

SJR

9

<TARGET><BILL>SJR 9</BILL><SUBJECT>SJR
9</SUBJECT><COMM>SSTA30</COMM></TARGET>

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 1/16/18

FURTHER: Judiciary
Finance

DATE TURNED
IN TO OFFICE: 4/13/18

State Affairs Committee considered SENATE JOINT RESOLUTION NO. 9

SJR 9 CONST. AM.: PERMANENT FUND

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LEG			✓	1
GOV			✓	2

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Wilson	✓			
	Giessel			✓	
	Gophitt				✓
	EGAN				✓
CHAIR:	MEYER			✓	

ALASKA STATE LEGISLATURE

SESSION

State Capitol, Rm. 30
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SENATOR BERT K. STEDMAN

SPONSOR STATEMENT

SJR 9 - Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

SJR 9 places the question before voters whether to amend the Constitution for the State of Alaska to:

- Guarantee a reliable and fair dividend for Alaskans.
- Conservatively and sustainably limit any draw from the Permanent Fund to an annual 4.5%.

SJR 9 would protect and grow the Permanent Fund and our dividend in several very important ways:

First, it constitutionally requires a payout of 2.0% of the average market value of the Fund's previous 5 fiscal years. Current estimates using this new dividend formula would provide roughly \$1,700 in the first year.

Second, it allows, but does not require, a draw from the Permanent Fund to the general fund of 2.5% of the average annual market value of the Permanent Fund's previous 5 fiscal years.

Third, it deposits the balance of the Earnings Reserve Account into the Fund's principal and requires all future earnings of the Fund to remain in the Fund and consequently, be constitutionally protected from legislative appropriations.

Once the 2.0% has been allocated to dividends, the legislature has the flexibility to examine current financial conditions of Alaska and appropriate the remaining 2.5% to augmenting the dividend, reinvestment in the permanent fund, or core government services. For the next few years, it's expected that the 2.5% will be used for government services.

Constitutionally limiting the amount for use by the legislature will ensure downward pressure is kept on the budget. SJR 9's fiscally conservative approach will restrict the flow of cash from the fund that can be used by the legislature to a fixed and constitutionally defined amount.

SJR 9 and its percent-of-market-value framework maintains the stability of the fund and will allow the Alaska Permanent Fund Corporation to continue to invest and manage the fund for growth as it has for decades. Our dividends will once again be linked to the investment success of the fund and as the fund grows, so too will the dividend.

District R

Angoon • Coffman Cove • Craig • Edna Bay • Elfin Cove • Hollis • Hoonah • Hydaburg • Hyder • Kake • Kasaan
Ketchikan • Klatwock • Klukwan • Kupreanof • Metlakatla • Meyers Chuck • Naukati • Pelican • Petersburg
Point Baker • Port Alexander • Port Protection • Saxman • Sitka • Tenakee Springs • Thorne Bay • Whale Pass • Wrangell

Alaska State Senate



Chairman: Senator Kevin Meyer
Senator John Coghill
Senator Cathy Giessel
Senator David Wilson
Senator Dennis Egan

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945 Phone
Senator.Kevin.Meyer@akleg.gov
Senate.State.Affairs@akleg.gov

SENATE STATE AFFAIRS

April 13, 2018 AGENDA NOTES

- I. CALL THE MEETING TO ORDER
 - a. I call the Senate State Affairs meeting to order. Today is Friday, April 13, 2018 and the time now is __:__. .

- II. MEMBERS PRESENT
 - a. Roll Call: Vice Chair Giessel, Senator Coghill, Senator Wilson, and Senator Egan.
 - b. Committee Staff Christine Marasigan, Senate Records Christopher Dickrell, and LIO moderator _____.

