

**HB**

**304**

HFIN

FILE



# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 304  
(H) Publish Date: 3/19/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Permanent Fund Income BRU: Permanent Fund Corp  
Sponsor: Representative Whitaker Component: Permanent Fund Corp  
Requester: House State Affairs Component No.: 109

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

The proposed legislation would not increase the cost of operations for the Alaska Permanent Fund Corporation.

Prepared by: Robert D. Storer, Executive Director  
Division: Alaska Permanent Fund Corporation  
Approved by: Larry Persily, Deputy Commission  
Agency: Department of Revenue

Phone: (907)465-2047  
Date/Time: 2/22/02 2:58 PM  
Date: 02/22/2002

AMENDMENT

1

Adopted

Representative Hudson

CS HB 304 (FIN)

In the House Finance Committee

Page 2, line 17

Delete "40 [50]"

Insert "45"

Page 2, line 30

Delete "40"

Insert "35"

3/22/02

A docted.

22-LS1207/L  
Cook  
3/21/02

**CS FOR HOUSE BILL NO. 304(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES WHITAKER, Fate**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the education fund and the infrastructure and economic  
2 development fund, to the market value of the permanent fund, and to distribution of the  
3 income of the permanent fund; and providing for an effective date."

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

5 \* Section 1. AS 37.05 is amended by adding new sections to article 6 to read:

6       Sec. 37.05.590. **Education fund.** (a) There is created as a special account in  
7 the general fund the education fund consisting of transfers to the fund under  
8 AS 37.13.145(e). Money may be appropriated from the fund for public schools,  
9 including the University of Alaska.

10       (b) Nothing in this section dedicates money for a specific purpose.

11       Sec. 37.05.600. **Infrastructure and economic development fund.** (a) There  
12 is created as a special account in the general fund the infrastructure and economic  
13 development fund consisting of transfers to the fund under AS 37.13.145(f). Money  
14 may be appropriated from the fund for capital projects, economic development

L

1 projects, or payments of principal and interest on general obligation or revenue bonds  
2 issued by the state or an instrumentality of the state.

3 (b) Nothing in this section dedicates money for a specific purpose.

4 \* Sec. 2. AS 37.13.140 is amended to read:

5 Sec. 37.13.140. Income available for distribution. The market value [NET  
6 [INCOME] of the fund includes the market value [INCOME] of the earnings reserve  
7 account established under AS 37.13.145. The market value [NET INCOME] of the  
8 fund shall be computed annually as of the last day of the fiscal year in accordance with  
9 generally accepted accounting principles [, EXCLUDING ANY UNREALIZED  
10 GAINS OR LOSSES]. Income available for distribution equals 5 [21] percent of the  
11 average year-end market value [NET INCOME] of the fund for the last five fiscal  
12 years, including the fiscal year just ended, but may not exceed [NET INCOME OF  
13 THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the balance in the  
14 earnings reserve account described in AS 37. 45.

15 \* Sec. 3. AS 37.13.145(b) is amended to read:

16 (b) At the end of each fiscal year, the corporation shall transfer from the  
17 earnings reserve account to the dividend fund established under AS 43.23.045, 40 [50]  
18 percent of the income available for distribution under AS 37.13.140.

19 \* Sec. 4. AS 37.13.145(d) is amended to read:

20 (d) Notwithstanding (b), (e), and (f) of this section, income earned on money  
21 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
22 (Superior Court, First Judicial District), including settlement, summary judgment, or  
23 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or  
24 interest earned on the money, or on the earnings of the money shall be treated in the  
25 same manner as other income of the Alaska permanent fund, except that it is not  
26 available for distribution [TO THE DIVIDEND FUND], and shall be annually  
27 deposited into the principal of the Alaska permanent fund.

28 \* Sec. 5. AS 37.13.145 is amended by adding new subsections to read:

29 (e) At the end of each fiscal year, the corporation shall transfer from the  
30 earnings reserve account to the education fund (AS 37.05.590) 40 percent of the  
31 income available for distribution under AS 37.13.140.

1 (f) At the end of each fiscal year, the corporation shall transfer from the  
2 earnings reserve account to the infrastructure and economic development fund  
3 (AS 37.05.600) 20 percent of the income available for distribution under  
4 AS 37.13.140.

5 (g) If the amount in the earnings reserve account is not sufficient to fully fund  
6 all transfers under (b), (e), and (f) of this section, the amount of each transfer shall be  
7 reduced on a pro rata basis so that the total amount transferred equals the balance in  
8 the earnings reserve account.

9 \* Sec. 6. AS 37.13.150 is amended to read:

10 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
11 investments must be identified as the source of the operating budget of the corporation  
12 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
13 unexpended balance of the corporation's annual operating budget does not lapse at the  
14 end of the fiscal year but shall be treated as income from the fund under  
15 AS 37.13.145(a) [AS 37.13.140].

16 \* Sec. 7. AS 37.13.300(c) is amended to read:

17 (c) Income or other money [NET INCOME] from the mental health trust  
18 fund may not be included in the computation of [NET] income available for  
19 distribution under AS 37.13.140.

20 \* Sec. 8. AS 37.14.031(c) is amended to read:

21 (c) The net income of the fund shall be determined by the Alaska Permanent  
22 Fund Corporation annually as of the last day of the fiscal year in accordance with  
23 generally accepted accounting principles, excluding any unrealized gains or losses  
24 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET  
25 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

26 \* Sec. 9. AS 37.17.020(b) is amended to read:

27 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
28 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
29 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other  
30 money [NET INCOME] from the endowment may not be included in the computation  
31 of [NET] income available for distribution under AS 37.13.140.

