

**SB**

**128**

<TARGET><BILL>SB 128</BILL><SUBJECT>SB  
128</SUBJECT><COMM>HFIN29</COMM></TARGET>

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# ALASKA STATE LEGISLATURE

**Session:**  
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## **REPRESENTATIVE STEVE THOMPSON** **DISTRICT 2**

### Changes between SB128 29-GS2859\U & SB128 29-GS2859\O

- 1) There's been two portions of the Title has been removed to conform to changes in the bill.
- 2) Page 1 Lines 10 & 11 – Clarifies the intent language of the review of the entire Act created by the bill
- 3) Sections 2, 3 and 12 of the old "U" version have been removed, these sections exempted the Alaska Permanent Fund Corporation from the state procurement code.
- 4) Portions of section 9 which was section 11 in version "U" have been removed, this was the portion of the section that distributed surplus funds into the CBR and corpus
- 5) Page 3 Lines 25 & 26 after the revenue limit of \$1.2 billion it reduces the POMV payout, in the old version it was a \$1.00 for \$1.00 now it is \$.80 cents to a \$1.00
- 6) Page 4 Lines 4 – 7 – Creates new sub section the revenue limit will turn off after that year's payout when the balance of the earning reserves equals 4x POMV maximum payout.
- 7) Page 5 Line 1 – changes the royalty deposits to 22% from 20% for Royalty transfer
- 8) Page 5 Lines 5 – 10 – Allows for the legislature to appropriate general funds to pay a \$1500 dividend if oil and gas production taxes exceeds \$2.3 billion the preceding year. It allows for a larger PFD dividend larger than \$1500 as oil and gas production grows beyond \$2,3 billion
- 9) Page 6 Lines 12 thru 18 – Adds new subsections that guarantees a \$1500 PFD dividend for 2017 2018 and establishes a \$2000 dividend cap adjusted for inflation
- 10) Page 8 Line 10 – Repeals the two \$1500 dividend guarantees in 2019
- 11) Page 8 Lines 19 – 21 - Conforming language tfor certain sections of the bill
- 12) Page 8 Line 23 The \$2000 inflation proofed PFD dividend \$2000 cap begin after July 1, 2019
- 13) Page 8 Line 24 & 25 – Effective immediate for the rest of the bill not specifically mentioned in a previous section

6/15/16

SB 128

2:30 pm

FISCAL NOTES

1 - DOA

1 - DOC

4 - DOR (1 previously published, Red TABS)

1 - Fund CAP

1 - FUND Transfer

\* ALL NEW FN'S

\* except 1 - DOR w/ Red TABS

NEW

REV 2476 F

REV 121 F

REV 109 F

COR 2952 F

HFIN FUNDS TRANSFER F

ADM <sup>FUNDS CAP</sup> 2936 Z

ADM 2694 Z

PREVIOUS

#1 REV 981 Z

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128CS(FIN)-DOR-TAX-06-15-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance Committee

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
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>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<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>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	37,800.0		43,100.0	54,500.0	58,300.0	55,100.0	48,700.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This fiscal note corrects a calculation error. Fiscal impacts were understated in the previous fiscal note.

Prepared By: Dan Stickel, Assistant Chief Economist  
Division: Tax Division  
Approved By: Jerry Burnett, Deputy Commissioner  
Agency: Department of Revenue

Phone: (907)465-3279  
Date: 06/15/2016 09:15 AM  
Date: 06/15/16

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

### Analysis

This legislation makes numerous changes to various aspects of the Permanent Fund program, including changes to the dividend calculation and how Fund earnings are used. One provision of this legislation is to reduce the share of minerals bonuses, rents, and royalties that are deposited to the Permanent Fund from 50% to 25% for certain leases. This fiscal note addresses only the impact of the change in mineral royalty deposits to the Permanent Fund; other provisions of the bill are addressed in other fiscal notes.

The Alaska Constitution mandates that 25% of all minerals bonuses, rents, and royalties be deposited into the Permanent Fund. However, for leases issued after February 15, 1980, a higher 50% of bonuses, rents, and royalties are deposited into the Permanent Fund. This legislation would reduce the contribution rate to the Permanent Fund for those leases to the constitutionally mandated 25% effective July 1, 2016.

Based on the Department of Revenue's Spring 2016 production and price assumptions, this provision of the bill would increase deposits to the General Fund by approximately \$38 million to \$58 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128CS(FIN)-DOR-TRS-6-6-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: GOVERNOR

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Treasury Division  
OMB Component Number: 121

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services		(130.0)	(130.0)	(130.0)	(130.0)	(130.0)	(130.0)	(130.0)
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>

**Fund Source (Operating Only)**

1004 Gen Fund		(130.0)	(130.0)	(130.0)	(130.0)	(130.0)	(130.0)	(130.0)
<b>Total</b>	<b>0.0</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>								
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Prepared By: Pamela Leary - Director  
Division: Treasury  
Approved By: Jerry Burnett-Deputy Commissioner  
Agency: Department of Revenue

Phone: (907)465-3751  
Date: 06/06/2016 03:00 PM  
Date: 06/06/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

**Analysis**

HB245 and SB 138 contemplate that the Constitutional Budget Reserve Fund (CBRF) would be managed by the APFC. The cost of managing the CBRF at Treasury in FY16 was approximately \$1.4 million. The Treasury division allocates all of its costs for managing investments based upon a federally approved cost allocation plan such that all costs are charged to funds based on the relative asset value of each fund managed to all funds managed at the Treasury. Therefore, with the exception of approximately \$130 thousand in external management fees which would go away, all other costs associated with managing the CBRF would be allocated to the other funds in the Treasury. This fiscal note reflects the approximate costs that would be required to be allocated to the other funds

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128CS(FIN)-DOR-APFC-6-14-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance

Department: Department of Revenue  
Appropriation: Alaska Permanent Fund Corporation  
Allocation: APFC Operations  
OMB Component Number: 109

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services	14,800.0		14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>14,800.0</b>	<b>0.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>

**Fund Source (Operating Only)**

1105 PF Gross	14,800.0		14,800.0	14,800.0	14,800.0	14,800.0	14,800.0
<b>Total</b>	<b>14,800.0</b>	<b>0.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>	<b>14,800.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	383,640.0		380,100.0	362,160.0	344,720.0	326,070.0	304,750.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

CS would transfer management of the Constitutional Budget Reserve to APFC. Anticipated earnings on the CBR have been added to reflect change in revenues.

Prepared By: Paulyn Swanson  
Division: Alaska Permanent Fund Corporation  
Approved By: Angela Rodell  
Agency: Alaska Permanent Fund Corporation

Phone: (907)796-1520  
Date: 06/14/2016 12:00 AM  
Date: 06/14/16

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

### Analysis

This bill transfers management of the Constitutional Budget Reserve to APFC.

This fiscal note assumes that this transfer would result in a net increase of assets under management of approximately \$5 billion, or approximately 10% of the total fund. The projected increase in management fees is reflected above. It is assumed that earnings are being spent and there would be no change to the CBR principal balance.

In addition, the bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25% of the average market value of the fund, including earnings reserve, for the first five of the preceding six fiscal years. This draw would be allocated between the Dividend Fund and the General Fund. Managing toward this liability may change the asset allocation of the Permanent Fund, however at this time it is difficult to forecast if it would impact the asset allocation to a degree that would require additional investment staff, accounting staff or related resources.

It is assumed that the CBR is invested in the same asset allocation as the Fund.

#### CBR Projected Revenue Assumptions

- Callan 10-yr return assumption 6.9%
- Based Upon Callan's 10-yr total return projection
- Initial transfer occurs on 7/1/16
- Deposit and draws occur on 7/1
- Beginning balance, deposits, and draw amounts provided by Department of Revenue.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128CS(FIN)-DOC-PHC-06-14-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: (H) Finance

Department: Department of Corrections  
Appropriation: Health and Rehabilitation Services  
Allocation: Physical Health Care  
OMB Component Number: 2952

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
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>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund			11,200.3	11,200.3	11,200.3	10,594.3	10,416.7
1171 PFD Crim			(11,200.3)	(11,200.3)	(11,200.3)	(10,594.3)	(10,416.7)
<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>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This revised fiscal note reflects Senate Committee Substitute changes.

Prepared By: April Wilkerson  
Division: Administrative Services - Department of Corrections  
Approved By: Dean Williams  
Agency: Department of Corrections

Phone: (907)465-3460  
Date: 06/14/2016 07:23 PM  
Date: 06/14/16

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

### Analysis

Passage of this legislation will change the way permanent fund dividends are calculated having an impact on the amount of Permanent Fund Dividend criminal funds allocated to the Department of Corrections Physical Health Care component.

The Department of Corrections Physical Health Care component receives permanent fund dividend criminal funds which are based on a fluctuating annual PFD amount and the number of persons deemed ineligible during the appropriate year. The amount of PFD Criminal Funds appropriated to corrections for FY2017 was \$20,236,900.00 based on the CY2015 annual PFD amount of \$2,072.00 and an estimated 10,448 individuals deemed ineligible under AS 43.23.005(d).

Based on the Office of Management and Budget projections and using the same number of individuals identified as ineligible, this legislation would adjust the amount of PFD Criminal Funds available for allocation to the department requiring fund source changes as follows:

FY2018, FY2019 and FY2020 impacts are projected to be the same with an estimated dividend of \$1,000.00 per eligible recipient. This impact would reduce PFD Criminal Funds (\$11,200.3) increasing General Funds \$11,200.3 for these three fiscal years within the Physical Health Care component.

The FY2021 projections reflect a slight increase to the annual dividend to \$1,058.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$606.0 reducing General Funds (\$606.0) for a continued impact of (\$10,594.3) PFD Criminal Funds / \$10,594.3 General Funds within the Physical Health Care component.