- III. TODAY'S AGENDA
 - a. HB 136 MOTOR VEHICLE FRANCHISES
 - b. SJR 9 CONST AM PERMANENT FUND APPROP;
DIVIDEND

- IV. HB 136 MOTOR VEHICLE FRANCHISES
 - a. Bill Introduction: Representative Matt Claman and Staff Sara Perman
 - b. Sectional
 - c. Committee Questions
 - d. Public Testimony
 - i. In Person: Steve Alwine

- ✓ii. Online: Marten Martensen and Les Nichols ✓
- iii. Online: Gary Sleeper for questions ✓
- e. Committee Discussion ✓
- f. Review Fiscal Notes ✓
- g. Committee Action:

V. SJR 9 CONST AM PERMANENT FUND APPROP; DIVIDEND

- ✓a. Bill Introduction: Senator Bert Stedman and Staff David Scott
- ✓b. Committee Questions
- ✓c. Public Testimony
- ✓d. Committee Discussion
- ✓e. Review Fiscal Notes
- ✓f. Committee Action:

VI. ANNOUNCEMENTS/ADJOURN

- a. Do committee members have anything they want to bring up at this time?
- b. Our next meeting will be Tuesday, April 17 and we will hear
 - i. HCR 19 GOVERNOR: ALASKA NATIVE LANGUAGES EMERGENCY
 - ii. HB 97 REPEAL AK FIRE STANDARDS COUNCIL TAX CREDIT.
- c. Thank you, the time now is ___:___ we are adjourned.

Senate Joint Resolution 9 Permanent Fund Protection

**Sponsored by Senator Bert Stedman
Senate State Affairs Committee
April 12, 2018**

The Permanent Fund Can Be a Budget Stabilization Fund with a Limited Payout Method that Allows the Fund to Continue to Save and Grow

Budget Stabilization

Alaska has two Rainy Day Accounts:

- Constitutional Budget Reserve (CBR)
- Statutory Budget Reserve (SBR)

Permanent Fund

The Permanent Fund has two purposes:

- Save
- Grow

The Permanent Fund consists of the Principal & the Earnings Reserve Account (ERA). If the ERA is used to balance the budget on an ad hoc basis, the Permanent Fund's value will decrease, which conflicts with its purpose.

The permanent fund was established in 1976 by a vote of the people to save a portion of Alaska's oil wealth for future generations & limit overspending by the legislature.

BALLOT PROPOSITION NO. 2
PERMANENT FUND FROM NON-RENEWABLE RESOURCES REVENUE
Constitutional Amendment
 (SCS CSSS House Joint Resolution No. 39 [Resources] am S)

BALLOT FORM:

A vote "FOR" adopts the amendment.

A vote "AGAINST" rejects the amendment.

FOR { }
 AGAINST { }

VOTE CAST BY MEMBERS OF 9TH STATE LEGISLATURE ON FINAL PASSAGE

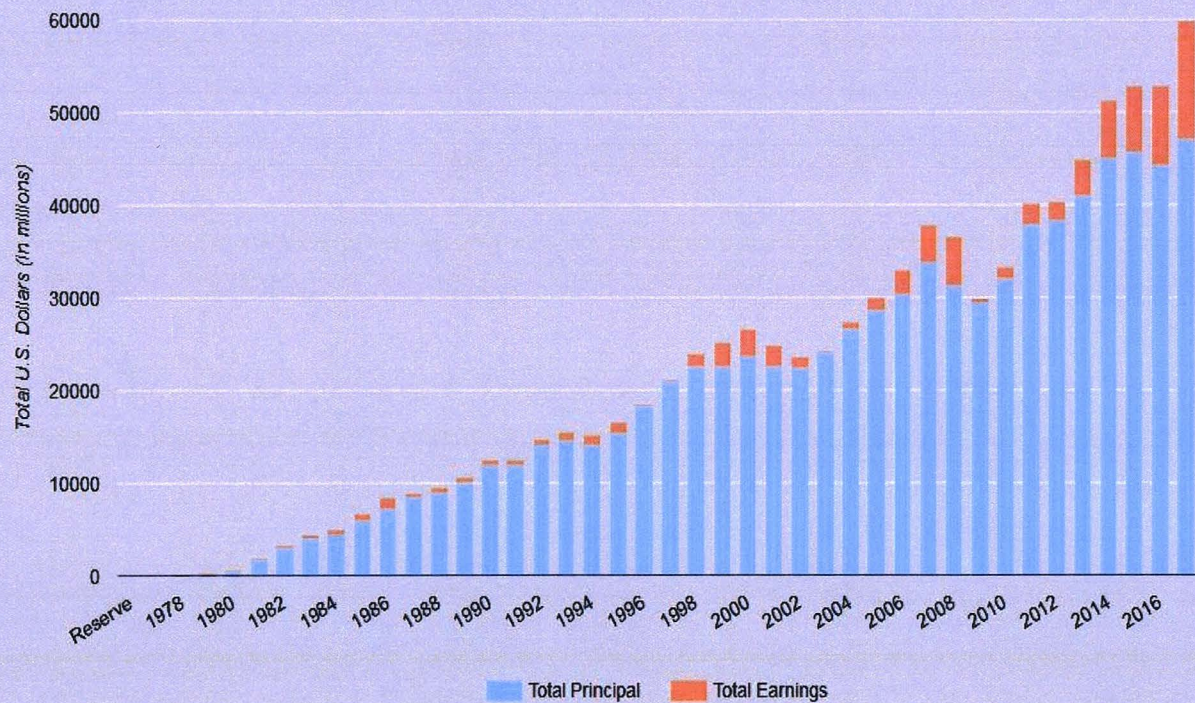
Senate	(20 members):	Yeas <u>18</u>	Nays <u>1</u>	Absent or Not Voting <u>1</u>
House	(40 members):	Yeas <u>36</u>	Nays <u>1</u>	Absent or Not Voting <u>3</u>

