

SJR

32

SFIN

FILE

SJR 32

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee



SENATOR KIM ELTON

SJR 32

Guaranteeing 80% of POMV money for dividends

Sponsor Statement

Governor Murkowski's Conference of Alaskans carefully examined several questions regarding the Alaska Permanent Fund. The conferees' letter to Alaskans stated, "Permanent Fund Dividends provide the crucial link between the Permanent Fund and its true owners, the People of Alaska, and so they too must continue." They concluded that after paying dividends, Alaska must use some earnings from the fund. They also supported state policy makers supplementing spending from the Permanent Fund earnings stream with income and other taxes. Senate Joint Resolution 32 is a vehicle to allow the legislature to take up the conference's recommendation that a portion of the earnings stream be used for dividends and a portion used for spending on state services.

SJR 32 constitutionally guarantees that 80% of the revenue stream from the permanent fund under a Percent of Market Value (POMV) approach to fund management will go to permanent fund dividends. This constitutional amendment takes effect only if a POMV amendment passes the legislature and is approved by the voters. It leaves the remaining 20% to the legislature's discretion.

Paying dividends at 4% of market value (80% of 5% POMV) would make them significantly larger in the next few years, because of the recent downturn in the investment markets. However, in 2000, payment of the dividend required roughly 4.3% of the fund's year-end market value (combining the principal and earnings reserve.) Permanent Fund Corporation analysis of the revenue stream available under CSSJR 18 (STA) projects the current dividend calculation statutes will require an average of approximately 60% of the POMV revenue stream from FY 2004-2015. If historical data from FY 90 to the present is included in that average, the number approaches 76%. Among the benefits of a higher payout is that it provides Alaska's economy with a significant boost to enhance revenue from any future broad based taxes.

The Conference of Alaskans' conclusion was clear: "A reasonable percentage of the Permanent Fund money available under POMV should be constitutionally dedicated to PFDs in order to make them "permanent" like the Fund itself."

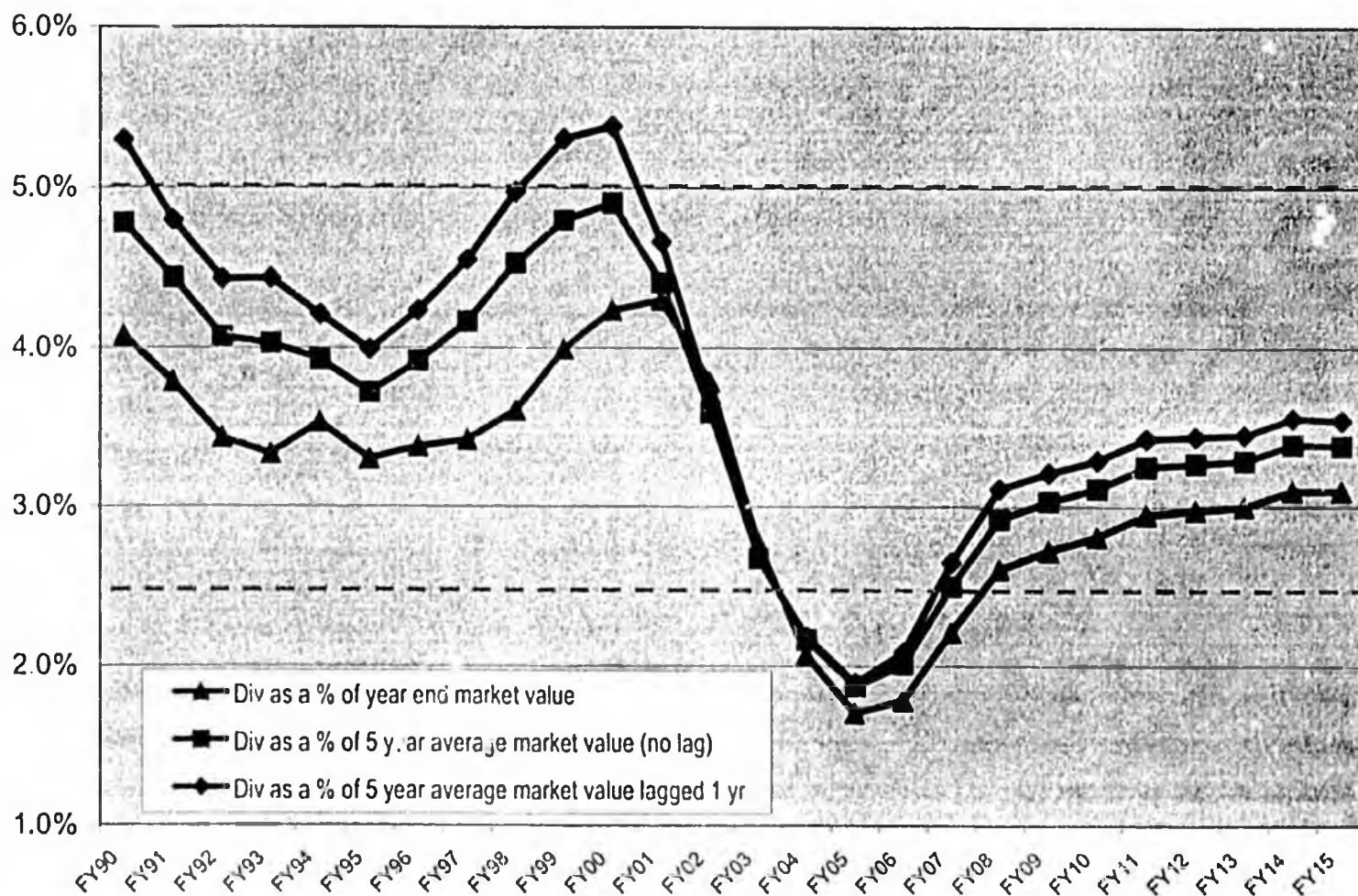
I would appreciate your support.