The FY2022 projections reflect another slight increase for an annual dividend of \$1,075.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$177.6 reducing General Funds (\$177.6) for a continued impact of (\$10,416.7) PFD Criminal Funds / \$10,416.7 General Funds within the Physical Health Care component.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128 HFIN CBR 6-14-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance

Department: Fund Transfers  
Appropriation: OpSys Other Transfers (non-add)  
Allocation: Constitutional Budget Reserve Fund  
OMB Component Number: 2848

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>0.0</b>

**Fund Source (Operating Only)**

None							
<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>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	323,000.0		268,000.0	215,000.0	171,000.0	132,000.0	90,000.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

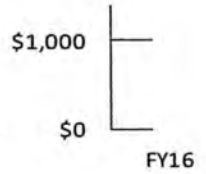
Initial Version

Prepared By: Representative Neuman Phone: (907)465-2679  
House Finance Committee Date: 06/13/2016  
Representative Thompson  
House Finance Committee

FISCAL NOTE ANALYSIS

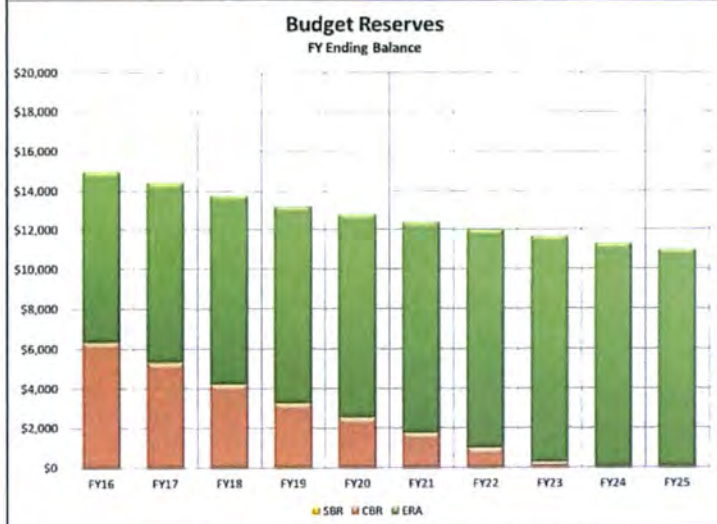
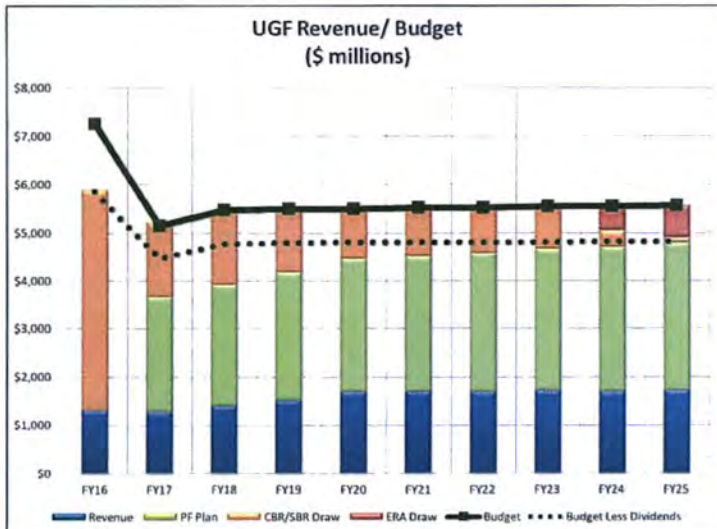
STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB128



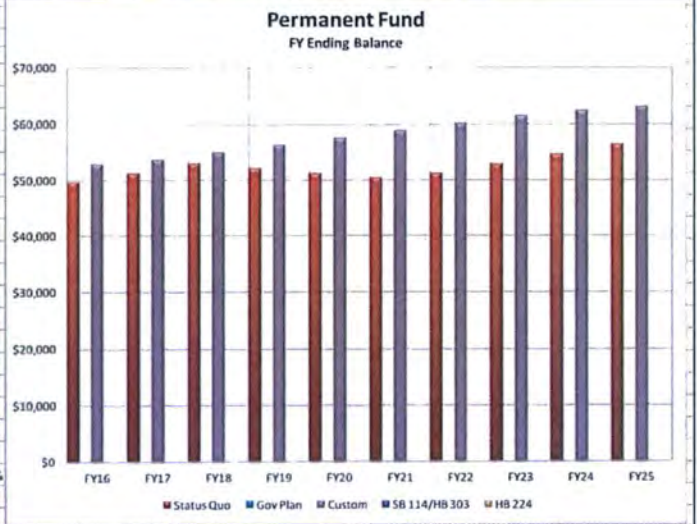
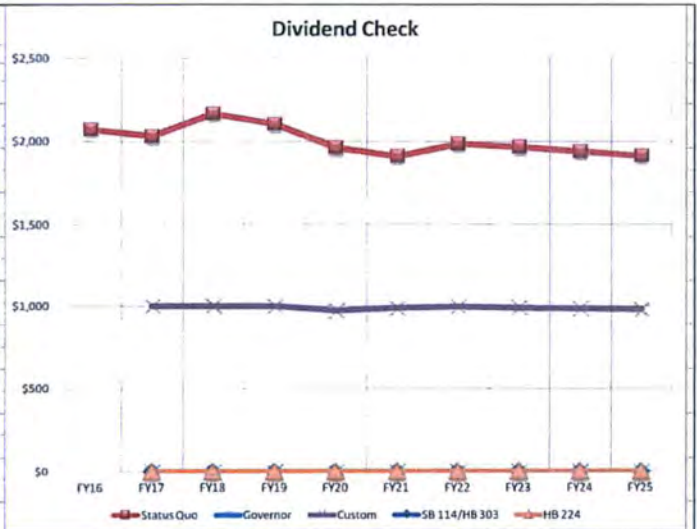
**Analysis**

Moving management of the Constitutional Budget Reserve (CBR) from Treasury to the permanent fund corporation and removing investment limitations will allow the CBR to be co-mingled with the permanent fund for investment purposes. This will increase CBR earnings from about 1.5% to 7.25%. This fiscal note reflects additional earnings attributable to of this legislation. Assumptions are summarized in the model output on the following page.



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Reserves	14,390	13,723	13,146	12,749	12,346	11,967	11,619	11,277	10,980
Deficit	-1,553	-1,542	-1,312	-1,038	-1,007	-951	-875	-844	-781
Years to Exhaust	9	9	10	12	12	13	13	13	14
POMVS	2,386	2,518	2,662	2,772	2,829	2,883	2,952	3,021	3,090
Dividends	(685)	(694)	(702)	(692)	(711)	(725)	(730)	(736)	(742)
Net POMVS	1,701	1,824	1,959	2,080	2,118	2,158	2,221	2,285	2,348

Price Scenario		Spring 2016
<b>COST VARIABLES</b>		
<b>Operating Budget</b>		
Non-Formula	0.00%	
K-12 Formula	0.00%	
Medicaid Formula	0.00%	
Other Formula	0.00%	
Target cut (FY18+)	\$	-
<b>Statewide Budget</b>		
Community Assistance	15.0	
PRS/TRS/CA Bills	n	
<b>Capital Budget (FY18-25)</b>		
	185.0	
<b>REVENUE VARIABLES</b>		
Sales Tax	n	
Income Tax	n	
Motor Fuel Tax	n	
Tax Bill Package	None	
Tax Credit Reform	CC	
<b>Perm Fund Plans</b>		
Governor	n	
	\$	3,300
Custom	y	
<b>Perm Fund Variables</b>		
IP	1	
SQ Stop PFD if 0	1	
Inflation Rate	2.25%	
PF Investment Return	7.25%	
Percent Realized		
<b>Custom Plan Specifications</b>		
POMV Payout	5.25%	
POMV to Dividend:	20.0%	
Dividend % of royalties:	20.0%	
Dividend % of CBR balance:	0.0%	
Dividend % of SNI	0.0%	
Dividend Floor:	\$	1,000
Floor Ends		19
Dividend Cap:	n	
Fixed Dollar Dividend:	\$	-
POMV limit (%of prior yr approps):	n	
POMV Limit (reduce if rev exceeds):	\$	1,200
Reduce by x%:	100.0%	
<b>Closed Applications:</b>		
Fill FY17 w/ ERA	n	
Reserve Priority	CBR	
CBR Earnings	7.25%	



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,866
Target PF	53,621	54,943	56,233	57,512	58,827	60,162	61,504	62,343	62,989
PF Value	100%	101%	101%	101%	101%	101%	101%	100%	99%
% Value Effective %	4.56%	4.70%	4.84%	4.93%	4.92%	4.90%	4.91%	4.91%	4.96%

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128-Fund Cap-Dup-CVCF-03-22-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Fund Capitalization  
Appropriation: Caps Spent as Duplicated Funds  
Allocation: Crime Victim Compensation Fund  
OMB Component Number: 2936

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>0.0</b>

**Fund Source (Operating Only)**

None							
<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>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Not known  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Updated from indeterminate to zero.

Prepared By:	Kate Hudson	Phone:	(907)465-5525
Division:	Violent Crimes Compensation Board	Date:	03/22/2016 03:00 PM
Approved By:	Sheldon Fisher, Commissioner	Date:	03/22/16
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

**Analysis**

There will be zero financial impact of this bill on the Crime Victim Compensation Fund because it is assumed that any reductions in the permanent fund dividend will be absorbed by the Department of Corrections.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 128  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB128-DOA-VCCB-03-22-16  
Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Administration  
Appropriation: Violent Crimes Compensation Board  
Allocation: Violent Crimes Compensation Board  
OMB Component Number: 2694

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>0.0</b>

**Fund Source (Operating Only)**

None							
<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>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Not known  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Updated from indeterminate to zero.