SUMMARY OF PROPOSITION

This proposal, if approved, would amend the Constitution of the State of Alaska by amending Article IX, Section 7 (Dedicated Funds) and adding a new Section to Article IX (Section 15, Alaska Permanent Fund). It would establish a constitutional permanent fund into which at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State would be paid. The principal of the fund would be used only for income-producing investments permitted by law and the income from the fund would be deposited in the general fund of the State and be available to be appropriated for expenditure by the State unless otherwise provided by law.

-- Summary prepared by Legislative Affairs Agency as required by law

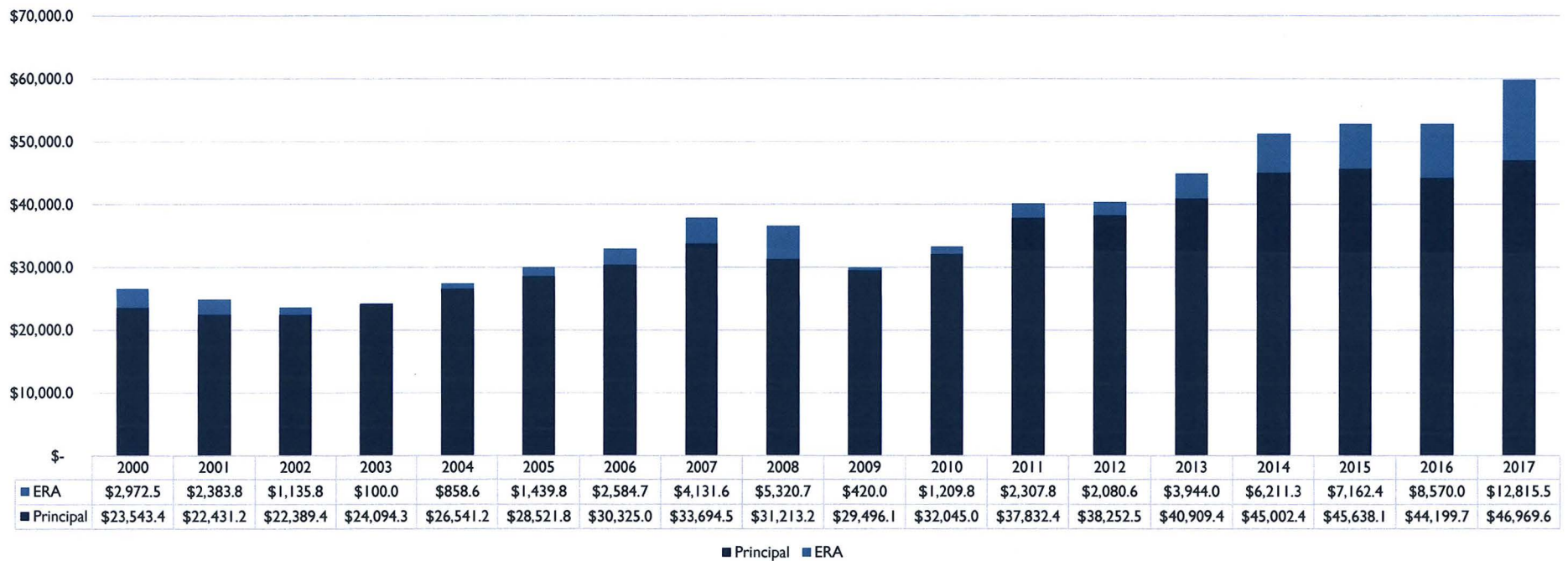
HISTORICAL VALUES OF PRINCIPAL & EARNINGS RESERVE



The Permanent Fund
Is An Alaska Success:

Current Value Of
\$65 Billion From A
Total Contribution
Of \$39.8 Billion.

ERA Is Variable & Uncertain. By Its Nature It Lacks The Stability To Be Relied Upon For Budget Stabilization



