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# ALASKA STATE LEGISLATURE

## Session

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Resources Committee

Joint Armed Services Committee

Judiciary Committee

## SENATOR BILL WIELECHOWSKI

### Sponsor Statement

#### *Senate Joint Resolution 1- Const. AM: Protecting our Permanent Fund*

When Alaska's Constitution was adopted, it required management of public resources for the maximum benefit of all Alaskans. The Permanent Fund was created in 1976 after oil on the North Slope began flowing in order to provide future generations of Alaskans a share in their great natural resource wealth.

25% of petroleum and resource revenues were to be deposited into the Permanent Fund, and those funds are constitutionally prohibited from being spent. The earnings may appropriated by the legislature for any purpose after dividends are paid and the fund is inflation proofed.

In 1982, the Alaska State Legislature approved the Permanent Fund Dividend, a measure that appropriated to each and every Alaskan a check that reflected some of the earnings in the Permanent Fund. This dividend has become a vital part of our state's economy.

Many Alaskans count on their dividend to make simple ends meet, provide for their family, reduce debt and pay for their education. Making sure each and every Alaskan receives a share of our state's resources creates a vital connection between the people and the government.

Creating a safeguard against legislative spending of the dividend ensures that this valuable economic stimulus money stays in the hands of the people most able to spend it appropriately: individual Alaskans. Multiple economists point to the value of the dividend, and the harm that would come to the Alaska economy should it be reduced or eliminated.

There is no language in our state Constitution that protects the funds eligible for distribution from being spent by the legislature for other purposes. As our state faces massive deficits, it is the duty of the legislature to protect future generations.

This resolution would allow a vote to the people of Alaska to decide if the PFD, with its current calculation, should be enshrined in our state Constitution.

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## Official Election Pamphlet -- Statement in Opposition

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Before voting, ask yourself:

1. If more money is needed, should ONLY Alaskans pay? Or should the more than a million tourists and thousands of non-resident commercial fisherman, pipeline and construction workers who come up here to work or play pay at least something?
2. If ONLY Alaskans pay, should all pay the same regardless of income? and
3. Do I trust government to do a better job of spending \$500 of my dividend than I would myself?

If your answer to all is "yes," you should vote for the measure. If "no," vote against it.

Passage would let politicians spend your Permanent Fund's earnings. Future dividends would then decrease, just as if taxed. Consequently, opponents term this proposal a "Permanent Fund Dividend INCOME Tax." Proponents counter it's not at all like a normal tax. Correct. It's much worse. Of all possible taxes, the Dividend "tax" is far the most regressive, unfair and economically imprudent. Children and other Alaskans with only Permanent Fund Dividend income would pay the same amount as multimillionaires. Non-residents would pay nothing.

Numerous studies show dividends provide the greatest collective economic boost to Alaska communities of any state program. Cutting dividends by the initial \$516 would reduce that prospective boost in Anchorage by a whopping \$103,000,000 per year. In Angoon, by more than \$302,000! And that's just the beginning.

Why do both liberals and conservatives oppose the proposition? Liberals realize once Fund earnings are accessed, pressure to extract new sources of wealth to offset even more regressive future dividend "taxes" will evaporate. Conservatives, on the other hand, know pressure to cut spending will disappear. Certainly most legislators won't support new income, spending cuts or more innovative approaches to balancing the budget if allowed to use fund earnings instead.

In attempting to gain your vote, advocates of the "plan" may credit it with the \$1,700 or so the dividend will be this year and next. Make no mistake, the existing law sets your current dividend amount. A "yes" vote can only decrease your dividend. That decrease is projected to be \$516 per person in 2001 and could be greater if politicians "need" to spend more of your money in the future.

Before voting, you'll likely determine which approach would cost you least: other taxes, budget cuts or a "dividend tax." If all dividend recipients, including children, could vote, this proposition would surely fail. Since many cannot, please consider other than your self interest and place statewide interests paramount. And, if that plea proves futile, ask yourself if, rather than span our "Fiscal Gap" through budget cuts and/or new sources of wealth, we should simply transfer money from our savings account into our checking account ... and hand politicians our checkbook!

Jay S. Hammond

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## Official Election Pamphlet -- Statement in Support

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Guarantee your dividend with a YES! vote.

Vote YES and guarantee your dividend for decades to come and put Alaska back on the road to financial responsibility.

Vote no and lose your dividend. It will quickly disappear and the Permanent Fund will shrivel in value.

It's a simple choice.