1 \* Sec. 10. AS 37.17.440(b) is amended to read:

2 (b) The principal and income of the endowment shall be held and invested by  
3 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net  
4 income from the endowment and subsequent income earned on net income from the  
5 endowment shall be held in a separate account until appropriated by the legislature.  
6 Income or other money [NET INCOME] from the endowment may not be included  
7 in the computation of [NET] income available for distribution under AS 37.13.140.

8 \* Sec. 11. AS 37.13.145(c) is repealed.

9 \* Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 TRANSITION. (a) Notwithstanding AS 37.13.140, as amended in sec. 2 of this Act,  
12 income available for distribution following the end of fiscal year

13 (1) 2002 is equal to seven percent of the average of the year-end market values  
14 of the fund for the last five fiscal years, including fiscal year 2002, but may not exceed the  
15 balance in the earnings reserve account;

16 (2) 2003 is equal to six percent of the average of the year-end market values of  
17 the fund for the last five fiscal years, including fiscal year 2003, but may not exceed the  
18 balance in the earnings reserve account.

19 (b) If, after the transfer under AS 37.13.145(b), as amended in sec. 3 of this Act, the  
20 amount of the 2002 permanent fund dividend determined under AS 43.23.025 is less than  
21 \$1,540, the ~~Alaska Permanent Fund Corporation shall transfer from the earnings reserve~~  
22 ~~account~~ <sup>legislature MAY appropriate</sup> to the dividend fund the additional amount needed so that the amount of the 2002  
23 dividend is \$1,540.

24 \* Sec. 13. This Act takes effect June 29, 2002.

projected total rate of return	7.95%
Total % to GF	55%
% to Education Fund	35%
% to Infrastructure Fund	15%
% to Dividends	45%

	projected population	POMV Payout Var.									
		649	656	663	670	678	685	693	701	709	
		0%	7%	8%	5%	5%	5%	5%	5%	5%	
		FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	
<b>Market Value - Begin Bal (000's omitted)</b>		<b>24,814,890</b>	<b>24,429,733</b>	<b>25,570,733</b>	<b>26,322,841</b>	<b>27,643,918</b>	<b>29,633,051</b>	<b>31,832,613</b>	<b>34,221,053</b>	<b>36,800,294</b>	
<b>Principal - Begin Bal</b>		<b>21,051,422</b>	<b>21,931,422</b>	<b>22,213,422</b>	<b>22,716,976</b>	<b>23,494,015</b>	<b>24,593,081</b>	<b>25,794,862</b>	<b>27,087,082</b>	<b>28,470,203</b>	
Dedicated Revenue		270,000	260,000	232,000	208,000	182,000	175,000	165,000	153,000	143,000	
Am Hess Settlement		8,000	22,000	23,000	25,000	27,000	29,000	31,000	34,000	30,000	
Effective Inflation Pooling		602,000	-	248,554	544,038	890,066	997,781	1,096,220	1,196,121	1,293,998	
<b>Principal - Ending Bal</b>		<b>21,931,422</b>	<b>22,213,422</b>	<b>22,716,976</b>	<b>23,494,015</b>	<b>24,593,081</b>	<b>25,794,862</b>	<b>27,087,082</b>	<b>28,470,203</b>	<b>29,943,201</b>	
<b>ERA Begin Bal</b>		<b>3,767,311</b>	<b>2,498,311</b>	<b>3,357,311</b>	<b>3,605,865</b>	<b>4,149,904</b>	<b>5,039,970</b>	<b>6,037,751</b>	<b>7,133,971</b>	<b>8,330,092</b>	
Total Return		280,000	2,012,000	2,042,095	2,100,934	2,204,926	2,362,784	2,537,251	2,726,655	2,931,308	
Statutory Income		1,056,000	1,563,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Dividends		(939,000)	(831,000)	(796,743)	(689,353)	(579,537)	(601,201)	(634,514)	(673,441)	(720,589)	
Dividend check per capita		1.852	1.563	1.335	1.142	0.950	0.975	1.017	1.068	1.129	
Inflation Pooling		(602,000)	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Am Hess/Admin/Special		(8,000)	(22,000)	(23,000)	(25,000)	(27,000)	(29,000)	(31,000)	(34,000)	(36,000)	
Draw to GF		-	(300,000)	(973,798)	(842,542)	(708,323)	(734,802)	(775,517)	(823,094)	(880,720)	
<b>ERA - Ending Bal</b>		<b>2,498,311</b>	<b>3,357,311</b>	<b>3,605,865</b>	<b>4,149,904</b>	<b>5,039,970</b>	<b>6,037,751</b>	<b>7,133,971</b>	<b>8,330,092</b>	<b>9,624,090</b>	
<b>Market Value - Ending Bal</b>		<b>24,429,733</b>	<b>25,570,733</b>	<b>26,322,841</b>	<b>27,643,918</b>	<b>29,633,051</b>	<b>31,832,613</b>	<b>34,221,053</b>	<b>36,800,294</b>	<b>39,567,291</b>	
Syr.-MV Average			24,954,561	25,293,444	25,531,590	25,757,192	26,720,055	28,200,631	29,930,695	32,026,186	

Model Summary

POMV Total Available	-	1,770,541	1,531,895	1,287,860	1,336,003	1,410,032	1,496,535	1,601,309
Education Fund	-	619,689	536,163	450,751	487,801	493,511	523,787	560,458
Infrastructure Fund	-	265,501	229,784	193,179	200,400	211,505	224,480	240,198
Dividend Fund	831,000	788,743	689,353	579,537	601,201	634,514	673,441	720,589
Dividend per capita	1,563	1,335	1,142	950	975	1,017	1,068	1,129
Effective Inflation Pooling	-	248,554	544,038	890,066	997,781	1,096,220	1,196,121	1,293,998
Effective IP rate	0.0%	1.1%	2.4%	3.8%	4.1%	4.2%	4.4%	4.5%

HB 304

22-LS1207AB  
Cook  
3/25/02

*adopted 3/25/02*  
*no change*

**CS FOR HOUSE BILL NO. 304( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Mulder

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the education fund and the infrastructure and economic  
2 development fund, to the market value of the permanent fund, and to distribution of the  
3 income of the permanent fund; and providing for an effective date."