Current Principles For The Permanent Fund: Save & Grow

- **A “Permanent” Savings Account:** The fund should conserve part of the state’s revenue from mineral resources to benefit all generations of Alaskans. AS 37.13.020(1)
- **The Fund’s Principle Should Be Protected While Prudently Invested** The fund should be managed to protect the principal while maximizing total return. AS 37.13.020(2)
- **The Fund’s Purchasing Power Over Time Should Be Preserved While Maximizing Return** AS 37.13.120(a)

SJR 9 Does Not Alter The Fund's Principles: Save & Grow

SJR 9 merges the ERA into the principal, which constitutionally protects the whole Fund from legislative appropriation.

- Current Alaskans shouldn't take ad hoc draws from the Fund that will significantly affect its value to future Alaskans.
- Overspending will decrease the Fund's benefit to future generations – this is the opposite of saving.

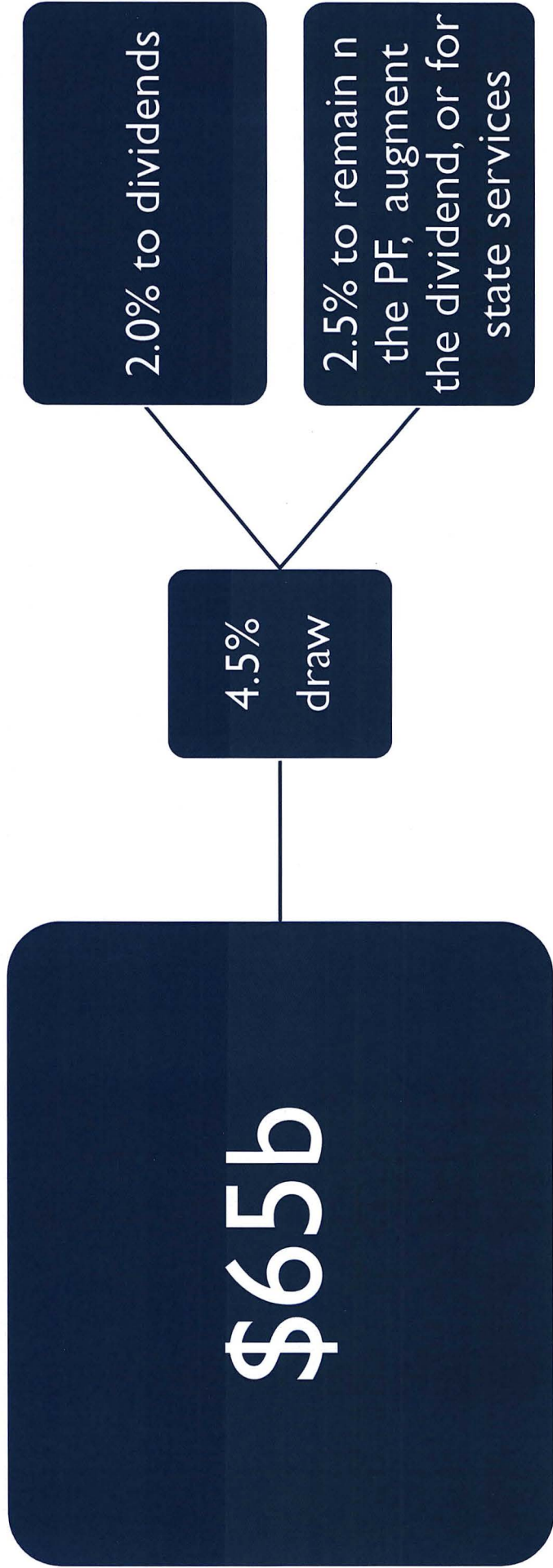
SJR 9 Does Not Alter The Fund's Principles: Save & Grow