ALASKA SENATE

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108

SENATOR_KIM_ELTON@LEGIS.STATE.AK.US

Comparison of dividend payout methods Historical and forecasted data



Note: all year end market values are pre-payout

Perm Fund Corp

	Fiscal Year	Ending market value (after payouts)	Actual dividend paid out (based on realized earnings)	Year end market value (before payouts)	5 year average market value (no lag)	Dividend as % of year end market value before payout	Dividend as % of the average five year end market values before payout	5 year average market value (lagged 1 year)	Dividend as % of the average five year end market values before payout (lagged 1 yr)
<i>History</i>	FY85	6,752	217	6,969				3,145	
	FY86	8,481	303	8,784				4,434	
	FY87	8,926	391	9,317				5,803	
	FY88	9,474	424	9,898				6,973	
	FY89	10,555	460	11,015				8,037	
	FY90	11,471	487	11,958	10,194	4.1%	4.8%	9,197	5.3%
	FY91	12,430	489	12,919	11,021	3.8%	4.4%	10,194	4.8%
	FY92	13,735	488	14,223	12,003	3.4%	4.1%	11,022	4.4%
	FY93	15,438	532	15,970	13,217	3.3%	4.0%	12,003	4.4%
	FY94	15,197	556	15,753	14,165	3.5%	3.9%	13,217	4.2%
	FY95	16,555	565	17,120	15,197	3.3%	3.7%	14,165	4.0%
	FY96	18,395	643	19,038	16,421	3.4%	3.9%	15,197	4.2%
	FY97	21,106	747	21,853	17,947	3.4%	4.2%	16,421	4.5%
	FY98	23,872	893	24,764	19,706	3.6%	4.5%	17,947	5.0%
FY99	25,130	1,045	26,175	21,790	4.0%	4.8%	19,706	5.3%	
FY00	26,514	1,173	27,686	23,903	4.2%	4.9%	21,790	5.4%	
FY01	24,812	1,115	25,927	25,281	4.3%	4.4%	23,903	4.7%	
FY02	23,522	926	24,448	25,800	3.8%	3.6%	25,281	3.7%	
FY03	24,194	691	24,885	25,824	2.8%	2.7%	25,800	2.7%	
<i>Actual</i>	FY04	26,672	563	27,236	26,036	2.1%	2.2%	25,824	2.2%
	FY05	28,380	493	28,873	26,273	1.7%	1.9%	26,036	1.9%
	FY06	30,160	548	30,708	27,230	1.8%	2.0%	26,273	2.1%
	FY07	31,899	721	32,621	28,864	2.2%	2.5%	27,230	2.6%
	FY08	33,593	899	34,492	30,786	2.6%	2.9%	28,864	3.1%
	FY09	35,325	989	36,314	32,601	2.7%	3.0%	30,786	3.2%
	FY10	37,094	1,073	38,166	34,460	2.8%	3.1%	32,601	3.3%
	FY11	38,873	1,181	40,054	36,329	2.9%	3.3%	34,460	3.4%
	FY12	40,708	1,250	41,958	38,197	3.0%	3.3%	36,329	3.4%
	FY13	42,601	1,318	43,919	40,082	3.0%	3.3%	38,197	3.5%
	FY14	44,518	1,425	45,943	42,008	3.1%	3.4%	40,082	3.6%
	FY15	46,509	1,488	47,997	43,974	3.1%	3.4%	42,008	3.5%
				average FY90 - FY03	3.7%	4.3%		4.6%	
				average FY04 - FY15	2.6%	2.9%		3.0%	
				average FY90 - FY15	3.2%	3.5%		3.8%	

I verified that this data is based on 10/31/03 financial data and has not been updated with the 11/30/03 financials.