Prepared By:	Kate Hudson	Phone:	(907)465-5525
Division:	Violent Crimes Compensation Board	Date:	03/22/2016 03:00 PM
Approved By:	Sheldon Fisher, Commissioner	Date:	03/22/16
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. SB 128

**Analysis**

There will be zero financial impact of this bill on the Violent Crimes Compensation Board because it is assumed that any reductions in the permanent fund dividend will be absorbed by the Department of Corrections.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	SB 128
Fiscal Note Number:	1
(S) Publish Date:	1/19/2016

Identifier: DOR-PFD-1-15-16  
 Title: PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Revenue  
 Appropriation: Taxation and Treasury  
 Allocation: Permanent Fund Dividend Division  
 OMB Component Number: 981

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>0.0</b>

**Fund Source (Operating Only)**

None							
<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>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable, initial version.
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Prepared By:	Sara Race, Director	Phone:	(907)465-4785
Division:	Permanent Fund Dividend	Date:	01/14/2016 04:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	01/14/16
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

## Analysis

**Bill Analysis**

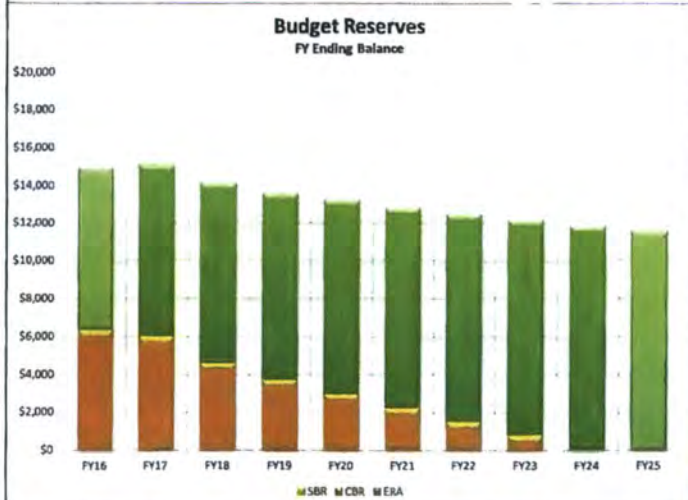
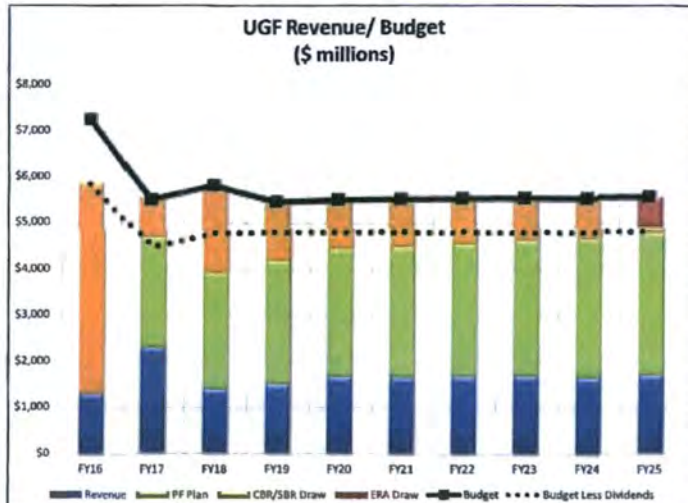
The Permanent Fund Dividend distribution amount has been calculated using the formula defined in Alaska statute since 1986. Annually, in mid-September, the appropriated funds available, total estimated number of eligible applicants, total reductions due to reserves for prior year liabilities and obligations to other appropriations are variables that are entered into the set formula.

Establishing a fixed \$1000.00 dividend for 2016 with a new calculation used thereafter, is a significant alteration to this annual process. However, it will have a minimal impact on program operations. The primary changes in this legislation will have the greatest impact on the 2016 dividend.

With the 2016 dividend application period beginning January 1, 2016, the Charitable Contribution pledge threshold has been implemented and set at \$2300.00. The set amount will be used throughout the duration of the filing period with the anticipation that a true up will occur with all 638 of the participating organizations upon this legislation passing.

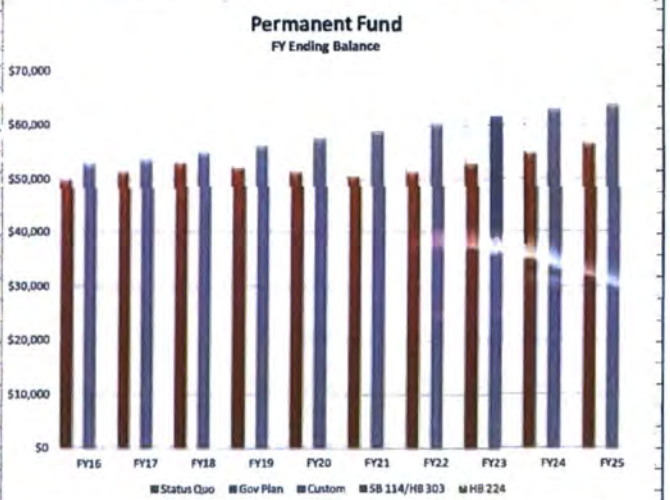
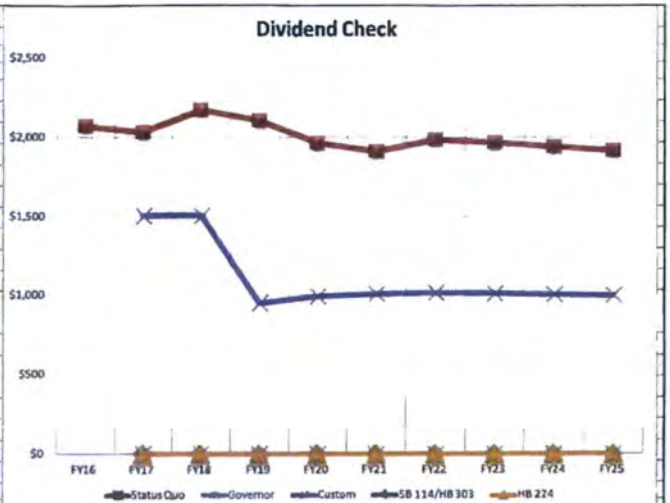
For the 2016 dividend, we estimate to receive 670,000 to 673,000 applications, of which we estimate between 640,000 and 647,000 applicants will be eligible for payment. Therefore, roughly \$647,000,000 will need to be available for the 2016 dividend at \$1000.00. In addition to that, a \$900,000 reserve for prior year liabilities, along with appropriated amounts associated with the hold-harmless provision for Public Assistance \$17,724,700, Physical Health Care \$20,236,900, and the Violent Crimes Compensation Board \$1,411,400, and the Division's Administrative costs \$8,361,200. For an approximate total of \$695,634,200.00, given the division's carry forward fund balance is similar to prior years, \$11,500,000.00.

In future years, this impact will decrease as the new calculated amount will be known prior to the current year dividend application being created, tested, and implemented. Overall, the calculation and operational methods to determine an estimated number of eligible applicants, amount available for appropriation, and reserves for prior year liabilities would not change. The amount available for annual transfer would be the only alteration to the process, which is one of the modifications presented in this bill. The annual amount would be equal to 50 percent of the resource royalties received by the state, instead of a five year average from the earning reserve account. Annual dividend payouts will continue to occur the first Thursday in October and the third Thursday of every month thereafter.

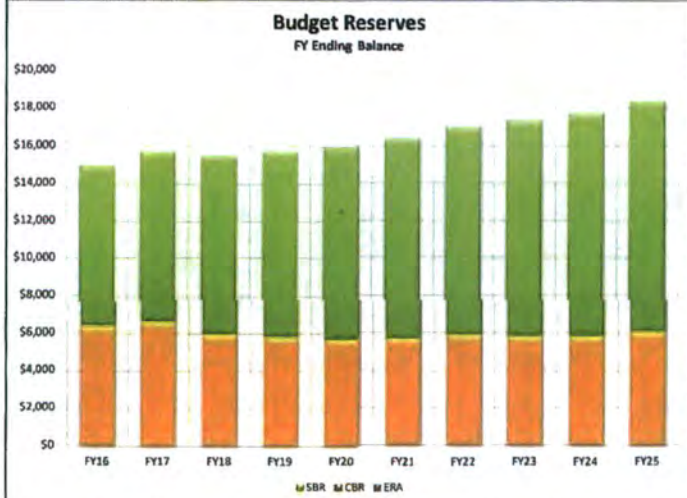
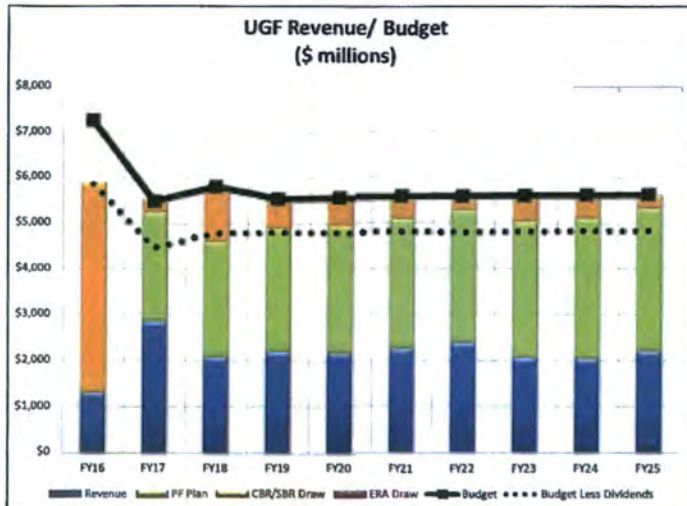


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Reserves	15,092	14,122	13,601	13,212	12,818	12,448	12,111	11,765	11,483
Deficit	-876	-1,884	-1,286	-1,061	-1,031	-975	-898	-866	-781
Years to Exhaust	17	7	11	12	12	13	13	14	15
POMVS	2,386	2,518	2,662	2,772	2,829	2,883	2,952	3,021	3,090
Dividends	(1,014)	(1,027)	(667)	(705)	(726)	(740)	(744)	(749)	(754)
Net POMVS	1,372	1,491	1,994	2,067	2,104	2,143	2,207	2,271	2,335

Price Scenario Spring 2016	
<b>COST VARIABLES</b>	
<b>Operating Budget</b>	
Non-Formula	0.00%
K-12 Formula	0.00%
Medicaid Formula	0.00%
Other Formula	0.00%
Target cut (FY18+)	\$ -
<b>Statewide Budget</b>	
Community Assistance	15.0
PRS/TRS/CA Bills	n
<b>Capital Budget (FY18-25)</b>	
	185.0
<b>REVENUE VARIABLES</b>	
Sales Tax	n
Income Tax	n
Motor Fuel Tax	n
Tax Bill Package	None
Tax Credit Reform	CC
<b>Perm Fund Plans</b>	
Governor	n
	\$ 3,300
Custom	y
<b>Perm Fund Variables</b>	
IP	1
SQ Stop PFD if 0	1
Inflation Rate	2.25%
PF Investment Return	7.25%
Percent Realized	
<b>Custom Plan Specifications</b>	
POMV Payout	5.25%
POMV to Dividend:	20.0%
Dividend % of royalties:	22.0%
Dividend % of CBR balance:	0.0%
Dividend % of SNI	0.0%
Dividend Floor:	\$ 1,500
Floor Ends	18
Dividend Cap:	\$ 2,000
Fixed Dollar Dividend:	\$ -
POMV limit (% of prior yr approps):	n
POMV Limit (reduce if rev exceeds):	\$ 1,200
Reduce by x%:	100.0%
<b>Closed Applications:</b>	
Fill FY17 w/ ERA	n
Reserve Priority	CBR
CBR Earnings	7.25%

