

**HB**

**553**

**HFIN**

**FILE**



CS FOR HOUSE BILL NO. 553(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to investments of the Alaska permanent fund and to the income of and  
2 appropriations from the Alaska permanent fund and making conforming amendments;  
3 relating to the determination of net income of the mental health trust fund; and  
4 providing for an effective date."

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

6 \* Section 1. AS 09.20.050(b) is amended to read:

7 (b) The jury list shall be based on a list prepared by the Department of  
8 Revenue of all persons who filed an application for a [DISTRIBUTION OF  
9 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current  
10 calendar year that shows an Alaska [ALASKAN] address, and of all persons who  
11 volunteer for jury duty under (d) of this section. If considered necessary by the  
12 administrative director of the Alaska Court System, the jury list shall incorporate a list  
13 prepared by the Department of Administration of all persons who hold a valid Alaska  
14 driver's license. The departments shall submit their respective lists to the Alaska

1 Court System not later than September 30 of each year. To the extent that it is  
 2 available, the departments shall include on the lists they submit the following  
 3 information for each person: first name, middle initial, and last name; mailing address,  
 4 including the zip code; and birth date. The lists shall be recorded on magnetic tape  
 5 compatible with Alaska Court System data processing equipment.

6 \* Sec. 2. AS 24.20.206 is amended to read:

7 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

8 (1) [REPEALED

9 (2)] annually review the long-range operating plans of all agencies of  
 10 the state that perform lending or investment functions;

11 (2) [(3)] review periodic reports from all agencies of the state that  
 12 perform lending or investment functions;

13 (3) [(4)] prepare a complete report of investment programs, plans,  
 14 performance, and policies of all agencies of the state that perform lending or  
 15 investment functions and notify the legislature within 30 days after the convening of  
 16 each regular session that the report is available;

17 (4) [(5)] in conjunction with the finance committee of each house,  
 18 recommend annually to the legislature the investment policy for the general fund  
 19 surplus and for the [INCOME FROM THE] permanent fund;

20 (5) [(6)] provide for an annual post audit and annual operational and  
 21 performance evaluation of the Alaska Permanent Fund Corporation investments and  
 22 investment programs;

23 (6) [(7)] provide for an annual operational and performance evaluation  
 24 of the Alaska Housing Finance Corporation and the Alaska Industrial Development  
 25 and Export Authority; the performance evaluation must include, but is not limited to, a  
 26 comparison of the effect on various sectors of the economy by public and private  
 27 lending, the effect on resident and nonresident employment, the effect on real wages,  
 28 and the effect on state and local operating and capital budgets of the programs of the  
 29 Alaska Housing Finance Corporation and the Alaska Industrial Development and  
 30 Export Authority;

31 (7) [(8)] provide assistance to the trustees of the trust established in

1 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

2 \* Sec. 3. AS 37.13.120(a) is amended to read:

3 (a) This section applies to investment of fund principal and all other  
 4 amounts in the fund. The prudent-investor rule shall be applied by the board in the  
 5 management and investment of fund assets. The prudent-investor rule as applied to  
 6 investments of the fund means that in making investments the board shall exercise the  
 7 judgment and care under the circumstances then prevailing that an institutional  
 8 investor of ordinary prudence, discretion, and intelligence exercises in the  
 9 management of large investments entrusted to it not in regard to speculation but in  
 10 regard to the permanent disposition of funds, considering probable safety of capital as  
 11 well as probable income.

12 \* Sec. 4. AS 37.13 is amended by adding a new section to read:

13 **Sec. 37.13.143. Appropriations from the fund.** (a) The legislature may  
 14 appropriate from the fund for each fiscal year the amount for costs of the corporation  
 15 associated with operating and investing the fund.

16 (b) After the appropriation under (a) of this section, appropriations by the  
 17 legislature for a specific fiscal year are limited as follows, based on the total amount  
 18 remaining available for appropriation under art. IX, sec. 15, Constitution of the State  
 19 of Alaska:

20 (1) not more than 50 percent may be appropriated for public education;

21 (2) not more than 50 percent may be appropriated to the dividend fund  
 22 established under AS 43.23.045.

23 (c) The corporation shall transfer money appropriated under this section from  
 24 the fund within 14 days after the effective date of the appropriation.

