

SB 213

() USE COMMITTEE REPORT

(11)

Date Referred: May 18, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-18-91

The FINANCE Committee considered:

CSSB 213(FIN)

CS FOR SENATE BILL NO. 213 (FINANCE)

AMERADA HESS RECEIPTS

"An Act relating to State v. Amerada Hess with respect to transfers to the dividend fund; and providing for an effective date."

RECOMMENDATIONS:

be replaced with HCS CS SB 213 (Juo) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: Juo letter of Intent

ATTACHES NEW FISCAL NOTE(s): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) AK Penn Fund Corp

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

[Signature]
CHAIRMAN'S SIGNATURE

Alaska State Legislature



House of Representatives
House Judiciary Committee

P. O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-4990
(907) 465-4712

HOUSE JUDICIARY LETTER OF INTENT

HCS CSSB 213 (JUD)

The Revisor of Statutes is requested to insert paragraph
(C) of Section 1. in a note under AS 22.20.020.



Chairman Dave Donley

Date: 5/17/91

FISCAL NOTE

REQUEST:

Revision Date: _____ Affected Agency: Ak. Perm. Fund Corp
 Title: Act relating to transfers BRU: Ak. Perm. Fund Corp
 to dividend fund
 Sponsor: Rules/Gov. Components: Ak. Perm. Fund Corp
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	*					
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FUNDING: (THOUSANDS OF DOLLARS)

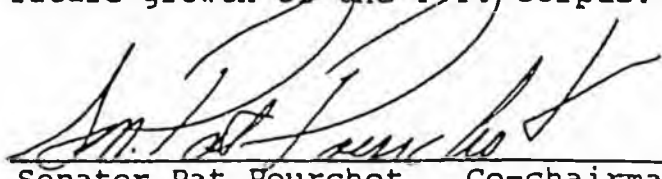
General Fund						
Federal Fund						
Other	*					
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

* Provisions of this bill will reduce the Permanent Fund Dividends and retain monies within the corpus of the fund. See attached sheets on P.F.D. and future growth of the P.F. corpus.


 Senator Pat Fourchot, Co-chairman
 Senate Finance Committee
 Phone: 465-3879
 Date: 3-Apr-91

DISTRIBUTION (BY PREPARER)
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR

REQUESTOR
OFFICE OF MANAGEMENT AND BUDGET
AGENCY(IES)

HOUSE CS FOR CS FOR SENATE BILL NO. 213 (JUDICIARY)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE JUDICIARY COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES/GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to State v. Amerada Hess with respect to transfers to the dividend fund;

2 and providing for an effective date."

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

4 * Section 1. INTENT. (a) The legislature intends that the issue raised by the defendants' challenge
5 for cause in State v. Amerada Hess, et al., LJU-77-847 Civ. (Superior Court, First Judicial District) be
6 resolved by the Alaska Supreme Court as quickly as possible so that the trial set for November 4, 1991,
7 is not delayed. The legislature, therefore, respectfully requests the Department of Law to seek immediate
8 review of the superior court ruling, and also requests the Alaska Supreme Court to issue a decision as
9 soon as possible, if necessary, in advance of a formal opinion.

10 (b) The legislature also requests that the state seek an early decision in this case on whether, in
11 light of Alaska Civil Rule 47(c)(12), a juror must be disqualified, if the juror has no financial interest
12 in the outcome of the case other than that of a taxpayer or a permanent fund dividend recipient.

13 (c) It was not the intent of the legislature in enacting AS 22.20.022 to allow the disqualification
14 of a judge, if the judge has no financial interest in the outcome of the case other than that of a taxpayer

1 or a permanent fund dividend recipient.

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

3 (b) Notwithstanding AS 37.13.145 [ANY CONTRARY PROVISION OF LAW], each
4 year the commissioner shall transfer to the dividend fund 50 percent of the income of the Alaska
5 permanent fund earned during the fiscal year ending on June 30 of the current year and available
6 for distribution under AS 37.13.140. [HOWEVER, INCOME EARNED ON MONEY
7 AWARDED AFTER TRIAL IN STATE V. AMERADA HESS, ET AL., 1JU-77-847 CIV.
8 (SUPERIOR COURT, FIRST JUDICIAL DISTRICT) SHALL BE TREATED IN THE SAME
9 MANNER AS OTHER INCOME OF THE ALASKA PERMANENT FUND, EXCEPT THAT
10 IT IS NOT AVAILABLE FOR DISTRIBUTION TO THE DIVIDEND FUND, AND SHALL
11 BE ANNUALLY DEPOSITED INTO THE PRINCIPAL OF THE ALASKA PERMANENT
12 FUND.]