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

5 \* Section 1. AS 37.05 is amended by adding new sections to article 6 to read:

6 **Sec. 37.05.590. Education fund.** (a) There is created as a special account in  
7 the general fund the education fund consisting of transfers to the fund under  
8 AS 37.13.145(e). Money may be appropriated from the fund for public schools,  
9 including the University of Alaska.

10 (b) Nothing in this section dedicates money for a specific purpose.

11 **Sec. 37.05.600. Infrastructure and economic development fund.** (a) There  
12 is created as a special account in the general fund the infrastructure and economic  
13 development fund consisting of transfers to the fund under AS 37.13.145(f). Money  
14 may be appropriated from the fund for capital projects, economic development

1 projects, or payments of principal and interest on general obligation or revenue bonds  
2 issued by the state or an instrumentality of the state.

3 (b) Nothing in this section dedicates money for a specific purpose.

4 \* **Sec. 2.** AS 37.13.140 is amended to read:

5 **Sec. 37.13.140. Income available for distribution. The market value [NET**  
6 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**  
7 **account established under AS 37.13.145. The market value [NET INCOME] of the**  
8 **fund shall be computed annually as of the last day of the fiscal year in accordance with**  
9 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**  
10 **GAINS OR LOSSES]. Income available for distribution on July 1 equals five [21]**  
11 **percent of the average year-end market value [NET INCOME] of the fund for the**  
12 **last five fiscal years, including the fiscal year just ended, but may not exceed [NET**  
13 **INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the**  
14 **balance in the earnings reserve account described in AS 37.13.145.**

15 \* **Sec. 3.** AS 37.13.145(b) is amended to read:

16 (b) At the beginning [END] of each fiscal year, the corporation shall transfer  
17 from the earnings reserve account to the dividend fund established under  
18 AS 43.23.045, 45 [50] percent of the income available for distribution under  
19 AS 37.13.140.

20 \* **Sec. 4.** AS 37.13.145(d) is amended to read:

21 (d) Notwithstanding (b), (e), and (f) of this section, income earned on money  
22 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
23 (Superior Court, First Judicial District), including settlement, summary judgment, or  
24 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or  
25 interest earned on the money, or on the earnings of the money shall be treated in the  
26 same manner as other income of the Alaska permanent fund, except that it is not  
27 available for distribution [TO THE DIVIDEND FUND], and shall be annually  
28 deposited into the principal of the Alaska permanent fund.

29 \* **Sec. 5.** AS 37.13.145 is amended by adding new subsections to read:

30 (e) At the beginning of each fiscal year, the corporation shall transfer from the  
31 earnings reserve account to the education fund (AS 37.05.590) 35 percent of the

1 income available for distribution under AS 37.13.140.

2 (f) At the beginning of each fiscal year, the corporation shall transfer from the  
3 earnings reserve account to the infrastructure and economic development fund  
4 (AS 37.05.600) 20 percent of the income available for distribution under  
5 AS 37.13.140.

6 (g) If the amoun. in the earnings reserve account is not sufficient to fully fund  
7 all transfers under (b), (e), and (f) of this section, the amount of each transfer shall be  
8 reduced on a pro rata basis so that the total amount transferred equals the balance in  
9 the earnings reserve account.

10 \* Sec. 6. AS 37.13.150 is amended to read:

11 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
12 investments must be identified as the source of the operating budget of the corporation  
13 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
14 unexpended balance of the corporation's annual operating budget does not lapse at the  
15 end of the fiscal year but shall be treated as income from the fund under  
16 AS 37.13.145(a) [AS 37.13.140].

17 \* Sec. 7. AS 37.13.300(c) is amended to read:

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22 (c) The net income of the fund shall be determined by the Alaska Permanent  
23 Fund Corporation annually as of the last day of the fiscal year in accordance with  
24 generally accepted accounting principles, excluding any unrealized gains or losses  
25 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET  
26 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

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29 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
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2 \* **Sec. 10.** AS 37.17.440(b) is amended to read:

3 (b) The principal and income of the endowment shall be held and invested by  
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5 income from the endowment and subsequent income earned on net income from the  
6 endowment shall be held in a separate account until appropriated by the legislature.

7 Income or other money [NET INCOME] from the endowment may not be included  
8 in the computation of [NET] income available for distribution under AS 37.13.140.

9 \* **Sec. 11.** AS 37.13.145(c) is repealed.

10 \* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 TRANSFER TO GENERAL FUND. On July 1, 2002, after the transfers under  
13 AS 37.13.145 at the end of fiscal year 2002, an amount equal to \$300,000,000 or the balance  
14 in the earnings reserve account, whichever is less, is transferred from the earnings reserve  
15 account to the general fund.

16 \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 2 of this Act,  
19 income available for distribution at the beginning of fiscal year

20 (1) 2004 is equal to seven percent of the average of the year-end market values  
21 of the fund for the last five fiscal years, including fiscal year 2003, but may not exceed the  
22 balance in the earnings reserve account;

23 (2) 2005 is equal to six percent of the average of the year-end market values of  
24 the fund for the last five fiscal years, including fiscal year 2004, but may not exceed the  
25 balance in the earnings reserve account.