25 \* Sec. 5. AS 37.13 is amended by adding a new section to read:

26 **Sec. 37.13.148. Market value of the fund.** For the purposes of art. IX, sec.  
 27 15, Constitution of the State of Alaska, the corporation shall determine the principal  
 28 and market value of the fund annually as of the close of business on June 30 in  
 29 accordance with generally accepted accounting principles for the determination of fair  
 30 value.

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

1           **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
 2 investments must be identified as the source of the operating budget of the corporation  
 3 **and shall be included** in the state's operating budget under AS 37.07 (Executive  
 4 Budget Act). [THE UNEXPENDED BALANCE OF THE CORPORATION'S  
 5 ANNUAL OPERATING BUDGET DOES NOT LAPSE AT THE END OF THE  
 6 FISCAL YEAR BUT SHALL BE TREATED AS INCOME UNDER AS 37.13.140.]

7 \* Sec. 7. AS 37.14.031(c) is amended to read:

8           (c) The net income of the fund shall be determined by the Alaska Permanent  
 9 Fund Corporation **annually as of the last day of the fiscal year in accordance with**  
 10 **generally accepted accounting principles** [IN THE SAME MANNER THE  
 11 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA  
 12 PERMANENT FUND UNDER AS 37.13.140].

13 \* Sec. 8. AS 43.23.025(a) is amended to read:

14           (a) By October 1 of each year, the commissioner shall determine the value of  
 15 each permanent fund dividend for that year by

16                   (1) determining the total amount available for dividend payments,  
 17 which equals

18                           (A) the amount of **money appropriated from** [INCOME OF]  
 19 the Alaska permanent fund [TRANSFERRED] to the dividend fund under  
 20 **AS 37.13.143** [AS 37.13.145(b)] during the current year;

21                           (B) plus the unexpended and unobligated balances of prior  
 22 fiscal year appropriations that lapse into the dividend fund under  
 23 AS 43.23.045(d);

24                           (C) less the amount necessary to pay prior year dividends from  
 25 the dividend fund in the current year under AS 43.23.005(h) and under  
 26 AS 43.23.055(3) and (7);

27                           (D) less the amount necessary to pay dividends from the  
 28 dividend fund due to eligible applicants who, as determined by the department,  
 29 filed for a previous year's dividend by the filing deadline but who were not  
 30 included in a previous year's dividend computation;

31                           (E) less appropriations from the dividend fund during the

1 current year, including amounts to pay costs of administering the dividend  
2 program and the hold harmless provisions of AS 43.23.075;

3 (2) determining the number of individuals eligible to receive a  
4 dividend payment for the current year and the number of estates and successors  
5 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

6 (3) dividing the amount determined under (1) of this subsection by the  
7 amount determined under (2) of this subsection.

8 \* Sec. 9. AS 43.23.028(a) is amended to read:

9 (a) By October 1 of each year, the commissioner shall give public notice of  
10 the value of each permanent fund dividend for that year and notice of the information  
11 required to be disclosed under (3) of this subsection. In addition, the stub attached to  
12 each individual dividend check and direct deposit advice must

13 (1) disclose the amount of each dividend attributable to [INCOME  
14 EARNED BY THE PERMANENT FUND FROM] deposits to that fund required  
15 under art. IX, sec. 15, Constitution of the State of Alaska;

16 (2) disclose the amount of each dividend attributable to [INCOME  
17 EARNED BY THE PERMANENT FUND FROM] appropriations to the permanent  
18 fund [THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO  
19 OFFSET THE EFFECTS OF INFLATION];

20 (3) disclose the amount by which each dividend has been reduced due  
21 to each appropriation from the dividend fund, including amounts to pay the costs of  
22 administering the dividend program and the hold harmless provisions of  
23 AS 43.23.075;

24 (4) include a statement that an individual is not eligible for a dividend  
25 when

26 (A) during the qualifying year, the individual was convicted of  
27 a felony;

28 (B) during all or part of the qualifying year, the individual was  
29 incarcerated as a result of the conviction of a

30 (i) felony; or

31 (ii) misdemeanor if the individual has been convicted of

1 a prior felony or two or more prior misdemeanors;

2 (5) include a statement that the legislative purpose for making  
3 individuals listed under (4) of this subsection ineligible is to

4 (A) obtain reimbursement for some of the costs imposed on the  
5 state criminal justice system related to incarceration or probation of those  
6 individuals;

7 (B) provide funds for services for and payments to crime  
8 victims and for grants for the operation of domestic violence and sexual assault  
9 programs;

10 (6) disclose the total amount that would have been paid during the  
11 previous fiscal year to individuals who were ineligible to receive dividends under  
12 AS 43.23.005(d) if they had been eligible;

13 (7) disclose the total amount appropriated for the current fiscal year  
14 under (b) of this section for each of the funds and agencies listed in (b) of this section.