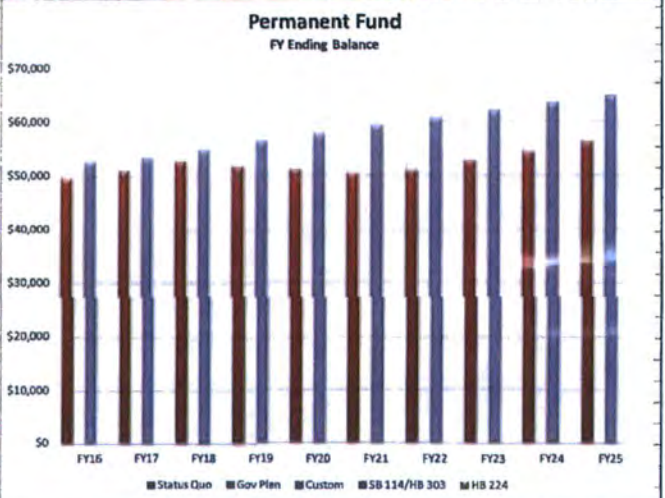
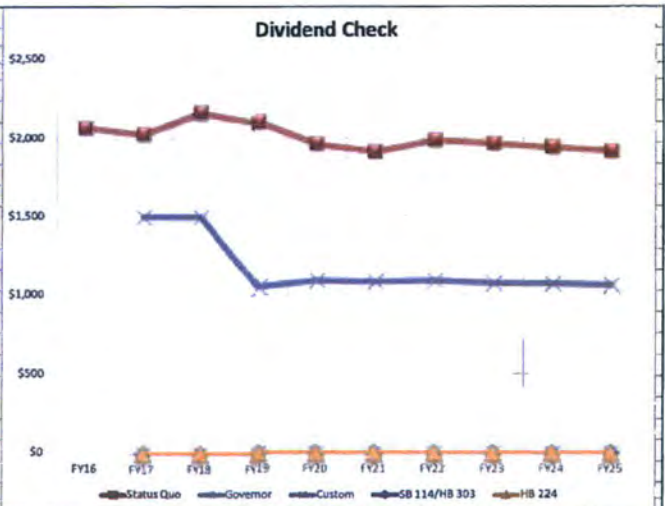


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PF									
Target PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,866
PF Value	53,621	54,943	56,233	57,512	58,827	60,162	61,504	62,830	63,509
% Value	100%	101%	101%	101%	101%	101%	101%	101%	99%
Effective %	2.62%	4.70%	4.84%	4.93%	4.92%	4.90%	4.91%	4.91%	4.92%



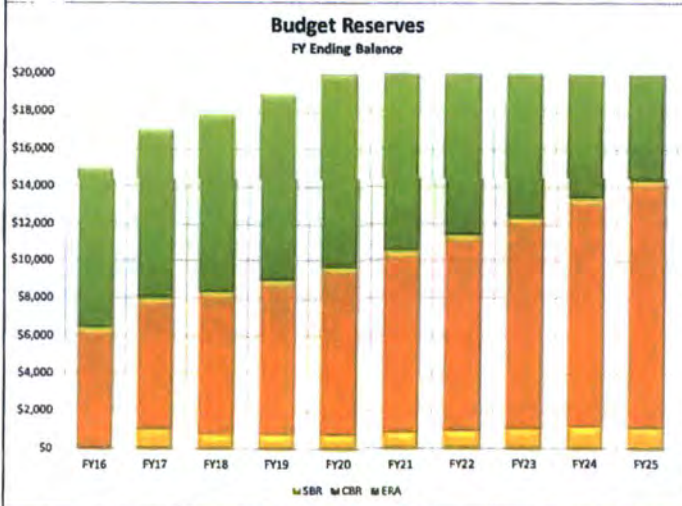
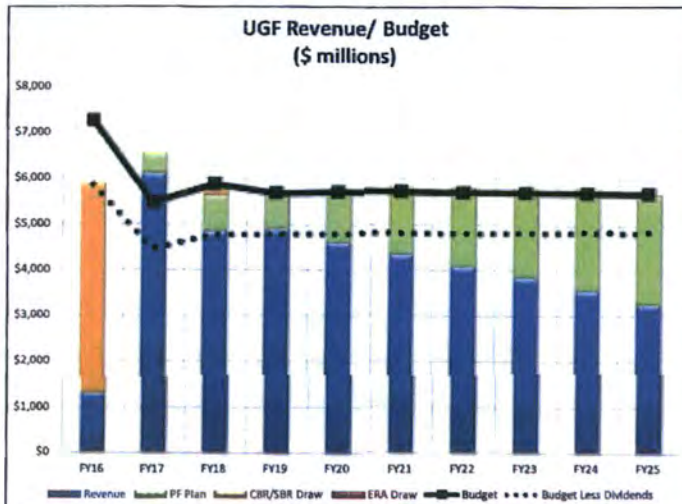
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Reserves	15,679	15,475	15,722	15,973	16,349	16,934	17,274	17,674	18,324
Deficit	-309	-1,191	-650	-606	-495	-315	-573	-519	-284
Years to Exhaust	51	13	24	26	33	54	30	34	65
POMVS	2,386	2,518	2,663	2,775	2,836	2,894	2,969	3,043	3,117
Dividends	(1,014)	(1,027)	(734)	(772)	(777)	(791)	(790)	(798)	(803)
Net POMVS	1,372	1,491	1,928	2,003	2,059	2,103	2,179	2,245	2,314

Price Scenario		Fall 2015
<b>COST VARIABLES</b>		
<b>Operating Budget</b>		
Non-Formula	0.00%	
K-12 Formula	0.00%	
Medicaid Formula	0.00%	
Other Formula	0.00%	
Target cut (FY18+)	\$	-
<b>Statewide Budget</b>		
Community Assistance	15.0	
PRS/TRS/ICA Bills	n	
<b>Capital Budget (FY18-25)</b>		
	185.0	
<b>REVENUE VARIABLES</b>		
Sales Tax	n	
Income Tax	n	
Motor Fuel Tax	n	
Tax Bill Package	None	
Tax Credit Reform	CC	
<b>Perm Fund Plans</b>		
Governor	n	
	\$	3,300
Custom	y	
<b>Perm Fund Variables</b>		
IP	1	
SQ Stop PFD If 0	1	
Inflation Rate	2.25%	
PF Investment Return	7.25%	
Percent Realized		
<b>Custom Plan Specifications</b>		
POMV Payout	5.25%	
POMV to Dividend:	20.0%	
Dividend % of royalties:	22.0%	
Dividend % of CBR balance:	0.0%	
Dividend % of SNI	0.0%	
Dividend Floor:	\$ 1,500	
Floor Ends	18	
Dividend Cap:	\$ 2,000	
Fixed Dollar Dividend:	\$ -	
POMV limit (%of prior yr approps):	n	%
POMV Limit (reduce if rev exceeds):	\$ 1,200	
Reduce by x%:	80.0%	
<b>Closed Applications:</b>		
Fill FY17 w/ ERA	n	
Reserve Priority	CBR	
CBR Earnings	7.25%	



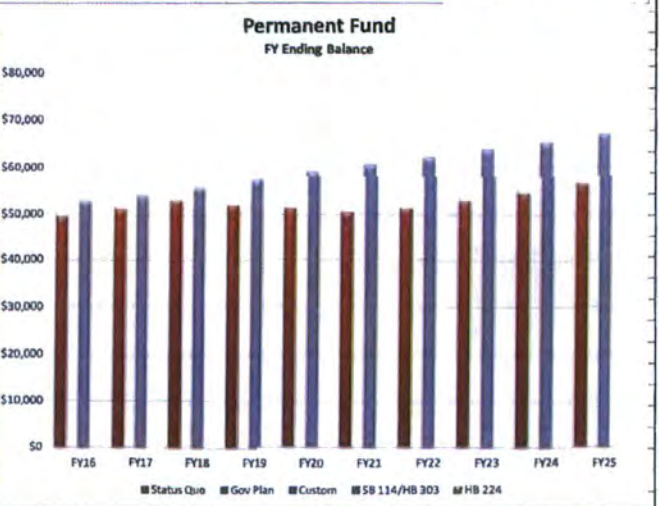
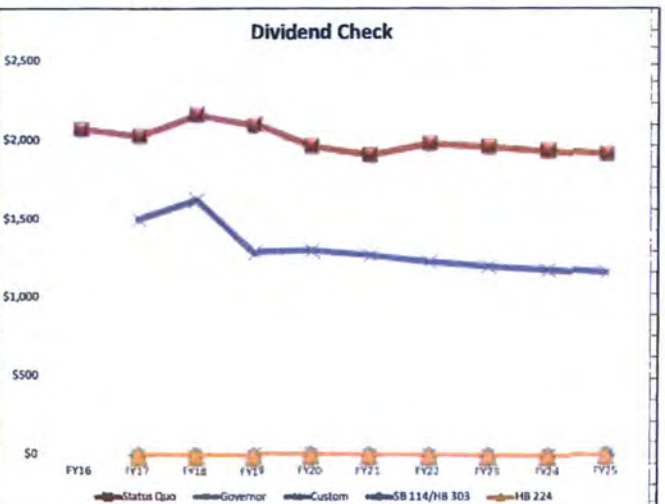
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PE									
Target PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,866
PF Value	53,716	55,151	56,560	57,939	59,354	60,783	62,223	63,670	65,126
% Value	100%	101%	101%	101%	102%	102%	102%	102%	102%
Effective %	2.62%	4.69%	4.83%	4.91%	4.89%	4.88%	4.88%	4.89%	4.90%

