

**HJR**

**46**

**HFIN**

**FILE**

## ALASKA PERMANENT FUND

### Balance Sheets

Unaudited (millions of dollars)	February 29, 2004	June 30, 2003
<b>Assets</b>		
Cash and temporary investments	\$ 1,314.9	637.8
Receivables, prepaid expenses and other assets	464.7	381.6
Investments —		
Marketable debt securities	9,242.2	9,082.1
Preferred and common stock	15,864.4	12,750.3
Real estate	2,160.2	2,057.1
Alaska certificates of deposit	202.4	196.8
Total investments	27,469.2	24,086.3
<b>TOTAL ASSETS</b>	<b>\$ 29,248.8</b>	<b>25,105.7</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,290.2	220.3
Income distributable to the State of Alaska	0.0	691.1
<b>TOTAL LIABILITIES</b>	<b>1,290.2</b>	<b>911.4</b>
<b>Fund Balances</b>		
Reserved — principal:		
Contributions and appropriations	23,191.5	22,988.0
Unrealized appreciation/depreciation on invested assets	3,678.6	1,106.3
Total reserved	26,870.1	24,094.3
Unreserved:		
Realized earnings account	1,088.5	100.0
<b>TOTAL FUND BALANCES</b>	<b>27,958.6</b>	<b>24,194.3</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 29,248.8</b>	<b>25,105.7</b>



# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HJR 46  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction):  
Title Const. Am: PF Approps/Inflation-Proofing

Dept. Affected: Revenue  
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>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**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) const: 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)

HJR 46 would ask voters in the next general election whether to approve a constitutional amendment that limits appropriations from the Alaska Permanent Fund to the lesser of 5% of the Fund's market value or the market value of the Fund above principal. Principal is defined as \$22,988,019,019.78 plus the deposits and appropriations made to the principal after June 30, 2003.

HJR 46 would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it change the amount of income earned by Permanent Fund investments.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

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



Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under status quo versus POMV spending limit beginning in FY05 (retaining principal distinction).

\$ millions

Status Quo	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	24,456	25,390	26,290	27,203	28,139	29,099	30,081	31,079	32,098	33,131	34,184	
Unrealized appreciation/depreciation on assets	3,488	3,561	3,520	3,725	3,765	4,033	4,094	4,408	4,479	4,824	5,150	
Realized earnings account ( REA, after payouts)	1,965	2,770	3,575	4,037	4,669	5,137	5,842	6,376	7,179	7,789	8,472	
<b>Total market value end of year (after payouts)</b>	<b>29,909</b>	<b>31,722</b>	<b>33,385</b>	<b>34,965</b>	<b>36,573</b>	<b>38,268</b>	<b>40,017</b>	<b>41,863</b>	<b>43,755</b>	<b>45,743</b>	<b>47,806</b>	<b>47,806</b>
Total dividend appropriation	595	695	919	1,119	1,204	1,239	1,305	1,332	1,412	1,449	1,514	12,782
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	788	813	840	866	8,138
POMV - 5% (beginning in FY05)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	23,836	24,128	24,362	24,586	24,810	25,033	25,254	25,466	25,673	25,867	26,055	
Unrealized appreciation/depreciation on assets	3,488	3,538	3,460	3,614	3,607	3,813	3,820	4,056	4,065	4,316	4,542	
Realized earnings account ( REA, after payouts)	1,862	2,630	3,545	4,226	5,054	5,684	6,530	7,172	8,059	8,731	9,450	
<b>Total market value end of year (after payouts)</b>	<b>29,187</b>	<b>30,295</b>	<b>31,367</b>	<b>32,427</b>	<b>33,471</b>	<b>34,530</b>	<b>35,604</b>	<b>36,694</b>	<b>37,796</b>	<b>38,914</b>	<b>40,047</b>	<b>40,047</b>
5 year average market value lagged one year	26,333	26,896	28,038	29,701	31,506	32,774	33,907	35,039	36,174	37,313	38,460	
Total available for appropriation	1,317	1,345	1,402	1,485	1,575	1,639	1,695	1,752	1,809	1,866	1,923	17,807
payout 50% lump sum dividend	658	672	701	713	786	819	848	876	904	933	961	8,904
payout 50% for government services	658	672	701	743	788	819	848	876	904	933	961	8,904