15 \* Sec. 10. AS 37.13.140, 37.13.145, and 37.13.300(c) are repealed.

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

18 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.  
19 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska  
20 permanent fund based on an averaged percent of the fund market value, is approved by the  
21 voters during the 2004 general election and takes effect.

22 \* Sec. 12. If this Act takes effect under sec. 11 of this Act, it takes effect on January 1,  
23 2005.

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 533  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Pfund Appropriations & Investments RDU AK Permanent Fund Corporation  
 Component AK Permanent Fund Corporation  
 Sponsor House Finance Committee  
 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 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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 (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB 553 would change the amount available to distribute from the Permanent Fund to conform to a Percent of Market Value payout limit. HB 553 would not change the management or the cost of operations of the Fund.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047  
 Division Alaska Permanent Fund Corporation Date/Time 4/12/2003  
 Approved by: Steve Porter, Deputy Commissioner Date 4/12/2004  
 Agency Department of Revenue

Amended  
pg 3 line 20

23-LS1918VA

HOUSE BILL NO. 553

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

BY THE HOUSE FINANCE COMMITTEE

Introduced: 4/7/04  
Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to investments of the Alaska permanent fund and to the income of and  
2 appropriations from the Alaska permanent fund and making conforming amendments;  
3 relating to the determination of net income of the mental health trust fund; and  
4 providing for an effective date."

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

6 \* Section 1. AS 09.20.050(b) is amended to read:

7 (b) The jury list shall be based on a list prepared by the Department of  
8 Revenue of all persons who filed an application for a [DISTRIBUTION OF  
9 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current  
10 calendar year that shows an Alaska [ALASKAN] address, and of all persons who  
11 volunteer for jury duty under (d) of this section. If considered necessary by the  
12 administrative director of the Alaska Court System, the jury list shall incorporate a list  
13 prepared by the Department of Administration of all persons who hold a valid Alaska  
14 driver's license. The departments shall submit their respective lists to the Alaska

1 Court System not later than September 30 of each year. To the extent that it is  
 2 available, the departments shall include on the lists they submit the following  
 3 information for each person: first name, middle initial, and last name; mailing address,  
 4 including the zip code; and birth date. The lists shall be recorded on magnetic tape  
 5 compatible with Alaska Court System data processing equipment.

6 \* Sec. 2. AS 24.20.206 is amended to read:

7 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

8 (1) [REPEALED

9 (2)] annually review the long-range operating plans of all agencies of  
 10 the state that perform lending or investment functions;

11 (2) [(3)] review periodic reports from all agencies of the state that  
 12 perform lending or investment functions;

13 (3) [(4)] prepare a complete report of investment programs, plans,  
 14 performance, and policies of all agencies of the state that perform lending or  
 15 investment functions and notify the legislature within 30 days after the convening of  
 16 each regular session that the report is available;

17 (4) [(5)] in conjunction with the finance committee of each house,  
 18 recommend annually to the legislature the investment policy for the general fund  
 19 surplus and for the [INCOME FROM THE] permanent fund;

20 (5) [(6)] provide for an annual post audit and annual operational and  
 21 performance evaluation of the Alaska Permanent Fund Corporation investments and  
 22 investment programs;

23 (6) [(7)] provide for an annual operational and performance evaluation  
 24 of the Alaska Housing Finance Corporation and the Alaska Industrial Development  
 25 and Export Authority; the performance evaluation must include, but is not limited to, a  
 26 comparison of the effect on various sectors of the economy by public and private  
 27 lending, the effect on resident and nonresident employment, the effect on real wages,  
 28 and the effect on state and local operating and capital budgets of the programs of the  
 29 Alaska Housing Finance Corporation and the Alaska Industrial Development and  
 30 Export Authority;

31 (7) [(8)] provide assistance to the trustees of the trust established in

1 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

2 \* Sec. 3. AS 37.13.120(a) is amended to read:

3 (a) This section applies to investment of fund principal and all other  
 4 amounts in the fund. The prudent-investor rule shall be applied by the board in the  
 5 management and investment of fund assets. The prudent-investor rule as applied to  
 6 investments of the fund means that in making investments the board shall exercise the  
 7 judgment and care under the circumstances then prevailing that an institutional  
 8 investor of ordinary prudence, discretion, and intelligence exercises in the  
 9 management of large investments entrusted to it not in regard to speculation but in  
 10 regard to the permanent disposition of funds, considering probable safety of capital as  
 11 well as probable income.