LFD Fiscal Model

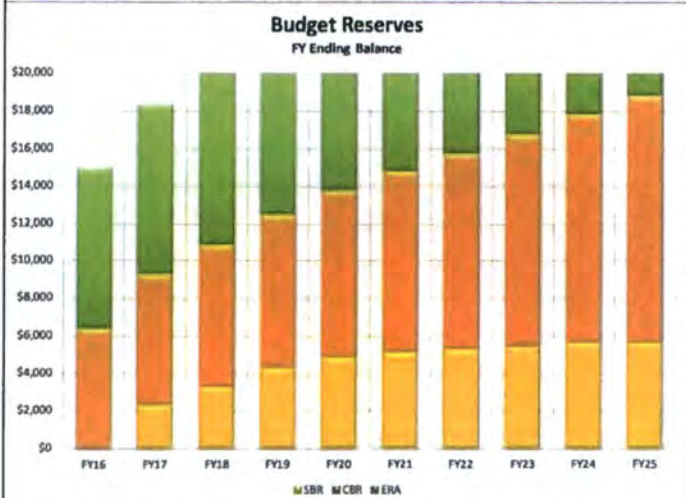
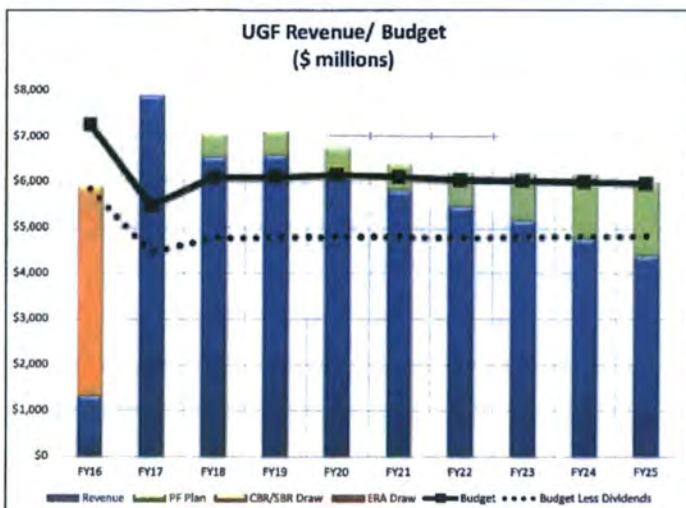


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Reserves	16,998	17,816	18,880	19,952	21,224	22,574	23,967	25,457	26,858
Deficit	999	-252	-1	-17	109	110	90	117	-44
Years to Exhaust	*	71	13,395	1,184	*	*	*	*	610
POMVS	2,386	2,518	2,666	2,785	2,854	2,924	3,012	3,099	3,185
Dividends	(1,014)	(1,112)	(896)	(915)	(906)	(891)	(884)	(878)	(873)
Net POMVS	1,372	1,406	1,770	1,870	1,948	2,033	2,128	2,221	2,312

Price Scenario	110
<b>COST VARIABLES</b>	
Operating Budget	
Non-Formula	0.00%
K-12 Formula	0.00%
Medicaid Formula	0.00%
Other Formula	0.00%
Target cut (FY18+)	\$ -
Statewide Budget	
Community Assistance	15.0
PRS/TRS/CA Bills	n
Capital Budget (FY18-25)	185.0
<b>REVENUE VARIABLES</b>	
Sales Tax	n
Income Tax	n
Motor Fuel Tax	n
Tax Bill Package	None
Tax Credit Reform	CC
<b>Perm Fund Plans</b>	
Governor	n
	\$ 3,300
Custom	y
<b>Perm Fund Variables</b>	
IP	1
SQ Stop PFD if 0	1
Inflation Rate	2.25%
PF Investment Return	7.25%
Percent Realized	
<b>Custom Plan Specifications</b>	
POMV Payout	5.25%
POMV to Dividend:	20.0%
Dividend % of royalties:	22.0%
Dividend % of CBR balance:	0.0%
Dividend % of SNI:	0.0%
Dividend Floor:	\$ 1,500
Floor Ends	18
Dividend Cap:	\$ 2,000
Fixed Dollar Dividend:	\$ -
POMV limit (%of prior yr approps):	n %
POMV Limit (reduce if rev exceeds):	\$ 1,200
Reduce by x%:	80.0%
Closed Applications:	
Fill FY17 w/ ERA	n
Reserve Priority	CBR
CBR Earnings	7.25%

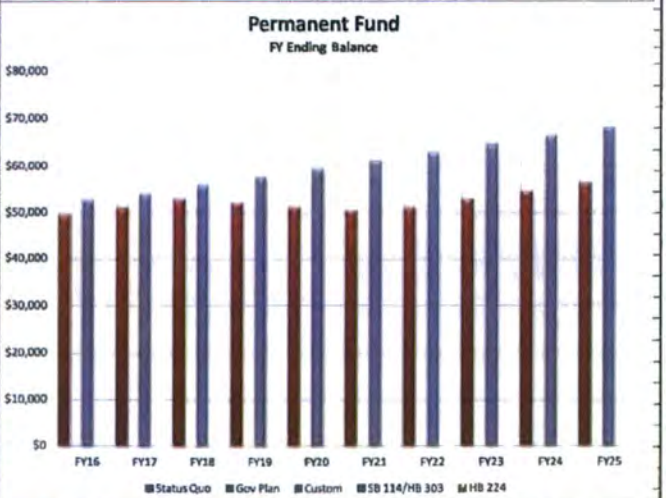
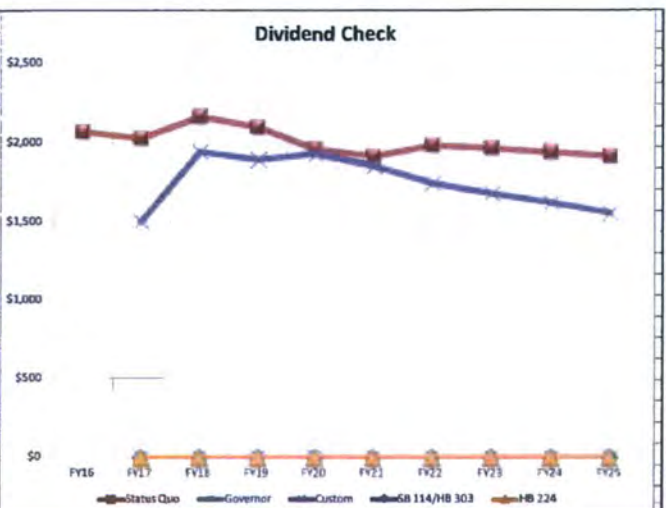


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,868
Target PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,868
PF Value	54,025	55,736	57,406	59,035	60,660	62,287	63,900	65,500	67,091
% Value	101%	102%	103%	103%	104%	104%	105%	105%	105%
Effective %	2.62%	4.66%	4.78%	4.85%	4.83%	4.82%	4.84%	4.85%	4.86%

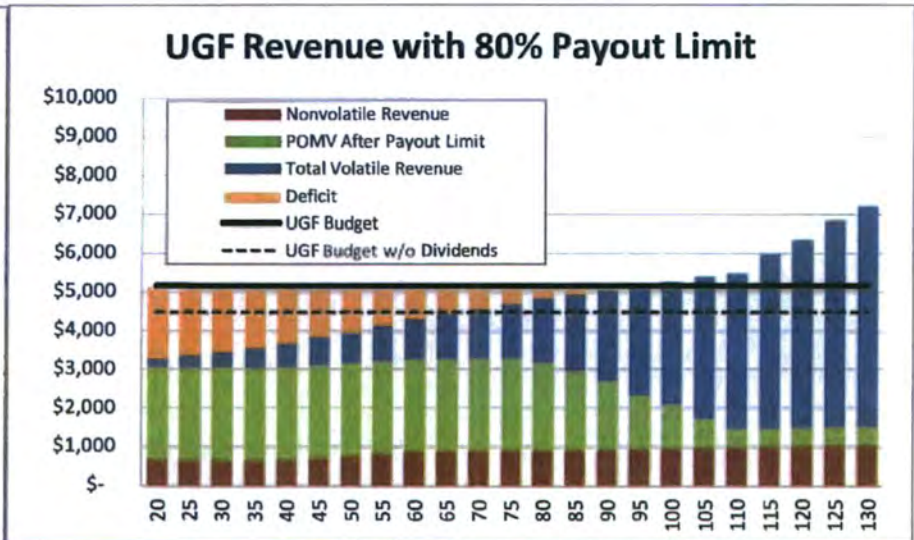
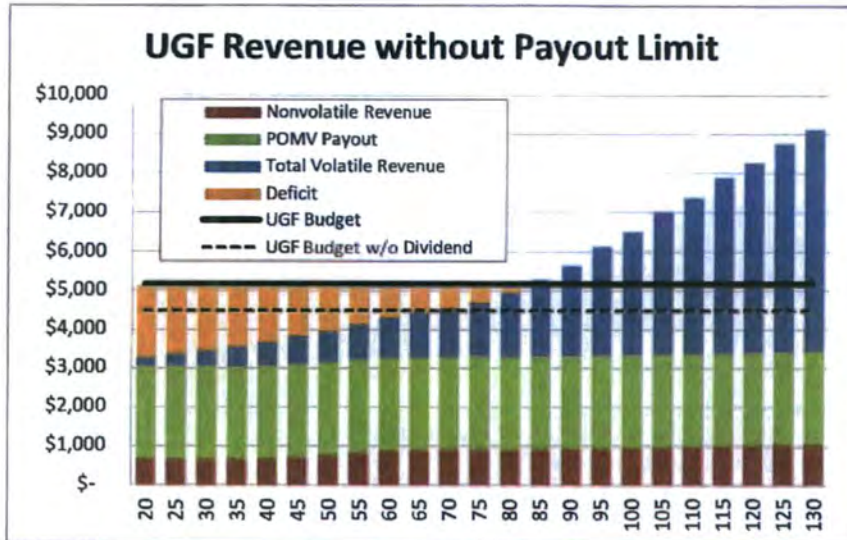