26 \* **Sec. 14.** Section 12 of this Act takes effect July 1, 2002.

27 \* **Sec. 15.** Sections 1 -11 and 13 of this Act take effect June 29, 2003.

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 19, 2002

FURTHER REFERRALS:

Date of Committee Action: 3/25/02

The FINANCE Committee considered:

HB 304

HOUSE BILL NO. 304

PERMANENT FUND INCOME

"An Act relating to disposition of income of the permanent fund; and providing for an effective date."

Recommends it be replaced with CS HB 304 (FIN) | Same Title [] New Title []  
 For Senate Bills with new title: [] Technical Title [] New Title: HCR \_\_\_\_\_

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev. for Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LAA  
 LAW  
 LWF  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*For Chief Clerk's Office Use Only				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Bunde	✓			
	HARRIS			X	
	CROFT				✓
	DAVIS				X
	MOSES			X	
	Lancaster	✓			
	Hudson	✓			
	FOSTER		X		
Chair:	Mulder	✓			
Chair:	Williams				X

**CS FOR HOUSE BILL NO. 304(FIN)**  
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**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Mulder**

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10 GAINS OR LOSSES]. Income available for distribution on July 1 equals five [21]  
11 percent of the average year-end market value [NET INCOME] of the fund for the  
12 last five fiscal years, including the fiscal year just ended, but may not exceed [NET  
13 INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the  
14 balance in the earnings reserve account described in AS 37.13.145.

15 \* Sec. 3. AS 37.13.145(b) is amended to read:

16 (b) At the beginning [END] of each fiscal year, the corporation shall transfer  
17 from the earnings reserve account to the dividend fund established under  
18 AS 43.23.045, 45 [50] percent of the income available for distribution under  
19 AS 37.13.140.

20 \* Sec. 4. AS 37.13.145(d) is amended to read:

21 (d) Notwithstanding (b), (e), and (f) of this section, income earned on money  
22 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
23 (Superior Court, First Judicial District), including settlement, summary judgment, or  
24 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or  
25 interest earned on the money, or on the earnings of the money shall be treated in the  
26 same manner as other income of the Alaska permanent fund, except that it is not  
27 available for distribution [TO THE DIVIDEND FUND], and shall be annually  
28 deposited into the principal of the Alaska permanent fund.

29 \* Sec. 5. AS 37.13.145 is amended by adding new subsections to read:

30 (e) At the beginning of each fiscal year, the corporation shall transfer from the  
31 earnings reserve account to the education fund (AS 37.05.590) 35 percent of the

1 income available for distribution under AS 37.13.140.

2 (f) At the beginning of each fiscal year, the corporation shall transfer from the  
3 earnings reserve account to the infrastructure and economic development fund  
4 (AS 37.05.600) 20 percent of the income available for distribution under  
5 AS 37.13.140.

6 (g) If the amount in the earnings reserve account is not sufficient to fully fund  
7 all transfers under (b), (e), and (f) of this section, the amount of each transfer shall be  
8 reduced on a pro rata basis so that the total amount transferred equals the balance in  
9 the earnings reserve account.

10 \* Sec. 6. AS 37.13.150 is amended to read:

11 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
12 investments must be identified as the source of the operating budget of the corporation  
13 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
14 unexpended balance of the corporation's annual operating budget does not lapse at the  
15 end of the fiscal year but shall be treated as income from the fund under  
16 AS 37.13.145(a) [AS 37.13.140].

17 \* Sec. 7. AS 37.13.300(c) is amended to read:

18 (c) Income or other money [NET INCOME] from the mental health trust  
19 fund may not be included in the computation of [NET] income available for  
20 distribution under AS 37.13.140.

21 \* Sec. 8. AS 37.14.031(c) is amended to read:

22 (c) The net income of the fund shall be determined by the Alaska Permanent  
23 Fund Corporation annually as of the last day of the fiscal year in accordance with  
24 generally accepted accounting principles, excluding any unrealized gains or losses  
25 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET  
26 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

27 \* Sec. 9. AS 37.17.020(b) is amended to read:

28 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
29 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
30 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other  
31 money [NET INCOME] from the endowment may not be included in the computation

1 of [NET] income available for distribution under AS 37.13.140.

2 \* **Sec. 10.** AS 37.17.440(b) is amended to read:

3 (b) The principal and income of the endowment shall be held and invested by  
4 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net  
5 income from the endowment and subsequent income earned on net income from the  
6 endowment shall be held in a separate account until appropriated by the legislature.  
7 Income or other money [NET INCOME] from the endowment may not be included  
8 in the computation of [NET] income available for distribution under AS 37.13.140.

9 \* **Sec. 11.** AS 37.13.145(c) is repealed.

10 \* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 TRANSFER TO GENERAL FUND. On July 1, 2002, after the transfers under  
13 AS 37.13.145 at the end of fiscal year 2002, an amount equal to \$300,000,000 or the balance  
14 in the earnings reserve account, whichever is less, is transferred from the earnings reserve  
15 account to the general fund.

16 \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 2 of this Act,  
19 income available for distribution at the beginning of fiscal year

20 (1) 2004 is equal to seven percent of the average of the year-end market values  
21 of the fund for the last five fiscal years, including fiscal year 2003, but may not exceed the  
22 balance in the earnings reserve account;

23 (2) 2005 is equal to six percent of the average of the year-end market values of  
24 the fund for the last five fiscal years, including fiscal year 2004, but may not exceed the  
25 balance in the earnings reserve account.

26 \* **Sec. 14.** Section 12 of this Act takes effect July 1, 2002.

27 \* **Sec. 15.** Sections 1 -11 and 13 of this Act take effect June 29, 2003.