12 \* Sec. 4. AS 37.13 is amended by adding a new section to read:

13 **Sec. 37.13.143. Appropriations from the fund.** (a) The legislature may  
 14 appropriate from the fund for each fiscal year the amount for costs of the corporation  
 15 associated with operating and investing the fund.

16 (b) After the appropriation under (a) of this section, appropriations by the  
 17 legislature for a specific fiscal year are limited as follows, based on the total amount  
 18 remaining available for appropriation under art. IX, sec. 15, Constitution of the State  
 19 of Alaska:

20 (1) not more than 50 percent may be appropriated to ~~the general fund,~~ *Public education*

21 (2) not more than 50 percent may be appropriated to the dividend fund  
 22 established under AS 43.23.045.

23 (c) The corporation shall transfer money appropriated under this section from  
 24 the fund within 14 days after the effective date of the appropriation.

25 \* Sec. 5. AS 37.13 is amended by adding a new section to read:

26 **Sec. 37.13.148. Market value of the fund.** For the purposes of art. IX, sec.  
 27 15, Constitution of the State of Alaska, the corporation shall determine the principal  
 28 and market value of the fund annually as of the close of business on June 30 in  
 29 accordance with generally accepted accounting principles for the determination of fair  
 30 value.

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

1           **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
 2 investments must be identified as the source of the operating budget of the corporation  
 3 and shall be included in the state's operating budget under AS 37.07 (Executive  
 4 Budget Act). [THE UNEXPENDED BALANCE OF THE CORPORATION'S  
 5 ANNUAL OPERATING BUDGET DOES NOT LAPSE AT THE END OF THE  
 6 FISCAL YEAR BUT SHALL BE TREATED AS INCOME UNDER AS 37.13.140 ]

7 \* Sec. 7. AS 37.14.031(c) is amended to read:

8           (c) The net income of the fund shall be determined by the Alaska Permanent  
 9 Fund Corporation annually as of the last day of the fiscal year in accordance with  
 10 generally accepted accounting principles [IN THE SAME MANNER THE  
 11 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA  
 12 PERMANENT FUND UNDER AS 37.13.140].

13 \* Sec. 8. AS 43.23.025(a) is amended to read:

14           (a) By October 1 of each year, the commissioner shall determine the value of  
 15 each permanent fund dividend for that year by

16                   (1) determining the total amount available for dividend payments,  
 17 which equals

18                                   (A) the amount of money appropriated from [INCOME OF]  
 19 the Alaska permanent fund [TRANSFERRED] to the dividend fund under  
 20 AS 37.13.143 [AS 37.13.145(b)] during the current year;

21                                   (B) plus the unexpended and unobligated balances of prior  
 22 fiscal year appropriations that lapse into the dividend fund under  
 23 AS 43.23.045(d);

24                                   (C) less the amount necessary to pay prior year dividends from  
 25 the dividend fund in the current year under AS 43.23.005(h) and under  
 26 AS 43.23.055(3) and (7);

27                                   (D) less the amount necessary to pay dividends from the  
 28 dividend fund due to eligible applicants who, as determined by the department,  
 29 filed for a previous year's dividend by the filing deadline but who were not  
 30 included in a previous year's dividend computation;

31                                   (E) less appropriations from the dividend fund during the

1 current year, including amounts to pay costs of administering the dividend  
2 program and the hold harmless provisions of AS 43.23.075;

3 (2) determining the number of individuals eligible to receive a  
4 dividend payment for the current year and the number of estates and successors  
5 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

6 (3) dividing the amount determined under (1) of this subsection by the  
7 amount determined under (2) of this subsection.