	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Reserves	18,339	20,367	22,461	24,153	25,618	27,033	28,501	30,068	31,527
Deficit	2,340	951	1,017	586	282	153	141	171	-10
Years to Exhaust	*	*	*	*	*	*	*	*	3,198
POMVS	2,386	2,518	2,667	2,788	2,862	2,937	3,031	3,125	3,217
Dividends	(1,014)	(1,322)	(1,305)	(1,347)	(1,310)	(1,251)	(1,222)	(1,197)	(1,182)
Net POMVS	1,372	1,196	1,362	1,441	1,552	1,686	1,810	1,928	2,055

Price Scenario		130
<b>COST VARIABLES</b>		
<b>Operating Budget</b>		
Non-Formula	0.00%	
K-12 Formula	0.00%	
Medicaid Formula	0.00%	
Other Formula	0.00%	
Target cut (FY18+)	\$ -	
<b>Statewide Budget</b>		
Community Assistance	15.0	
PRS/TRS/CA Bills	n	
<b>Capital Budget (FY18-25)</b>		
	185.0	
<b>REVENUE VARIABLES</b>		
Sales Tax	n	
Income Tax	n	
Motor Fuel Tax	n	
Tax Bill Package	None	
Tax Credit Reform	CC	
<b>Perm Fund Plans</b>		
Governor	n	
	\$ 3,300	
Custom	y	
<b>Perm Fund Variables</b>		
IP	1	
SQ Stop PFD if 0	1	
Inflation Rate	2.25%	
PF Investment Return	7.25%	
Percent Realized		
<b>Custom Plan Specifications</b>		
POMV Payout	5.25%	
POMV to Dividend:	20.0%	
Dividend % of royalties:	22.0%	
Dividend % of CBR balance:	0.0%	
Dividend % of SNI	0.0%	
Dividend Floor:	\$ 1,500	
Floor Ends	18	
Dividend Cap:	\$ 2,000	
Fixed Dollar Dividend:	\$ -	
POMV limit (% of prior yr approps):	n	%
POMV Limit (reduce if rev exceeds):	\$ 1,200	
Reduce by x%:	80.0%	
<b>Closed Applications:</b>		
Fill FY17 w/ ERA	n	
Reserve Priority	CBR	
CBR Earnings	7.25%	



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Target PF	53,452	54,655	55,885	57,142	58,428	59,742	61,087	62,461	63,866
PF Value	54,142	55,975	57,773	59,530	61,280	63,028	64,757	66,469	68,165
% Value	101%	102%	103%	104%	105%	106%	106%	108%	107%
Effective %	2.62%	4.65%	4.76%	4.83%	4.81%	4.79%	4.81%	4.83%	4.64%



Notes: POMV payout limited 80 cents on the dollar beyond revenue of \$1.2 billion.  
 Using FY17 revenue under Spring Forecast.  
 FY17 Dividend is fixed at \$685 million (\$1,000 per capita).

322,991.0  
 4,455,048.3

29-GS2859\O  
Wallace/Martin  
6/16/16

ADOPTED 6-16-2016

**HOUSE CS FOR CS FOR SENATE BILL NO. 128(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-NINTH LEGISLATURE - FOURTH SPECIAL SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska**  
2 **permanent fund, and the earnings reserve account; relating to management of the**  
3 **budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska**  
4 **Permanent Fund Corporation; relating to the mental health trust fund; relating to**  
5 **deposits into the dividend fund; relating to the calculation of permanent fund dividends;**  
6 **and providing for an effective date."**

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

8 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 LEGISLATIVE INTENT. It is the intent of the legislature that the legislature evaluate  
11 this Act in three years.

12 **\* Sec. 2.** AS 37.10.430(a) is amended to read:

13 (a) The Alaska Permanent Fund Corporation shall manage and invest the

1 assets of [DEPARTMENT OF REVENUE MAY TRANSFER MANAGEMENT  
2 RESPONSIBILITY OVER ALL OR A PORTION OF] the budget reserve fund (art.  
3 IX, sec. 17, Constitution of the State of Alaska) in the manner set out for the  
4 management and investment of the assets of the Alaska permanent fund under  
5 AS 37.13.120 [TO THE ALASKA PERMANENT FUND CORPORATION].

6 \* **Sec. 3.** AS 37.10.430(b) is amended to read:

7 (b) By March 15 of each year, the Alaska Permanent Fund Corporation  
8 [DEPARTMENT OF REVENUE] shall [, AFTER CONSULTING WITH THE  
9 ALASKA PERMANENT FUND CORPORATION,] prepare a report setting out the  
10 balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of  
11 Alaska) on July 1 [JANUARY 1] and on June 30 [DECEMBER 31] of the previous  
12 fiscal [CALENDAR] year. The report shall state the nominal, real, and realized return  
13 on the budget reserve fund compared to the nominal, real, and realized return on the  
14 permanent fund and the general fund during the previous fiscal [CALENDAR] year.

15 \* **Sec. 4.** AS 37.13.010(a) is amended to read:

16 (a) Under art. IX, sec. 15, of the state constitution, there is established as a  
17 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

18 (1) 25 percent of all mineral lease rentals, royalties, royalty sale  
19 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue  
20 sharing payments received by the state from mineral leases [ISSUED ON OR  
21 BEFORE DECEMBER 1, 1979,] and 25 percent of all bonuses received by the state  
22 from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980;

23 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,  
24 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER  
25 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING  
26 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED  
27 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED  
28 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,  
29 1980]; and

30 (2) [(3)] any other money appropriated to or otherwise allocated by  
31 law or former law to the Alaska permanent fund.

1 \* **Sec. 5.** AS 37.13.140 is amended to read:

2           **Sec. 37.13.140. Income.** Net income of the fund includes income of the  
3 earnings reserve account established under AS 37.13.145. **The corporation shall**  
4 **determine the net** [NET] income of the fund [SHALL BE COMPUTED  
5 ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in accordance with  
6 generally accepted accounting principles, excluding any unrealized gains or losses.  
7 [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21 PERCENT OF THE  
8 NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL YEARS,  
9 INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT EXCEED NET  
10 INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS THE  
11 BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED IN  
12 AS 37.13.145.]

13 \* **Sec. 6.** AS 37.13.140 is amended by adding new subsections to read:

14           (b) The corporation shall determine the amount available for distribution each  
15 year. The amount available for distribution equals five and one-quarter percent of the  
16 average market value of the fund for the first five of the preceding six fiscal years,  
17 including the fiscal year just ended, computed annually for each fiscal year in  
18 accordance with generally accepted accounting principles. In this subsection, "average  
19 market value of the fund" includes the balance of the earnings reserve account  
20 established under AS 37.13.145, but does not include that portion of the principal  
21 attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
22 (Superior Court, First Judicial District).

23           (c) In accordance with AS 37.13.146(a)(1), 20 percent of the amount available  
24 for distribution under (b) of this section shall be reserved for dividends. The remainder  
25 of the amount available for distribution under (b) of this section shall be reduced by 80  
26 cents for each dollar by which the amount calculated under (1) of this subsection  
27 exceeds the amount under (2) of this subsection:

28           (1) the total amount of oil and gas production taxes under  
29 AS 43.55.011 - 43.55.180, mineral lease rentals, royalties, royalty sale proceeds, net  
30 profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing  
31 payments, and bonuses received by the state from mineral leases that are deposited

1 into the general fund in the current fiscal year, less the amount under  
2 AS 37.13.146(a)(2);

3 (2) the sum of \$1,200,000,000.

4 (d) The reduction of the amount available for distribution under (c) of this  
5 section may not be made in any fiscal year in which, after the amount appropriated  
6 under AS 37.13.145(e), the balance of the earnings reserve account exceeds the  
7 amount available for distribution under (b) of this section multiplied by four.

8 \* **Sec. 7.** AS 37.13.145(d) is amended to read:

9 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]  
10 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,  
11 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,  
12 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the  
13 outcome of this case, or interest earned on the money, or on the earnings of the money  
14 shall be treated in the same manner as other income of the Alaska permanent fund,  
15 except that it is not available for distribution [TO THE DIVIDEND FUND OR FOR  
16 TRANSFERS TO THE PRINCIPAL] under **AS 37.13.140(b) - (d)** [(c) OF THIS  
17 SECTION], and shall be annually deposited into the Alaska capital income fund  
18 (AS 37.05.565).

19 \* **Sec. 8.** AS 37.13.145 is amended by adding new subsections to read:

20 (e) Each year, the legislature may appropriate from the earnings reserve  
21 account to the general fund an amount that does not exceed the amount available for  
22 distribution under AS 37.13.140(b) - (d).

23 (f) Each year, the legislature may appropriate from the earnings reserve  
24 account to the principal of the fund an amount by which the balance of the earnings  
25 reserve account exceeds the amount available for distribution under AS 37.13.140(b)  
26 multiplied by four, less the amount appropriated under (e) of this section.

27 \* **Sec. 9.** AS 37.13 is amended by adding a new section to read:

28 **Sec. 37.13.146. Appropriations to the dividend fund.** (a) The legislature may  
29 appropriate to the dividend fund established in AS 43.23.045 the following amounts  
30 from the general fund:

31 (1) 20 percent of the amount calculated under AS 37.13.140(b); and

1 (2) an amount equal to 22 percent of the money deposited in the  
 2 general fund during the fiscal year just ended from all mineral lease rentals, royalties,  
 3 royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral  
 4 revenue sharing payments, and bonuses received by the state from mineral leases.

5 (b) In addition to the appropriation authorized under (a) of this section, if the  
 6 total amount of revenue collected from oil and gas production taxes under AS 43.55 in  
 7 the preceding calendar year was \$2,300,000,000 or more, the legislature may  
 8 appropriate from the general fund to the dividend fund

9 (1) the additional amount necessary to pay a dividend of \$1,500 to  
 10 each eligible individual; and

11 (2) 10 percent of the amount over \$2,300,000,000.

12 (c) Nothing in this section creates a dedicated fund.

13 \* **Sec. 10.** AS 37.13.300(c) is amended to read:

14 (c) Net income from the mental health trust fund may not be included in the  
 15 computation of [NET] income available for distribution under AS 37.13.140(b)  
 16 [AS 37.13.140].