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSHB 304(FIN)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Permanent Fund Income BRU Permanent Fund Corp.  
 Component Permanent Fund Corp.  
 Sponsor Representative Whitaker  
 Requester House Finance Committee Component No. 109

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Page 2 outlines our understanding of how the distributions of Permanent Fund earnings would work after the adoption of HB 304.

Page 3 is a schedule estimating the financial effects of HB 304.

As an explanation, the model on Page 3 shows dividend amounts under the fiscal year in which the liability to the Permanent Fund accrues -- not the fiscal year in which the individual dividends are paid to Alaskans. For example, the model shows an estimated \$1,540 dividend under the Fiscal 2002 column, although the actual dividend would be paid in October 2002, which is Fiscal 2003. The same one-year "shift" applies to all of the fiscal years listed.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047  
 Division Alaska Permanent Fund Corporation Date/Time 3/26/2002 04:00: PM  
 Approved by: Larry Persily, Deputy Commissioner Date 3/26/2002  
 Agency Department of Revenue

## Alaska Permanent Fund Corporation

Analysis for CSHB 304(FIN)  
March 26, 2002 - Page 2 of 3

### OVERVIEW

CSHB 304(FIN) contains the following provisions:

1. Leaves existing statutory distributions (dividends and inflation-proofing) in place for June 30, 2002, but after those transfers are accounted for, appropriates the next day, July 1, 2002, \$300 million from the earnings reserve account to the General Fund.
2. For Fiscal 2004, appropriates 7 percent of the Fund's market value for the five fiscal years ended June 30, 2003 for payouts as follows: 45% to the dividend fund, 35% to the education fund and 20% to the infrastructure and economic development fund. (Note: All payouts under this bill are established as liabilities on the preceding June 30 and paid out in the next fiscal year.)
3. For Fiscal 2005, appropriates 6 percent of the Fund's market value for the five fiscal years ended June 30, 2004 for payouts per the same 45/35/20 division.
4. For all subsequent years, appropriates 5 percent of the Fund's market value for the five fiscal years just ended for payouts per the same 45/35/20 division.
5. Statutory inflation-proofing is repealed effective June 30, 2003.
6. The bill includes a new subsection, AS 37.13.145(g), which states that if the amount in the earnings reserve account is not sufficient to fully fund the three payouts - the 45% to the dividend fund, 35% to the education fund and 20% to the infrastructure and economic development fund - then "the amount of each transfer shall be reduced on a pro rata basis so that the total amount transferred equals the balance in the earnings reserve account."
7. The bill infers that the distributions referred to in HB 304 will be made in the beginning of the fiscal year. Currently the large dividend distribution is not paid out of the fund until late September, after completion of our annual audit. To assure accuracy we would recommend all major distributions being made in late September of each fiscal year.
8. The APFC's Operating and Investment Manger Fees BRUs FY03 budget request totals \$49 million. It is our understanding that the appropriations for these budgets are separate and in addition to distributions under HB 304.

Assumptions: Callan 2002 CMA, APFC 2001 asset allocation, Fall 2001 revenue forecast, financial statements through 2/28/02, POMV begins in FY03. All payouts are liabilities at year end, to be paid out in the next fiscal year.

CS HB304

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	Totals
<u>POMV (7%, 6%, 5%)</u>		7%	6%	5%	5%	5%	5%	5%	5%	5%	5%	
<b>Total Return</b>	<b>1.29%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>7.95%</b>	<b>FY02-FY12</b>
Principal - end of year (after payouts)	21,873	22,114	22,385	22,637	22,869	23,097	23,322	23,544	23,759	23,939	24,123	
ER - end of year (after payouts)	2,204	2,228	2,527	3,135	3,786	4,464	5,172	5,906	6,663	7,442	8,242	
<b>Total Assets End of Year (after payouts)</b>	<b>24,077</b>	<b>24,342</b>	<b>24,912</b>	<b>25,772</b>	<b>26,655</b>	<b>27,561</b>	<b>28,494</b>	<b>29,450</b>	<b>30,422</b>	<b>31,381</b>	<b>32,365</b>	
<b>Total Annual Return in million \$</b>	<b>281</b>	<b>1,883</b>	<b>1,905</b>	<b>1,949</b>	<b>2,016</b>	<b>2,085</b>	<b>2,156</b>	<b>2,229</b>	<b>2,304</b>	<b>2,379</b>	<b>2,455</b>	<b>\$21,643</b>
<b>Total Payout in million \$</b>	<b>1,241</b>	<b>1,834</b>	<b>1,576</b>	<b>1,307</b>	<b>1,327</b>	<b>1,367</b>	<b>1,404</b>	<b>1,448</b>	<b>1,496</b>	<b>1,546</b>	<b>1,596</b>	<b>\$16,141</b>
Education Fund - 35% of POMV - FY03	0	642	551	457	465	478	491	507	524	541	559	\$5,215
Infrastructure - 20% of POMV - FY03	0	367	315	261	265	273	281	290	299	309	319	\$2,980
Dividend - 45% of POMV (lump sum) - FY03	941	825	709	588	597	615	632	652	673	696	718	\$7,646
Transfer to General Fund	300	0	0	0	0	0	0	0	0	0	0	\$300
<b>Dividend Per Person</b>	<b>\$1,540</b>	<b>\$1,330</b>	<b>\$1,120</b>	<b>\$910</b>	<b>\$910</b>	<b>\$930</b>	<b>\$950</b>	<b>\$970</b>	<b>\$990</b>	<b>\$1,010</b>	<b>\$1,030</b>	<b>\$11,690</b>
Transfer Inflation-proofing (to principal)	602	0	0	0	0	0	0	0	0	0	0	\$602
<b>5 year average market value</b>		<b>26,199</b>	<b>26,260</b>	<b>26,138</b>	<b>26,549</b>	<b>27,330</b>	<b>28,075</b>	<b>28,957</b>	<b>29,925</b>	<b>30,914</b>	<b>31,920</b>	