8 \* Sec. 9. AS 43.23.028(a) is amended to read:

9 (a) By October 1 of each year, the commissioner shall give public notice of  
10 the value of each permanent fund dividend for that year and notice of the information  
11 required to be disclosed under (3) of this subsection. In addition, the stub attached to  
12 each individual dividend check and direct deposit advice must

13 (1) disclose the amount of each dividend attributable to [INCOME  
14 EARNED BY THE PERMANENT FUND FROM] deposits to that fund required  
15 under art. IX, sec. 15, Constitution of the State of Alaska;

16 (2) disclose the amount of each dividend attributable to [INCOME  
17 EARNED BY THE PERMANENT FUND FROM] appropriations to the permanent  
18 fund [THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO  
19 OFFSET THE EFFECTS OF INFLATION];

20 (3) disclose the amount by which each dividend has been reduced due  
21 to each appropriation from the dividend fund, including amounts to pay the costs of  
22 administering the dividend program and the hold harmless provisions of  
23 AS 43.23.075;

24 (4) include a statement that an individual is not eligible for a dividend  
25 when

26 (A) during the qualifying year, the individual was convicted of  
27 a felony;

28 (B) during all or part of the qualifying year, the individual was  
29 incarcerated as a result of the conviction of a

30 (i) felony; or

31 (ii) misdemeanor if the individual has been convicted of

- 1 a prior felony or two or more prior misdemeanors;
- 2 (5) include a statement that the legislative purpose for making
- 3 individuals listed under (4) of this subsection ineligible is to
- 4 (A) obtain reimbursement for some of the costs imposed on the
- 5 state criminal justice system related to incarceration or probation of those
- 6 individuals;
- 7 (B) provide funds for services for and payments to crime
- 8 victims and for grants for the operation of domestic violence and sexual assault
- 9 programs;
- 10 (6) disclose the total amount that would have been paid during the
- 11 previous fiscal year to individuals who were ineligible to receive dividends under
- 12 AS 43.23.005(d) if they had been eligible;
- 13 (7) disclose the total amount appropriated for the current fiscal year
- 14 under (b) of this section for each of the funds and agencies listed in (b) of this section.

15 \* Sec. 10. AS 37.13.140, 37.13.145, and 37.13.300(c) are repealed.

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

17 read:

18 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.

19 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska

20 permanent fund based on an averaged percent of the fund market value, is approved by the

21 voters during the 2004 general election and takes effect.

22 \* Sec. 12. If this Act takes effect under sec. 11 of this Act, it takes effect on January 1,

23 2005.

# Looking Back at 1976

**Excerpt from the 1976 Official Election Pamphlet  
Statement in Favor of Proposition No. 2  
Alaskans Should Strongly Support the Establishment of a  
Permanent Fund**

**"Just as a wise and prudent family sets aside money in a savings account for the future, so should Alaska's state government set aside a rainy day fund to benefit this and future generations of Alaskans. In a "Permanent Fund" you—the voter—can prevent a major source of income from being doled out for day-to-day needs or desires of state government by placing up to 25% of all revenue generated from non-renewable resources such as mineral leases, rentals, royalties and federal mineral revenue sharing payments and bonuses into such a fund.**

In recent years the state legislature has been spending \$2.00 for every \$1.00 taken in. Authorities estimate that if the present rate of spending continues, Alaska will require a budget in excess of one billion dollars by or before 1980. Establishment of this "Permanent Fund" will provide for the use of the principal for the *income-producing investments only* and provide a businesslike approach of permitting the State to meet countless community needs.

Today, as the result of anticipated oil and gas revenues, Alaska stands on the brink of unprecedented propriety. No one, but no one, argues that these non-renewable resources will last but for a few decades. Similarly, no one should fail to recognize that in those years ahead the cost state government will continue to spiral upwards. Now is the time to ask ourselves the question: **"When the oil and gas is depleted, where will the funds to feed our giant government come from?"** The answer is: **"The Permanent Fund"**.

While it is to be hoped that such a fund may contribute to cutting cost or, at least, holding the line on state spending, **its major value would be that it would require our elected officials to pause, reflect and research, any proposal before blindly authorizing expenditure of taxpayers monies.** This would provide needed time for the press and the public to also be aware of the pending project and its merit, instead of being out of public view and hidden in the spending pattern of normal day-to-day operations. Projects invested in with sources from the "Permanent Fund" could help broaden Alaska's narrow based economy and bring more stability to our State.

