	
1	19,725		202	991	20,918	
2	20,918		176	1,050	22,144	
3	22,144		158	1,111	23,414	
4	23,414		143	1,174	24,731	
5	24,731		130	1,240	26,101	
Cumulative Totals Projected For FY 1990 - 2005:			3,866	13,062		

USE OF FUND INCOME							
FY	Net Income	Distributions			Reserves		FY
		Inflation Proofing	Per Capita Dividends*	General Fund	Add (Delete)	FY End Balance	
	2					1	78
	8					7	79
	32		12			12	80
	150		28			59	81
	368		71	\$1,000.00		185	82
	471	231	108	\$386.15	110	110	83
	530	151	175	\$331.29		203	84
	658	235	217	\$404.00		206	85
	1,021	216	303	\$556.26		501	86
	1,069	148	391	\$708.19		529	87
	789	303	424	\$826.93		62	88
	868	360	460	\$873.16		44	89
	931	448	479	\$873.00		6	90
	1,003	500	518	\$873.00		(15)	91
	1,200	539	529	\$873.00		133	92
	1,302	581	539	\$873.00		183	93
	1,416	625	550	\$873.00		241	94
	1,540	673	561	\$873.00		307	95
	1,676	722	572	\$873.00		382	96
	1,823	772	584	\$873.00		467	97
	1,982	825	595	\$873.00		562	98
	2,155	879	608	\$873.00		669	99
	2,342	934	620	\$873.00		788	0
	2,546	991	677	\$937.00		877	1
	2,762	1,050	746	\$1,015.00		966	2
	2,992	1,111	822	\$1,100.00		1,058	3
	3,236	1,174	905	\$1,189.00		1,157	4
	3,496	1,240	994	\$1,284.00		1,262	5
	32,401	13,062	10,297	\$15,128			

#### ASSUMPTIONS:

	Nominal Returns	Inflation	Real Rates of Return
FY 90:	9.14%	4.80%	4.34%
FY 91:	9.00%	5.00%	4.00%
FY 92-95:	10.00%	5.00%	5.00%

\* SOURCE: Dedicated oil revenue estimates are from the Department of Revenue Fall '89 Mid-Case Forecast; population estimates used to calculate per capita dividends are from the Department of Revenue Spring '89 Low-Case Forecast, except FY 90 estimate of 530,000 PFD qualified applicants by DOR Dividend Division. NOTE: The FY 90 per capita PFD calculation assumes (per HB 500) that the following amounts are deducted (in millions): \$3.6 admin costs, \$12.3 hold harmless, \$.763 to Corrections, and \$.736 to Public Safety; in addition, it assumes that \$1.5 million is added to the PFD fund from the General Fund (per HB 428).

\*\* The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

# HOUSE COMMITTEE REPORT

(7)

Date Referred: March 23, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: \_\_\_\_\_

The STATE AFFAIRS Committee considered:

HB 249

HOUSE BILL NO. 249 [INCOME OF PERMANENT FUND]  
 "An Act relating to income from the permanent fund."

**RECOMMENDATIONS:**

- be replaced with CS HB 249(SA)  the same title  
 a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
 (Dept)

APPROVES PREVIOUS: (Date/Dept)

- fiscal impact \_\_\_\_\_
- 2  zero fiscal note DOR
- zero with analysis \_\_\_\_\_

- fiscal note(s) \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_
- zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

**SIGNING:**

(Check approp. column)

Do Not  
Pass  
No Rec  
Amend

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

	Do Not Pass	No Rec	Amend
<i>Wendy Douley</i> "Leave the permanent fund alone"	X		
<i>Gene Hanley</i>		X	
<i>Frank Montgomery</i>		X	
<i>David Zuleta</i>		X	
<i>Jim Zwacki</i>	X		
<i>We have assumed a new commission and the public testimony must be.</i>			
<i>D.O. [Signature]</i>	X		

*[Signature]*  
 \_\_\_\_\_  
 Chairman's Signature

Item 2

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

Bill Version: HB 249  
Publish Date: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Relating to income from the  
permanent fund  
Sponsor: Finance Committee  
Requestor: State Affairs and Finance

Agency Affected: Department of Revenue  
BRU: Alaska Permanent Fund Corporation  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Jim Kelly Phone: 465-2407  
Division: Alaska Permanent Fund Corporation Date: April 12, 1989

Approved by Commissioner: Hugh Malone Date: 4/12/89  
Agency: Department of Revenue

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

FISCAL NOTE

REQUEST

Revision Date: \_\_\_\_\_  
Title: An Act relating to income from the permanent fund  
Sponsor: House Finance  
Requestor: \_\_\_\_\_

Agency Affected: Revenue  
BRU: Permanent Fund Dividend Division  
Components: Permanent Fund Dividend Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
<b>OPERATING</b>						
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: This bill would have no effect on the administration of the dividend program.

Prepared By: Kevin Jones Phone: 465-2323  
Division: Permanent Fund Dividend Division Date: April 7, 1989  
Approved by Commissioner: Hugh Malina Date: 4/13/89  
Agency: Revenue

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)