Projected total rate of return	7.95%
Total % to GF	55%
% to Education Fund	35%
% to Infrastructure Fund	20%
% to Dividends	45%

	649	656	663	670	678	685	693	701	709
	POMV Payout Var.	7%	8%	5%	5%	5%	5%	5%	5%
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
<b>Market Value - Begin Bal (000's omitted)</b>	<b>24,814,890</b>	<b>24,429,733</b>	<b>24,980,094</b>	<b>26,158,336</b>	<b>27,978,991</b>	<b>30,029,802</b>	<b>32,292,913</b>	<b>34,745,801</b>	<b>37,377,430</b>
Principal - Begin Bal	21,051,422	21,329,422	21,745,603	22,462,223	23,489,051	24,618,956	25,852,512	27,176,956	28,586,271
Dedicated Revenue	270,000	260,000	232,000	208,000	182,000	175,000	165,000	153,000	143,000
Am Hess Settlement	8,000	22,000	23,000	25,000	27,000	29,000	31,000	34,000	36,000
Effective Inflation Proofing	-	134,181	461,621	793,828	920,905	1,029,556	1,128,444	1,222,315	1,316,941
Principal - Ending Bal	21,329,422	21,745,603	22,462,223	23,489,051	24,618,956	25,852,512	27,176,956	28,586,271	30,082,211
ERA Begin Bal	3,767,311	3,100,311	3,234,492	3,696,112	4,489,940	5,410,845	6,440,401	7,568,845	8,791,160
Total Return	280,000	1,903,000	1,995,140	2,087,856	2,231,564	2,394,325	2,573,845	2,768,373	2,977,190
Statutory Income	1,056,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividends	(939,000)	(786,069)	(679,734)	(571,063)	(577,646)	(601,096)	(636,481)	(680,426)	(730,912)
Dividend check per capita	1,852	1,331	1,139	0,946	0,947	0,975	1,020	1,079	1,146
Inflation Proofing	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Am Hess/Admin/Special	(8,000)	(22,000)	(23,000)	(25,000)	(27,000)	(29,000)	(31,000)	(34,000)	(36,000)
Draw to GF	-	(960,751)	(830,785)	(697,965)	(700,012)	(734,673)	(777,921)	(831,632)	(893,337)
ERA - Ending Bal	3,100,311	3,234,492	3,698,112	4,489,940	5,410,845	6,440,401	7,568,845	8,791,160	10,108,100
<b>Market Value - Ending Bal</b>	<b>24,429,733</b>	<b>24,980,094</b>	<b>26,158,336</b>	<b>27,978,991</b>	<b>30,029,802</b>	<b>32,292,913</b>	<b>34,745,801</b>	<b>37,377,430</b>	<b>40,190,312</b>
5yr.-MV Average		24,954,561	25,175,317	25,380,561	25,673,177	26,715,391	28,288,027	30,241,168	32,484,987
<b>Model Summary</b>									
POMV Total Available		1,746,819	1,510,519	1,269,028	1,283,659	1,335,770	1,414,401	1,512,058	1,624,249
Education Fund		611,387	528,682	444,160	449,281	467,519	495,040	529,220	568,487
Infrastructure Fund		349,384	302,104	253,806	256,732	267,154	282,890	302,412	324,850
Dividend Fund		786,069	679,734	571,063	577,646	601,096	636,481	680,426	730,912
Effective Inflation Proofing		134,181	461,621	793,828	920,905	1,029,556	1,128,444	1,222,315	1,316,941
Effective IP rate	0.0%	0.6%	2.1%	3.5%	3.0%	4.2%	4.4%	4.5%	4.6%

Projected total rate of return	7.95%
Total % to GF	45%
% to Education Fund	35%
% to Infrastructure Fund	20%
% to Dividends	50%

	649	656	663	670	678	685	693	701	709
	POMV Payout Var.	7%	6%	5%	5%	5%	5%	5%	5%
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
projected population									
<b>Market Value - Begin Bal (000's omitted)</b>	<b>24,814,890</b>	<b>25,005,733</b>	<b>25,933,455</b>	<b>27,379,463</b>	<b>29,468,921</b>	<b>31,804,428</b>	<b>34,368,997</b>	<b>37,150,635</b>	<b>40,145,473</b>
Principal - Begin Bal	21,051,422	21,329,422	21,934,283	22,784,787	23,946,016	25,218,270	26,602,554	28,091,373	29,682,292
Dedicated Revenue	270,000	260,000	232,000	208,000	182,000	175,000	165,000	153,000	143,000
Am Hess Settlement	8,000	22,000	23,000	25,000	27,000	29,000	31,000	34,000	36,000
Effective Inflation Proofing	-	322,861	595,504	928,229	1,063,254	1,180,284	1,292,819	1,403,919	1,518,334
Principal - Ending Bal	21,329,422	21,934,283	22,784,787	23,946,016	25,218,270	26,602,554	28,091,373	29,682,292	31,379,626
ERA Begin Bal	3,767,311	3,676,311	3,999,172	4,594,676	5,522,905	6,586,159	7,766,443	9,059,262	10,463,181
Total Return	927,000	2,012,000	2,070,932	2,184,935	2,350,014	2,535,408	2,738,894	2,959,557	3,197,249
Statutory Income	1,056,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividends	(1,010,000)	(877,442)	(764,436)	(648,266)	(663,032)	(697,960)	(744,776)	(800,862)	(864,692)
Dividend check per capita	1,852	1,486	1,281	1,074	1,087	1,132	1,194	1,270	1,355
Inflation Proofing	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Am Hess/Admin/Special	(8,000)	(22,000)	(23,000)	(25,000)	(27,000)	(29,000)	(31,000)	(34,000)	(36,000)
Draw to GF	-	(789,697)	(607,992)	(583,440)	(596,728)	(628,164)	(670,299)	(720,770)	(778,223)
ERA - Ending Bal	3,676,311	3,999,172	4,594,676	5,522,905	6,586,159	7,766,443	9,059,262	10,453,181	11,981,515
<b>Market Value - Ending Bal</b>	<b>25,005,733</b>	<b>25,933,455</b>	<b>27,379,463</b>	<b>29,468,921</b>	<b>31,804,428</b>	<b>34,368,997</b>	<b>37,150,635</b>	<b>40,145,473</b>	<b>43,361,141</b>
Syr.-MV Average		25,069,761	25,481,189	25,930,659	26,521,261	27,918,400	29,791,053	32,034,489	34,587,691