We would caution the public that while a "Permanent Fund" could provide a tool for accomplishing real needs for community improvements, it will, in the final analysis, not replace our collective responsibility to elect state administrators and legislators who will use the same reason and restraint in spending the public money as they would their own funds.

Establishment of a "Permanent Fund" is an exciting concept and when approved and properly used can serve long and well the best public interest of Alaskans."

Alaska State Chamber of Commerce

HB 553 : PF Appropriations and Investments

by House Finance / Introduced 4.7.04

# Alaska State Legislature

## House Finance Committee

REPRESENTATIVE  
**BILL WILLIAMS**

Co-Chair

(907) 465-3424

Fax: (907) 465-3793

INTERIM ADDRESS

50 Front Street, Suite 203

Ketchikan, Alaska 99901

(907) 247-4627

Fax: (907) 225-7157



REPRESENTATIVE  
**JOHN HARRIS**

Co-Chair

(907) 465-4859

Fax: (907) 465-3799

INTERIM ADDRESS

State Capitol, Room 507

Juneau, AK 99801-1182

State Capitol, Juneau, Alaska 99801-1182

## Sponsor Statement

### House Bill 553

HB 553 is effective only if a Percent of Market Value (POMV) constitutional amendment is approved by the voters during the 2004 general election and takes effect. HB 553 provides conforming language to existing statute to accommodate changing the constitutional requirement that all income of the Permanent Fund be deposited into the general fund to the more limiting appropriation mechanism of 'up to 5%' of market value in the proposed POMV constitutional amendments which protect the fund's principal.

HB 553 provides that the annual appropriation from the Permanent Fund under the POMV management structure be divided equally between paying individual dividends and public services.

**Section 1:** Amends the basis for the Alaska jury list to people applying for a Permanent Fund Dividend. Former language referenced applicants for a "distribution of Alaska Income."

**Section 2:** Changes Legislative Budget and Audit Committee duties from making annual recommendations for investment policy for the 'income' of the Permanent Fund to making annual recommendations for investment policy for the Permanent Fund.

**Section 3:** Amends statute to direct the Permanent Fund Corporation to invest that value of the fund beyond principal by the 'prudent investor' rule.

**Section 4:** Clarifies how the proceeds from 'up to 5%' of the fund may be spent.

- (a) The legislature may appropriate money to pay the costs of the corporation associated with operating and investing the fund.
- (b) Not more than 50% of the payout may be appropriated to the general fund. Not more than 505% of the payout may be appropriated to the dividend fund.
- (c) States that the corporation shall transfer the money appropriated within 14 days of the effective date of the appropriation.

**Section 5:** The proposed POMV constitutional amendment allows appropriations based on the 'market value' of the fund. This section provides a statutory mandate that

'market value' be determined in accordance with generally accepted accounting principles.

Section 6: Eliminates the current statutory provision that any unexpended operating budget of the Permanent Fund Corporation be included in the determination of 'income' of the fund for the calculation of income available for distribution. The determination of income available for distribution will no longer be required under the proposed POMV constitutional amendment that bases the amount that can be distributed on market value

Section 7: The Permanent Fund Corporation manages the investment portfolio of the Mental Health Trust Authority. Current statute provides that the income from those funds be determined "in the same manner the corporation determines the net income of the Alaska Permanent Fund..." The Mental Health Trust Authority has previously adopted a POMV style management. This section provides a statutory mandate that the net income of the Mental Health Trust fund be determined in accordance with generally accepted accounting principles.

Section 8: This section changes language in the existing Permanent Fund Dividend payment statutes to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the current dividend payment statutes.

Section 9: This section changes language in the disclosures required on the payment stub for Permanent Fund Dividends to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the disclosures required.

Section 10: Repeals statute that will be superceded by operation of the proposed POMV constitutional amendment. AS 37.13.140 defined income and net income of the Permanent Fund for purposes of making distributions. Under the proposed POMV constitutional amendment, distributions are based on Market Value not on income. AS 37.13.145 defined the disposition of the income of the permanent fund including inflation proofing and transfers to the dividend account. Inflation proofing is inherent in the proposed POMV constitutional amendment and Section 3 of this legislation provides for transfers to the dividend account.



# Today's Situation

Permanent Fund Balance

**\$26 billion**



POMV of 5%

**\$1.3 billion**

\$1,000 Dividend Check

**\$650 million**

General Government

**\$650 million**