17 \* **Sec. 11.** AS 43.23.025(a) is amended to read:

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

20 (1) determining the total amount available for dividend payments,  
 21 which equals

22 (A) the amount appropriated [OF INCOME OF THE  
 23 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund  
 24 under AS 37.13.146 [AS 37.13.145(b)] during the current year;

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

28 (C) less the amount necessary to pay prior year dividends from  
 29 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and  
 30 43.23.055(3) and (7);

31 (D) less the amount necessary to pay dividends from the

1 dividend fund due to eligible applicants who, as determined by the department,  
2 filed for a previous year's dividend by the filing deadline but who were not  
3 included in a previous year's dividend computation;

4 (E) less appropriations from the dividend fund during the  
5 current year, including amounts to pay costs of administering the dividend  
6 program and the hold harmless provisions of AS 43.23.075;

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

10 (3) dividing the amount determined under (1) of this subsection by the  
11 amount determined under (2) of this subsection.

12 \* **Sec. 12.** AS 43.23.025 is amended by adding new subsections to read:

13 (c) Notwithstanding (a) of this section, the amount of each permanent fund  
14 dividend for fiscal years 2017 and 2018 shall be \$1,500.

15 (d) Notwithstanding (a) of this section, the amount of each permanent fund  
16 dividend may not exceed \$2,000, adjusted annually for inflation from calendar year  
17 2018 using the Consumer Price Index for all urban consumers for Anchorage prepared  
18 by the Bureau of Labor Statistics, United States Department of Labor.

19 \* **Sec. 13.** AS 43.23.045(a) is amended to read:

20 (a) The dividend fund is established as a separate fund in the state treasury.  
21 **The fund consists of money appropriated to it under AS 37.13.146.** The dividend  
22 fund shall be administered by the commissioner and shall be invested by the  
23 commissioner in the same manner as provided in AS 37.10.070.

24 \* **Sec. 14.** AS 43.23.055 is amended to read:

25 **Sec. 43.23.055. Duties of the department.** The department shall

26 (1) annually pay permanent fund dividends from the dividend fund,  
27 **without further appropriation;**

28 (2) subject to AS 43.23.011 and [PARAGRAPH] (8) of this section,  
29 adopt regulations under AS 44.62 (Administrative Procedure Act) that establish  
30 procedures and time limits for claiming a permanent fund dividend; the department  
31 shall determine the number of eligible applicants by October 1 of the year for which

1 the dividend is declared and pay the dividends by December 31 of that year;

2 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)  
3 that establish procedures and time limits for an individual upon emancipation or upon  
4 reaching majority to apply for permanent fund dividends not received during minority  
5 because the parent, guardian, or other authorized representative did not apply on  
6 behalf of the individual;

7 (4) assist residents of the state, particularly in rural areas, who, because  
8 of language, disability, or inaccessibility to public transportation, need assistance to  
9 establish eligibility and to apply for permanent fund dividends;

10 (5) use a list of individuals ineligible for a dividend under  
11 AS 43.23.005(d) provided annually by the Department of Corrections and the  
12 Department of Public Safety to determine the number and identity of those  
13 individuals;

14 (6) adopt regulations that are necessary to implement AS 43.23.005(d);

15 (7) adopt regulations that establish procedures for the parent, guardian,  
16 or other authorized representative of a disabled individual to apply for prior year  
17 permanent fund dividends not received by the disabled individual because no  
18 application was submitted on behalf of the individual;

19 (8) adopt regulations that establish procedures for an individual to  
20 apply to have a dividend disbursement under AS 37.25.050(a)(2) reissued if it is not  
21 collected within two years after the date of its issuance; however, the department may  
22 not establish a time limit within which an application to have a disbursement reissued  
23 must be filed;

24 (9) provide any information, upon request, contained in permanent  
25 fund dividend records to the child support services agency created in AS 25.27.010, or  
26 the child support enforcement agency of another state, for child support purposes  
27 authorized under law; if the information is contained in an electronic data base, the  
28 department shall provide the requesting agency with either

29 (A) access to the data base; or

30 (B) a copy of the information in the data base and a statement  
31 certifying its contents;

1 (10) establish a fraud investigation unit for the purpose of assisting the

2 (A) Department of Law in the prosecution of individuals who  
3 apply for or obtain a permanent fund dividend in violation of a provision in  
4 AS 11, by detecting and investigating those crimes; and

5 (B) commissioner to detect and investigate the claiming or  
6 paying of permanent fund dividends that should not have been claimed by or  
7 paid to an individual and to impose the penalties and enforcement provisions  
8 under AS 43.23.035.

9 \* **Sec. 15.** AS 37.10.430(c); AS 37.13.145(b), and 37.13.145(c) are repealed.

10 \* **Sec. 16.** AS 43.23.025(c) is repealed June 30, 2019.

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

13 TRANSITION. The commissioner of revenue and the Alaska Permanent Fund  
14 Corporation may adopt regulations, policies, and procedures necessary to implement this Act.  
15 The regulations, policies, or procedures may not take effect before the effective date of the  
16 law implemented by the regulation, policy, or procedure.

17 \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 RETROACTIVITY. If secs. 4 - 11, 13 - 15, and AS 43.23.025(c), enacted by sec. 12  
20 of this Act, take effect after July 1, 2016, secs. 4 - 11, 13 - 15, and AS 43.23.025(c), enacted  
21 by sec. 12 of this Act, are retroactive to July 1, 2016.

22 \* **Sec. 19.** Sections 17 and 18 of this Act take effect immediately under AS 01.10.070(c).

23 \* **Sec. 20.** AS 43.23.025(d), enacted by sec. 12 of this Act, takes effect July 1, 2019.

24 \* **Sec. 21.** Except as provided in secs. 19 and 20 of this Act, this Act takes effect July 1,  
25 2016.

# 2016 HOUSE FINANCE COMMITTEE VOTE SHEET

Y/N  
5/6

**Failed**

DATE: 6-17-2016  
 HCS CS 128 (FIN) - move to report as  
 Amendment: \_\_\_\_\_

MEMBER

Favor

Oppose

REP. GARA	X	
REP. GATTIS		X
REP. GUTTENBERG		X
REP. KAWASAKI		X
REP. MUNOZ	X	
REP. PRUITT		X
REP. SADDLER		X
REP. WILSON		X
REP. EDGMON	X	
REP. THOMPSON	X	
REP. NEUMAN	X	

YEA

5

NAY

6

To the Chair and members of the committee

My name is Laraine Derr and I speak in favor of SB128. While I like so many others came here for two years, I have lived in the State of Alaska for almost 50 years. Both of my children were born here. Two of my husbands have died here. I have truly become an Alaskan. I am a former Commissioner of Revenue. I am a former faculty and administrator, and a foundation trustee for the University of Alaska. ~~I was a school board president for the city of Sitka.~~ I have been a trustee for the Alaska Mental Health Trust for more than 10 years. So I care about Alaskans.. from the beneficiaries of the trust to those who are enrolled in our school system. I serve as a trustee on the Juneau Community Foundation and am a founding member of the Southeast Alaska Food Bank ... I care about those who need food to feed hungry children and those who are interested in making Juneau a better place to live. I am a Tier One retiree and care that I continue to receive a retirement check each month. *and worked for 2 governors*  
*So I am concerned about services in many many area & ask and urge you to care, too.*

I was here when we all discussed the original legislation that put together the Permanent Fund concept and watched endless presentations from experts that said the pipeline would be dry in 1992 ... and maybe it would last until that far off year of 2000. We've been luckier than that. This is 2016 and we need to address those dire predictions from 30 years ago. The descending ~~and ascending~~ and ascending lines on those graphs have indeed crossed and it's time for us to begin to use the earnings of the Permanent Fund as they were originally intended.

Thank you for your attention.

## CAPITAL ASSOCIATES OCTOBER 2015 Meeting Notes – no quorum

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The meeting was held on October 12<sup>th</sup> at Ulla's and those present were: Ulla, Raydene, Alison, Helen, and Rosemary.

Absent were Kay, Sharon, Christine, Janice, Ginger, Candy, Pat and Laraine; quorum was not met.

Under membership, we still have 2 openings.

Helen gave the treasurers report and after last month's sales of IKGH and BDBD, we have \$1746.82 in cash and our market value was \$20,600.42 for a total of \$22,347.24 and an individual value of an average of \$1718 each. We need to take a good look at our holdings since so many are down below purchased price. We have 6 up in value and 7 down. Helen also included a list of the stocks we have sold this year (we have still realized a profit this year – thanks to PCP!) and 3 pie charts from the website that showed the mix of our investments by sector, industry and company.

Under stock reports:

Alison brought a list of the top stocks owned, sold and held by other investment groups that use the iClub website, and we discussed our mix of stocks and the effect of recent economic events, including the recent announcement that Social Security would not be providing a COLA increase next year.

Reminder: We would like for all of us to research remote access to meetings by Skype, Facebook or any other means for maintaining a quorum at meetings so it can be added to the by-laws at the April meeting.

The meeting was adjourned and the November meeting is at Laraine's on November 9<sup>th</sup> and the December meeting at Rosemary's on the 14<sup>th</sup>.

# ALASKA PERMANENT FUND PROTECTION ACT

House Finance Committee

CSSB 128(FIN)

June 13, 2016

## Calculating transfers to the general fund:

### 1. POMV Draw

- 5.25% of the average value of the fund in the first 5 of the last 6 years
- No longer a fixed draw
- Does not require a constitutional amendment because funds are transferred from the earnings reserve account (ERA), not the corpus
- For FY17, would provide \$1.92 billion for the unrestricted general fund (UGF) budget (20% of the full \$2.4 billion draw would go to the dividend)

### 2. Draw Limit

- Reduces the POMV draw by a dollar for every dollar that UGF production taxes and royalties exceed a threshold of \$1.2 billion
- Avoids spending fund earnings as oil prices recover and allows the fund to grow and produce larger dividends and larger POMV draws in the future
- Limit would not be triggered for FY17

## Calculating the dividend:

1. \$1,000 per person for first 3 years
2. Then, 20% of the 5.25% POMV draw plus 20% of general fund royalties
  - Dividends are anticipated to be very stable at about \$1,000 per person

## Calculating deposits to the corpus:

### 1. Inflation Proofing Transfers

- Change the calculation from inflation times the corpus balance to the amount that the balance of the ERA exceeds 4 times the full 5.25% POMV draw

### 2. Royalty Deposits

- Reduce to 25% (currently at about 30%)

### 3. Savings Rule

- In years of peak revenue, excess unrestricted revenue is divided 50% to the CBR and 50% to the corpus of the permanent fund

# ALASKA PERMANENT FUND PROTECTION ACT

House Finance Committee

CSSB 128(FIN)

June 13, 2016

## Frequently Asked Questions

Q: What does the Alaska Permanent Fund Protection Act (APFPA) do?