13 * Sec. 3. AS 43.23.045 is amended by adding a new subsection to read:

14 (e) Notwithstanding (b) of this section, income earned on money awarded in or received
15 as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial
16 District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that
17 is tied to the outcome of this case, or interest earned on the money, or on the earnings of the
18 money shall be treated in the same manner as other income of the Alaska permanent fund, except
19 that it is not available for distribution to the dividend fund, and shall be annually deposited into
20 the principal of the Alaska permanent fund.

21 * Sec. 4. AS 43.23.045(e), enacted by sec. 3 of this Act, is repealed on the day that the revisor of
22 statutes certifies to the legislature that the Alaska Supreme Court has made a final determination that,
23 in the absence of AS 43.23.045(e), added by sec. 3 of this Act, no judge or juror is disqualified from
24 serving as judge or juror solely because the judge or juror may qualify to receive a permanent fund
25 dividend.

26 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).



Alaska Permanent Fund Corporation

P.O. Box 4-1000 Juneau, Alaska 99802-4100


(907) 465-2047

11

MEMORANDUM

DATE: March 29, 1991

TO: Senator Pat Pourchot
Co-Chair, Senate Finance

FROM: Jim Kelly 
Research & Liaison Officer

SUBJECT: Analysis of Senate Bill No. 213

Attached are two financial projections prepared by the Alaska Permanent Fund Corporation at your request.

Financial Projection #1: This is the status quo case as of February 28, 1991. It provides the benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This projection depicts the impacts of enacting SB 213. The State Constitution mandates that the Fund receive at least 25 percent of all royalty-in-kind (RIK) payments received by the State. SB 213 would add the stipulation that all income earned on the Fund's share of the RIK claims which are awarded after trial in State v. Amerada Hess forever be excluded from Permanent Fund dividend calculations and instead be deposited to Fund principal. For the purpose of this analysis, it is assumed, in accordance with the Department of Law's most recent estimates, that the RIK payment will be made on January 1, 1992 and will total \$62.5 million (25 percent of \$250 million).

You specifically asked for an analysis which reflects the positive impact on Permanent Fund principal of SB 213. Included on the following page is a chart which provides that information in tabular form. By the year 2005,

2 of 7

the difference in principal would total \$223 million which is derived from the following sources:

* initial deposit of \$62.5 million;

* subsequent annual deposits of income earned on that deposit totaling \$165 million;

* the \$4.5 million difference between \$223 million and \$227.5 million (\$62.5 million plus \$165 million) is accounted for by the increased inflation-proofing shortfall in the case of SB 213. If there were no inflation-proofing shortfalls in future years, the positive impacts on principal under SB 213 would be even greater.

(in millions of \$)			
FY	Principal Status Quo	Principal SB 213	Difference
91	10,890	10,890	
92	11,674	11,742	69
93	12,675	12,754	79
94	13,757	13,849	92
95	14,912	15,018	106
96	16,141	16,262	121
97	17,386	17,490	105
98	18,587	18,702	115
99	19,831	19,957	127
0	21,125	21,264	139
1	22,465	22,618	153
2	23,858	24,026	168
3	25,300	25,484	185
4	26,796	26,998	203
5	28,357	28,580	223



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of February 28, 1991

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated		FY End Balance	Inflation Proofing Shortfall
			State Revenues*	Inflation Proofing		
78	0		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	
89	8,585		228	360	9,173	
90	9,173		267	454	9,894	
91	9,894		437	559	10,890	
92	10,890		228	556	11,674	
93	11,674		284	718	12,675	
94	12,675		304	779	13,757	
95	13,757		311	844	14,912	
96	14,912		315	914	16,141	
97	16,141		310	936	17,386	51
98	17,386		307	894	18,587	168
99	18,587		292	952	19,831	181
0	19,831		282	1,012	21,125	195
1	21,125		266	1,074	22,465	209
2	22,465		255	1,139	23,858	225
3	23,858		238	1,205	25,300	240
4	25,300		221	1,275	26,796	257
5	26,796		215	1,347	28,357	274
Cumulative Totals Projected For FY 1991 - 2005:			3,824	14,202		1,799

USE OF FUND INCOME					
Net Income	Distributions			Reserves	
	Dividends	Inflation Proofing	General Fund	Add (Delete)	FY End Balance
2			1		
8			7		
32	12		12		
150	28		28	59	59
368	71		71	186	244
471	108	231	110	110	354
530	175	151		203	557
658	217	235		206	763
1,021	303	216		501	1,264 **
1,069	391	148		529	529
789	424	303		62	591
868	460	360	4	44	635
916	487	454	4	(30)	605
928	481	559		(112)	493
1,021	477	556		(13)	480
1,159	514	718		(72)	408
1,247	553	779		(85)	323
1,342	598	844		(101)	222
1,441	652	914		(125)	98
1,545	707	936		(98)	
1,653	759	894			
1,765	813	952			
1,882	870	1,012			
2,003	929	1,074			
2,129	991	1,139			
2,260	1,054	1,205			
2,395	1,120	1,275			
2,535	1,189	1,347			
25,305	11,708	14,202			

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 91:	8.50%	5.41%	3.09%
FY 92:	8.50%	5.00%	3.50%
FY 93-05:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1990 Low-Case Revenue Forecast.