**Model Summary**

POMV Total Available		1,754,883	1,528,871	1,296,533	1,326,063	1,395,920	1,489,553	1,601,724	1,729,385
Education Fund		614,209	535,105	453,787	464,122	488,572	521,343	560,604	605,285
Infrastructure Fund		350,977	305,774	259,307	265,213	279,184	297,911	320,345	345,877
Dividend Fund		877,442	764,436	648,266	663,032	697,960	744,776	800,862	864,692
Effective Inflation Proofing		322,861	595,504	928,229	1,063,254	1,180,284	1,292,819	1,403,919	1,518,334
Effective IP rate	0.0%	1.5%	2.7%	4.1%	4.4%	4.7%	4.9%	5.0%	5.1%

W/D

AMENDMENT

OFFERED IN HOUSE FINANCE COMMITTEE

BY REPRESENTATIVE

TO: CS HB 304 (FIN)

Page 2, line 17

Delete "40 [50]"

Insert "50"

Page 3, line 3

Delete "20"

Insert "10"

Input Variables

projected total rate of return	8.25%
Total % to GF	55%
% to Education Fund	35%
% to Infrastructure Fund	20%
% to Dividends	45%

projected population	649	656	663	670	678	685	693	701	709
POMV Payout Var.		7%	6%	5%	5%	5%	5%	5%	5%
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
<b>Market Value - Begin Bal (000's omitted)</b>	<b>24,814,890</b>	<b>25,005,733</b>	<b>25,757,966</b>	<b>27,182,640</b>	<b>29,282,316</b>	<b>31,642,965</b>	<b>34,247,060</b>	<b>37,083,178</b>	<b>40,144,762</b>
Principal - Begin Bal	21,051,422	21,329,422	21,846,539	22,636,376	23,852,713	25,137,538	26,541,585	28,057,645	29,681,936
Dedicated Revenue	270,000	260,000	232,000	208,000	182,000	175,000	165,000	153,000	143,000
Am Hess Settlement	8,000	22,000	23,000	25,000	27,000	29,000	31,000	34,000	36,000
Effective Inflation Proofing	-	235,117	584,837	933,338	1,075,825	1,200,047	1,320,059	1,437,292	1,557,839
Principal - Ending Bal	21,329,422	21,846,539	22,686,376	23,852,713	25,137,538	26,541,585	28,057,645	29,681,936	31,418,775
ERA Begin Bal	3,767,311	3,676,311	3,911,428	4,496,265	5,429,602	6,505,427	7,705,474	9,025,534	10,462,825
Total Return	927,000	2,012,000	2,134,602	2,251,148	2,423,299	2,617,763	2,832,189	3,065,673	3,317,842
Statutory Income	1,056,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividends	(1,010,000)	(789,697)	(687,044)	(581,764)	(594,213)	(624,922)	(666,508)	(717,472)	(775,801)
Dividend check per capita	1.852	1.337	1.151	0.964	0.974	1.013	1.069	1.137	1.216
Inflation Proofing	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Am Hess/Admin/Special	(8,000)	(22,000)	(23,000)	(25,000)	(27,000)	(29,000)	(31,000)	(34,000)	(36,000)
Draw to GF	-	(965,186)	(839,721)	(711,045)	(726,261)	(763,794)	(814,621)	(876,910)	(948,202)
ERA - Ending Bal	3,676,311	3,911,428	4,496,265	5,429,602	6,505,427	7,705,474	9,025,534	10,462,825	12,020,664
<b>Market Value - Ending Bal</b>	<b>25,005,733</b>	<b>25,757,966</b>	<b>27,182,640</b>	<b>29,282,316</b>	<b>31,642,965</b>	<b>34,247,060</b>	<b>37,083,178</b>	<b>40,144,762</b>	<b>43,439,439</b>
5yr.-MV Average		25,069,761	25,446,091	25,856,197	26,409,478	27,774,324	29,622,589	31,887,632	34,480,056

Model Summary

POMV Total Available		1,754,883	1,526,765	1,292,810	1,320,474	1,388,716	1,481,129	1,594,382	1,724,003
Education Fund		614,209	534,368	452,483	462,166	486,051	518,395	558,034	603,401
Infrastructure Fund		350,977	305,353	258,562	264,095	277,743	296,226	318,876	344,801
Dividend Fund		789,697	687,044	581,764	594,213	624,922	666,508	717,472	775,801
Effective Inflation Proofing		235,117	584,837	933,338	1,075,825	1,200,047	1,320,059	1,437,292	1,557,839
Effective IP rate	0.0%	1.1%	2.7%	4.1%	4.5%	4.8%	5.0%	5.1%	5.2%

GF Revenue (Fall 2001)	1,445
Updated GF Revenue	[REDACTED]
GF Approps	2,417
	(972)

Projected Fiscal Gap	(750,000)
Draw to GF	965,186
Surplus/(Gap) after transfer	215,186
Dividend	789,697
Per Cap Div	1,337

Div payout required to HH	910,000
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Assumptions: Callan 2002 CMA, APFC 2001 asset allocation, Fall 2001 revenue forecast, financial statements through 2/28/02.

