

HJR

47

HFIN

FILE

HJR 47 - PF Approps / Inflation Proofing

by House Finance / Introduced 4.7.04

- different title than HJR 46 : permits approps
for cost of administering the Fund, dividends
and public education

FN	\$	GOV	21	4.8.04
FN	Ø	DOR	109	4.12.04

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HJR 47
() 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						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

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 5:00 PM
Approved by: Laura A. Glaiser, Director Date 4/8/2004
Agency: Office of the Lt. Governor, Division of Elections

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HJR 47
() Publish Date: _____

Revision Date/Time (Note if correction): _____
Title Const. Am: PF Approps/Inflation-Proofing
Sponsor House Finance Committee
Requester House Finance Committee

Dept. Affected: Revenue
RDU AK Permanent Fund Corporation
Component AK Permanent Fund Corporation
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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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)

HJR 47 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 47 would only allow appropriations from the Fund for operating costs, dividends and education spending. HJR 47 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	
Total market value end of year (after payouts)	29,909	31,722	33,385	34,965	36,573	38,268	40,017	41,863	43,755	45,743	47,806	47,806
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	
Total market value end of year (after payouts)	29,187	30,295	31,367	32,427	33,471	34,530	35,604	36,694	37,796	38,914	40,047	40,047
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	1,679	1,695	1,752	1,809	1,866	1,923	17,807
payout 50% lump sum dividend	658	672	701	743	788	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.

Alaska State Legislature

House Finance Committee



State Capitol, Juneau, Alaska 99801-1182

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

Sponsor Statement

House Joint Resolution 47

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; and permitting appropriations from the permanent fund only for costs of administering the fund, a program of dividend payments for state residents, and public education

HJR 47 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 47 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.

HJR 47 limits appropriations from the payout to only being used for the following purposes: 1) costs of administering the permanent fund, 2) dividends to state residents, and 3) public education.

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.

ALASKA PERMANENT FUND

Balance Sheets

Unaudited (millions of dollars)	February 29, 2004	June 30, 2003
Assets		
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
TOTAL ASSETS	\$ 29,248.8	25,105.7
Liabilities		
Accounts payable	\$ 1,290.2	220.3
Income distributable to the State of Alaska	0.0	691.1
TOTAL LIABILITIES	1,290.2	911.4
Fund Balances		
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
TOTAL FUND BALANCES	27,958.6	24,194.3
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,248.8	25,105.7