The APFPA establishes a rule-based framework for the sustainable use of permanent fund earnings to support public services. APFPA adopts rules establishing a sustainable percent-of-market-value (POMV) draw of 5.25% from the earnings reserve account (ERA) to the general fund; a new inflation-proofing mechanism; a new dividend formula; and a draw limit to reduce budget volatility.

Q: Why is it called the "Permanent Fund Protection Act"?

The act is meant to ensure that as we begin to use permanent fund earnings for government expenditures, we take only what is sustainable and protect the fund – and dividends – for future Alaskans. Without rules requiring sustainable use of earnings, the value of the permanent fund could be degraded or the ERA might be depleted leaving less for the future.

Q: How will the dividend be calculated and what can individuals expect to receive?

Instead of being calculated solely on permanent fund earnings, the dividend would be determined based on the value of the permanent fund (20% of the POMV draw) and our mineral royalties (20% of royalties deposited into the general fund). Projections show that this will result in a dividend of around \$1,000 into the future. To transition the dividend would initially be set at \$1,000 for the first three years.

Q: What will the dividend be if no action is taken to address the state's fiscal challenge?

Under current projections, the constitutional budget reserve will be drained within two years, at which point lawmakers would need to tap the ERA – the source of dividends. It's anticipated that there will be no money left to pay a dividend within four years.

Q: Why is the plan needed?

In the last two years, state revenue fell by more than three-quarters. Over those two years we reduced spending by more than \$1 billion, but we still have a \$4 billion deficit. We're projected to run out of savings in less than two years, and exhaust the ERA in less than two years later. Alaska must transition to a stable, sustainable fiscal structure in order to continue providing essential public services and avoid a significant recession.

Q: Does the APFPA use the principal or corpus of the Permanent Fund?

No, the act does not spend any money from the principal. Because the plan does not use the principal it does not require a constitutional amendment.

Q: If the entire plan is subject to appropriation by the legislature, why is the APFPA necessary?

The legislature has shown great discipline in following long-term financial plans set out in statute. The Permanent Fund has grown all these years and is now ready to help supply some of the money for the budget because of the legislature's adherence to statutory rules: (1) inflation proofing the fund annually and (2) using the ERA only for dividends. Also, statutory rules ensure a transparent and public process if future legislators choose a different approach.

Q: Why is a draw limit necessary?

The purpose of the draw limit is to get State spending and budgeting off the oil price rollercoaster. By saving more money in high revenue years (e.g., high oil price or high production), there is more money available in the low revenue years. A draw limit also avoids unsustainably increasing the budget in high revenue years, ensuring more stable and predictable budgets in the long-term. This provides a better economic environment not only for government but for private sector investment.

Q: Doesn't the draw limit need to increase with inflation in order to account for inflationary growth over time?

First, as the fund grows the amount drawn from the earnings of the permanent fund under the POMV formula increases too (5.25% of \$70 billion is more than 5.25% of \$52 billion). The draw limit does not affect the calculation of the maximum amount to be drawn. Second, the general fund will receive only about \$500 to \$600 million in production taxes and royalties this year; there is room for \$700 million in budget growth between now and when the draw limit would even be triggered. Third, the draw limit only addresses production taxes and royalties. It says nothing about other revenues (including new revenues) or savings.

Q: Why do we need a plan this year, can't we just use our savings for now?

Continuing to draw down our savings without a plan and at an unsustainable rate will leave us with fewer choices next year. Setting a system in place now will help avoid depleting our savings. Inaction also risks another downgrade of the state's credit rating – increasing costs to the state. Third, uncertainty about the state's future causes private businesses and investors to lose confidence in the state and chills economic growth.

Q: Shouldn't we wait to address the permanent fund until we have more budget cuts, more reform to oil and gas tax credits, or new revenues?

More budget cuts, new taxes, and further tax credit reform might contribute hundreds of millions on the pathway to fiscal balance. But, the permanent fund is the only tool that can sustainably provide billions. APFPA is the one piece of the fiscal plan that we must have – the other pieces of the plan combined would not come close to addressing the gap without it.

# ALASKA STATE LEGISLATURE

## SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair  
State Capitol, Room 516  
Juneau, Alaska 99801-1182  
Phone: (907) 465-3777  
Sen.Ann.MacKinnon@akleg.gov



Senator Pete Kelly, Co-Chair  
State Capitol, Room 518  
Juneau, Alaska 99801-1182  
Phone: (907) 465-3709  
Sen.Pete.Kelly@akleg.gov

### Sectional Analysis CS Senate Bill 128(FIN) 29-GS2859\U

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to management of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska Permanent Fund Corporation; relating to procurement by the Alaska Permanent Fund Corporation; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; **relating to unrestricted state revenues available for appropriation**; and providing for an effective date."

- \*Section 1: Legislative intent that the legislature reevaluate the use of the earnings of the Permanent Fund in three years
- \*Section 2: Language requiring the Alaska Permanent Fund Corporation to adopt regulations similar to the State's procurement code
- \*Section 3: Adds the Alaska Permanent Fund Corporation to the list of those state agencies that are exempt from the State's procurement code
- \*Section 4: Transfers the management and investment of the Constitutional Budget Reserve from the Department of Revenue to the Alaska Permanent Fund Corporation
- \*Section 5: Requires the Alaska Permanent Fund Corporation to prepare an annual report on the balance and returns of the Constitutional Budget Reserve fund
- \*Section 6: Dedicated deposits of royalties to the Permanent Fund are reduced from the current 25/50 split on old/new leases to the constitutional minimum of 25%
- \*Section 7: Requires the Alaska Permanent Fund Corporation to determine the net income of the earnings reserve account excluding the unrealized gains or losses

\*Section 8: (b) Defines the Percent of Market Value payout as 5.25% of the average year-end market value of the Permanent Fund and Earnings Reserve Account for the first five of the most recently completed six fiscal years. The payout may not exceed the year-end balance of the earnings reserve account for the fiscal year just ended. **Excludes the Amerada Hess funds from this calculation**

(c) Reserves 20% of the POMV payout for dividends. The remaining 80% of the payout is subject to a dollar for dollar reduction as oil and gas revenue rises above \$1.2 billion

(1) Oil and gas Unrestricted General Fund revenue excluding the amount to be paid as 20% of the prior year royalties to the dividend

(2) \$1,200,000,000 revenue limit

**\*Section 9: The Amerada Hess funds which are deposited into the capital income fund are not available for distribution under the POMV calculation**

\*Section 10: AS 37.13.145 is the Disposition of Income of the Permanent Fund statute

(e) Each year the legislature may appropriate to the General Fund the amount available for distribution from the Earnings Reserve Account. The allowable appropriation is reduced by the payout limit at high oil prices

(f) Each year the legislature may appropriate from the Earnings Reserve Account to the principal of the fund an amount by which the balance of the ERA exceeds the amount available for distribution under the POMV and dividend payout multiplied by four, less the amount in (e)

\*Section 11: Dividends are comprised of 20% of the 5.25% POMV and 20% of prior year royalties, excludes those dedicated to the Permanent Fund or School Fund (25.5% are dedicated)

**Sec. 37.13.148 Appropriation of Revenue: Creates a savings rule that the legislature may annually appropriate unrestricted general fund revenue in excess of the unrestricted general fund appropriations. Fifty percent would be deposited into the Permanent Fund and the remaining 50% would be deposited into the constitutional budget reserve fund**

\*Section 12: Conforming language relating to procurement

- \*Section 13: Mental Health Trust Fund may not be included in the computation of income available for distribution under the POMV
- \*Section 14: Transfer of money to the Dividend Fund requires an appropriation
- \*Section 15: The amount of each Permanent Fund Dividend for fiscal years 2017, 2018, and 2019 shall be \$1,000
- \*Section 16: Conforms to Sec. 11, which moves money to the Dividend Fund by appropriation
- \*Section 17: Once the money is in the Dividend Fund, the Department of Revenue shall annually pay dividends without further appropriation
- \*Section 18: Repeals language relating to the subaccount of the Constitutional Budget Reserve, the former dividend calculation, and the inflation proofing calculation
- \*Section 19: Repeals Sec. 15 - \$1,000 dividend for three years
- \*Section 20: Transition Language: The Commissioner of Revenue and the Alaska Permanent Fund Corporation may adopt regulations, policies and procedures to implement this Act
- \*Section 21: Retroactivity clause
- \*Section 22: Effective date for sections 2, 3, 12, 20 and 21, immediate
- \*Section 23: Effective Date, July 1, 2016

ALASKA STATE LEGISLATURE  
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**Summary of Changes from S to U**  
**CS Senate Bill 128(FIN)**  
**29-GS2859\U**

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to management of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska Permanent Fund Corporation; relating to procurement by the Alaska Permanent Fund Corporation; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; relating to unrestricted state revenues available for appropriation; and providing for an effective date."

- \*Title: Added the language: relating to unrestricted state revenues available for appropriation – this relates to the savings rule found in Sec. 11
- \*Section 4: Removed the repeal of the Capital Income Fund
- \*Section 8: Excludes the Amerada Hess funds from the POMV calculation  
Removed inflation adjustment on the \$1,200,000,000 revenue limit
- \*Section 9: The Amerada Hess funds which are deposited into the capital income fund are not available for distribution under the POMV calculation
- \*Section 11: Added a Savings Rule:  
Sec. 37.13.148 Appropriation of Revenue: Creates a savings rule that the legislature may annually appropriate unrestricted general fund revenue in excess of the unrestricted general fund appropriations. Fifty percent would be deposited into the Permanent Fund and the remaining 50% would be deposited into the constitutional budget reserve fund
- \*Section 23: Management of the CBR is transferred to the Permanent Fund Corporation effective July 1, 2016