POMV (7%, 6%, 5%) (turnover)	7%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	FY02-FY12	
	-69.5%	22.4%	24.0%	24.0%	23.7%	23.5%	23.3%	23.0%	22.8%	22.5%	22.2%		
	Total Return	1.29%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%		
Realized return	1.69%	5.60%	6.30%	6.65%	6.83%	6.98%	7.08%	7.15%	7.20%	7.23%	7.26%		
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12		
Principal - end of year	21,868	22,109	22,379	22,630	22,862	23,090	23,314	23,535	23,750	23,929	24,113		
ER - end of year	2,508	2,538	2,846	3,468	4,130	4,821	5,543	6,292	7,064	7,860	8,677		
Total Assets End of Year	24,377	24,647	25,225	26,098	26,993	27,910	28,857	29,827	30,814	31,789	32,790		
<b>Total Annual Return</b>	<b>281</b>	<b>1,907</b>	<b>1,930</b>	<b>1,975</b>	<b>2,043</b>	<b>2,114</b>	<b>2,187</b>	<b>2,262</b>	<b>2,338</b>	<b>2,415</b>	<b>2,493</b>	<b>\$21,945</b>	
General government (40% of POMV)	0	741	637	528	538	553	569	587	606	626	647	\$6,031	
Infrastructure (20% of POMV)	0	371	318	264	269	277	284	293	303	313	323	\$3,016	
Dividend - (FY03 - 40% of POMV)	942	741	637	528	538	553	569	586	606	626	647	\$6,972	
												total payout	\$16,019
Total Inflation-proofing (to principal)	602	0	0	0	0	0	0	0	0	0	0	\$602	
Dividend Per Person	\$1,540	\$1,190	\$1,000	\$810	\$820	\$830	\$850	\$870	\$890	\$910	\$930	\$10,640	

Turnover grows to accommodate transfer

Assumptions: Callan 2002 CMA, APFC 2001 asset allocation, Fall 2001 revenue forecast, financial statements through 2/28/02.

Status Quo (turnover)	7%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	FY02-FY12
	-69.5%	22.4%	24.0%	24.0%	23.7%	23.5%	23.3%	23.0%	22.8%	22.5%	22.2%	
	Total Return	1.29%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	
Realized return	1.69%	5.60%	6.23%	6.52%	6.68%	6.81%	6.91%	6.97%	7.02%	7.05%	7.08%	
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	
Principal - end of year	21,873	22,742	23,665	24,595	25,530	26,486	27,466	28,470	29,494	30,511	31,559	
ER - end of year	2,504	2,951	3,577	4,349	5,157	5,900	6,657	7,441	8,259	9,115	10,014	
Total Assets End of Year	24,377	25,693	27,242	28,944	30,687	32,386	34,124	35,911	37,753	39,625	41,572	
<b>Total Annual Return</b>	<b>281</b>	<b>1,907</b>	<b>2,012</b>	<b>2,134</b>	<b>2,268</b>	<b>2,405</b>	<b>2,540</b>	<b>2,677</b>	<b>2,818</b>	<b>2,962</b>	<b>3,110</b>	<b>\$25,115</b>
Dividend - Status Quo	941	807	703	650	720	893	983	1,064	1,140	1,215	1,288	\$10,406
Additional distribution	0	0	0	0	0	0	0	0	0	0	0	\$0
Total Inflation-proofing (to principal)	602	641	667	693	720	746	774	802	831	860	889	\$8,226
Dividend Per Person	\$1,540	\$1,300	\$1,110	\$1,010	\$1,110	\$1,380	\$1,500	\$1,610	\$1,710	\$1,810	\$1,900	\$15,980

**HB 304**  
**Permanent Fund Income**

**Section 1** – Adds a subsection to AS 37.13.145 that (e) directs the permanent fund corporation to calculate the realized income of the earnings reserve and (f) transfer to the general fund either; an amount that is equal to the realized earnings of the earnings reserve or \$200,000,000.00 (plus an indexing for inflation and population change), whichever is less.

**Section 2** – Amends the uncodified law by (a) designating the amount transferred to the general fund for FY 02 and 03 as the lesser of the realized earnings or \$200,000,000 and (b) designates \$200,000,000.00 as the benchmark amount by which subsequent years shall be calculated.

**Section 3** – Sets the effective date of this legislation as June 30, 2002.

HOUSE BILL NO. 304

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE WHITAKER

Introduced: 1/14/02  
Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to disposition of income of the permanent fund; and providing for an  
2 effective date."

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

4 \* Section 1. AS 37.13.145 is amended by adding new subsections to read:

5 (e) At the end of each fiscal year, the corporation shall calculate the amount of  
6 money that is equal to the realized income of the earnings reserve account during that  
7 fiscal year.

8 (f) After the transfers under (b) and (c) of this section, the corporation shall  
9 transfer from the earnings reserve account to the general fund the lesser of the  
10 following amounts:

11 (1) the amount calculated under (e) of this section; or

12 (2) \$200,000,000

13 (A) plus an amount sufficient to offset the effect of inflation  
14 calculated by