Assumptions:

- Both scenarios show payouts after inflation.
- POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.
- Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 02/29/04. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

# FISCAL NOTE

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

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR 46  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title Constitutional amendment relating to the RDU Elections  
principal of the AK permanent fund limiting appropriations Component Elections  
 Sponsor House Finance Committee  
 Requester House Finance Component No. 21

**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	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</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>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</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)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Leonard G. Jones Phone 465-3051  
 Division: Division of Elections Date/Time 4/8/04 5:02 PM  
 Approved by: Laura A. Glaiser, Director Date 4/8/2004  
 Agency: Office of the Lt. Governor, Division of Elections

HOUSE JOINT RESOLUTION NO. 46

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 RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the  
2 principal of the Alaska permanent fund; limiting appropriations from the Alaska  
3 permanent fund to amounts equal to that part of the market value of the fund that  
4 exceeds the principal based on an averaged percent of the fund market value.

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

6 \* Section 1. Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

7 Section 15. Alaska Permanent Fund. (a) At least twenty-five per cent of all  
8 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing  
9 payments and bonuses received by the State shall be placed in a permanent fund, the  
10 principal of which shall be used only for those income-producing investments  
11 specifically designated by law as eligible for permanent fund investments. Only  
12 amounts equal to that part of the market value of the fund that exceeds the  
13 principal may be appropriated, subject to (b) of this section. The principal of the  
14 fund equals \$22,988,019,019.78 plus the sum of the following deposits made  
15 between June 30, 2003, and the date the principal is being determined:

1                   (1) all deposits to the fund made under this subsection; and  
2                   (2) all appropriations made to the principal [ALL INCOME FROM  
3           THE PERMANENT FUND SHALL BE DEPOSITED IN THE GENERAL FUND  
4           UNLESS OTHERWISE PROVIDED BY LAW].

5       \* Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding a  
6       new subsection to read:

7                   (b) Appropriations from the permanent fund for a fiscal year may not  
8           exceed five percent of the average of the market values of the fund on June 30 for the  
9           first five of the six fiscal years immediately preceding that fiscal year.

10       \* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new  
11       section to read:

12                   Section 30. Transition. (a) On the effective date of the 2004 amendment  
13           relating to the Alaska permanent fund (art. IX, sec. 15), the unencumbered,  
14           unappropriated balance of the earnings reserve account established under  
15           AS 37.13.145(a) is added to the Alaska permanent fund, but not as part of the  
16           principal.

17                   (b) The 2004 amendment relating to the Alaska permanent fund first applies to  
18           appropriations for fiscal year 2006. Appropriations from the permanent fund for fiscal  
19           year 2005 are subject to Section 15 of Article IX as that section read on June 30, 2004.

20       \* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of  
21       the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
22       State of Alaska, and the election laws of the state.

HJR 46 : PF Approps / Inflation-Proofing

by House Finance / Introduced 4.7.04

FN	\$	GOV	21	4.8.04
FN	Ø	DOR	109	4.12.04

# Alaska State Legislature

## House Finance Committee

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## Sponsor Statement

### House Joint Resolution 46

*Proposing amendments to the Constitution of the State of Alaska relating to the principal of the Alaska permanent fund; limiting appropriations from the Alaska permanent fund to amounts equal to that part of the market value of the fund that exceeds the principal based on an average percent of market value.*

HJR 46 proposes an amendment to the constitution that would create a modified Percent of Market Value (POMV) endowment approach to managing the permanent fund.

The amendment would limit appropriations from the fund to up to 5% of the total market value of the fund, averaged over a 5-year period. However, if there is not sufficient market value above principal to payout the 5% calculation, the payout would be restricted to the amount equal to that part of the market value of the fund that exceeds principal.

HJR 46 would protect the principal of the permanent fund by defining the dollar amount, down to the penny, as of June 30, 2003.

The principal will grow over time with the 25% mineral lease rentals, royalties, etc. that will continue to be automatically deposited into it. Further, the principal could grow by legislative appropriation.

This modified POMV approach with a 5% spending limit and protection of the principal assures that over time, only *real* (net of inflation) income of the fund can be appropriated and that the fund's principal will not be touched.