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

STATUS QUO

3/28/91

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Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of February 28, 1991

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78	0		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	
89	8,585		228	360	9,173	
90	9,173		267	454	9,894	
91	9,894		437	659	10,890	
92	10,890	65	228	559	11,742	
93	11,742	6	284	722	12,754	
94	12,754	7	304	784	13,849	
95	13,849	8	311	850	15,018	
96	15,018	9	315	921	16,262	
97	16,262	10	310	909	17,490	86
98	17,490	11	307	894	18,702	175
99	18,702	12	292	952	19,957	189
0	19,957	13	282	1,012	21,264	203
1	21,264	14	266	1,074	22,618	219
2	22,618	16	255	1,138	24,026	235
3	24,026	17	236	1,205	25,484	252
4	25,484	19	221	1,274	26,998	270
5	26,998	21	215	1,346	28,580	288
Cumulative Totals Projected						
FY 1991 - 2005:	227	3,824	14,198	1,916		

USE OF FUND INCOME					
Net Income	Distributions			Reserves	
	Dividends	Inflation Proofing	General Fund	Add (Delete)	FY End Balance
2			1		
8			7		
32	12		12		
150	28		28	59	59
368	71		71	185	244
471	108	231	110	110	354
530	175	151		203	557
658	217	235		206	763
1,021	303	216		501	1,264 **
1,069	391	148		529	529
789	424	303		62	591
868	460	360	4	44	635
916	487	454	4	(30)	605
928	481	559	RIK Income	(112)	493
1,024	477	559	3	(16)	477
1,165	514	722	6	(76)	400
1,254	553	784	7	(90)	310
1,349	599	850	8	(107)	203
1,450	652	921	9	(132)	72
1,554	707	909	10	(72)	
1,663	759	894	11		
1,777	813	952	12		
1,895	870	1,012	13		
2,017	929	1,074	14		
2,144	991	1,138	16		
2,276	1,054	1,205	17		
2,413	1,120	1,274	19		
2,556	1,189	1,346	21		
25,465	11,708	14,198	165		

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 91:	8.50%	5.41%	3.09%
FY 92:	8.50%	5.00%	3.50%
FY 93-05:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1990 Low-Case Revenue Forecast.

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

5 87

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

WALTER J. HICKEL, GOVERNOR

REPLY TO:

- 1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
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FAX: (907) 276-3697
- KEY BANK BUILDING
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317
- P.O. BOX K— STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

March 27, 1991

The Honorable Pat Pourchot
Alaska State Senate
Co-Chairman Senate Finance Committee
P. O. Box V
Juneau, AK 99811-3100

Re: Requested information
regarding SB 213

Dear Senator Pourchot:

This letter is in response to your request this morning respecting the fiscal impact of SB 213 on the permanent fund dividend. The following chart, based on the Alaska Permanent Fund Corporation's model for calculation of dividends, sets forth the approximate impact on individual dividends, were all of the state's RIK claims (which SB 213 would exclude from the dividend stream) paid on January 1, 1992.

1991	\$ 0.00
1992	0.19
1993	1.52
1994	2.79
1995	4.01
1996	5.19
1997	6.32
1998	6.55
1999	6.77
2000	7.13
2001	7.33
2002	7.51
2003	7.69
2004	8.01
2005	8.16

With adoption of SB 213 the 15-year total loss to a permanent fund dividend recipient is approximately \$79.17, having a net present value of \$37.65.

The Honorable Pat Pourchot
Alaska State Senate

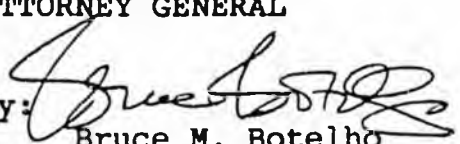
March 27, 1991
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Should you wish further information, please do not
hesitate to contact my office.

Sincerely,

CHARLES E. COLE
ATTORNEY GENERAL

By:


Bruce M. Botelho
Assistant Attorney General

BMB:tg

PLEASE MICROFILM TOP PAGE ONLY

DOCUMENTS WHICH HAVE NOT BEEN
FILMED BUT ARE AVAILABLE IN THE
ORIGINAL FILE INCLUDE:

→ TRIAL COURT DOCUMENT
ANS Royalty Litigation
State of AK v. ARCO, Atlantic Richfield et al