SJR 9 limits any draw from the Fund to an annual 4.5% of its 5 year average value.

- This draw limit is conservative & sustainable.
- 4.5% is well under the Fund's growth performance.

	Total Growth	Objective (CPI + 5%)
1 year (FY17)	12.89%	6.63%
3 years	6.21%	5.92%
5 years	8.85%	6.32%
Since Inception	8.79%	7.67%

SJR 9 Protects The Fund: Mechanics Of The Draw & The Split



SJR 9 Protects The Permanent Fund - Let's Talk Dividends

The dividend (est. 1982) has disbursed \$22 billion to Alaskans.

- It is an equitable distribution of resource wealth to those who own the resources.
- SJR 9 provides a predictable & transparent dividend via constitutional formula.
- Dividends will once again be reliable & linked to the investment success of the fund.

SJR 9 - Projected 4.5% Draw & Dividend Amounts

Fiscal Year	4.5% Draw	2% For Dividends	2.5% For General Fund	Total Ending Fund Value
FY 2020	\$2,513,000,000	\$1,116,900,000 \$1,816	\$1,396,100,000	\$67,017,000,000
FY 2021	\$2,638,000,000	\$1,172,400,000 \$1,906	\$1,369,100,000	\$68,984,000,000
FY 2022	\$2,766,000,000	\$1,229,300,000 \$1,998	\$1,536,700,000	\$70,882,000,000
FY 2023	\$2,911,000,000	\$1,293,800,000 \$2,103	\$1,617,200,000	\$72,792,000,000

Senate Joint Resolution 9

Permanent Fund Protection

Questions?

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SJR 9
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SJR09-OOG-DOE-4-12-18
Title: CONST. AM.:PERMANENT FUND
APPROP;DIVIDEND
Sponsor: STEDMAN
Requester: Senate State Affairs

Department: Office of the Governor
Appropriation: Elections
Allocation: Elections
OMB Component Number: 21

Expenditures/Revenues

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

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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/comments:

Initial Version

Prepared By: Josephine Bahnke, Director
Division: Division of Elections
Approved By: Shawn Henderson, Administrative Director
Agency: Division of Administrative Services, Office of the Governor

Phone: (907)465-2644
Date: 04/12/2018 10:00 AM
Date: 04/12/2018

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. SJR 9

Analysis

Passage of this resolution would require a constitutional amendment to appear on the 2018 general election ballot.

This change has no impact on the financial costs associated with the division's conduct of state and federal elections. No additional staff will be required to implement the proposed law. The cost of providing information about the constitutional amendment in the Official Election Pamphlet, as required by AS 15.58, would be absorbed into the operating budget for the Division of Elections.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SJR 9
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SJR9-LEG-SESS-04-11-18
Title: CONST. AM.:PERMANENT FUND
APPROP;DIVIDEND
Sponsor: STEDMAN
Requester: SENATE STATE AFFAIRS

Department:
Appropriation:
Allocation:
OMB Component Number: 0

Expenditures/Revenues

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

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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/comments:

INITIAL VERSION. ONE PAGE, ZERO NOTE.

Prepared By:	SANTE LESH, ADMIN OPERATIONS MANAGER	Phone:	(907)465-6626
Division:	LEGISLATIVE AFFAIRS AGENCY	Date:	04/11/2018 11:45 AM
Approved By:	JESSICA GEARY, EXECUTIVE DIRECTOR	Date:	04/11/2018
Agency:	LEGISLATIVE AFFAIRS AGENCY		