We no longer have enough oil production to produce the revenues we need to keep vital state services flowing. Even if oil prices doubled, oil production is half of what it was just 10 years ago and continues to decline every day.

Cuts alone will not close the budget gap and will not save your dividend. Alaska has reduced state spending \$235 million over the last three years, and is the only state to actually lower its spending.

Even if we could fire every General Fund state employee, we'd still have a \$300 million deficit.

Even if we could cut all education funding -- we'd still be \$45 million in the hole.

And that doesn't guarantee your dividend.

Others call for taxes:

We could institute a state sales tax -- at a devastating 16% rate and still not close the deficit.

We could impose a state income tax of nearly 9% on every Alaskan and barely close the deficit.

And that still doesn't guarantee your dividend.

Or we could raise oil taxes and make our financial situation even worse. Alaska already extracts some of the highest oil taxes in the world. Increase taxes and we run the very real risk of jeopardizing the continued investment we need to ensure that oil revenues continue to fund our future.

And that still won't guarantee your dividend.

That's the problem we face. Huge deficits -- declining revenues.

Fortunately, Alaskans prepared well. We set up reserve accounts to help us through recent years. We diversified the economy -- and created the Permanent Fund.

A YES vote this September sets in motion a Balanced Budget Plan that provides a healthy dividend -- today and tomorrow. Dividends of \$1,700+ this year and next. Dividends that dip to \$1,300 in 2002 and then continue to grow. It preserves, protects and grows the Permanent Fund, while creating a new revenue stream to help fund essential services, such as education, public safety and roads for our communities.

This is a great start, but it isn't enough. We must continue to reduce state government. The Plan calls for an additional \$30 million of cuts next year.

We must find new revenue sources. The Plan calls for an additional \$100 million of new income over the next three years.

And we need the help of Alaskans. The Plan calls for creation of a Citizens' Task Force to help us through this budget problem.

The Plan is a beginning -- a solid start that will, according to University of Alaska economist Scott Goldsmith:

- Guarantee the dividend for all Alaskans.
- Protect and grow the Permanent Fund for current and future Alaskans.
- Provide a stable, growing revenue stream for general government.

Vote YES and guarantee your dividend.

Governor Steve Cowper  
Governor Walter J. Hickel  
Governor Bill Sheffield

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## THE ALASKA SURVEY

### 3RD QUARTER 2016

Hello, my name is \_\_\_\_\_ and I'm calling for Alaska Survey Research, an Alaska public opinion research firm. We are conducting a public opinion survey today called the Alaska Survey. The survey concerns a variety of different topics that you'll probably find interesting.

IF CELLPHONE RESPONDENT... We'd like to get your input to the survey as a cellphone respondent. We've deliberately called you on the weekend/after 7pm so that hopefully we're not using up your minutes, and we'd like to ask if you can safely respond to the survey where you are right now.

IF LANDLINE RESPONDENT... Is this a residential telephone? IF "YES", CONTINUE... If they are available, I'd like to speak with the youngest male aged 18 or older in your household. (IF AVAILABLE, SWITCH AND REPEAT INTRO. IF NOT AVAILABLE...) How about the youngest female aged 18 or older? (IF AVAILABLE, SWITCH AND REPEAT INTRO. IF NOT AVAILABLE, CONTINUE WITH RESPONDENT.)

All phone numbers used for this survey were randomly generated. We don't know your name, but your opinions are important to us, and we'd appreciate your participation if that's OK with you. Of course, your responses will be completely confidential.

S1. What is the zipcode where you live?

	AREAS OF ALASKA:	
	Count	%
Southeast	78	10.5%
Rural	71	9.5%
Southcentral	191	25.6%
Anchorage	305	40.8%
Fairbanks	101	13.5%

3A. In June, in an effort to address the budget deficit, Governor Bill Walker vetoed the legislature's budget appropriation for 2016 Permanent Fund Dividends, effectively reducing the dividend amount to \$1,000. Do you strongly support, mildly support, mildly oppose, or strongly oppose the Governor's decision?

	SUPPORT OR OPPOSE WALKER VETO?	
	Count	%
Strongly support	119	15.9%
Mildly support	126	16.9%
Neutral	22	2.9%
Mildly oppose	148	19.8%
Strongly oppose	314	42.0%
Not sure	19	2.5%

Mean = 1.434

3B. Have you personally experienced a drop in income recently because of the fall in oil prices and the subsequent state budget deficit, or not?

	EXPERIENCED RECENT DROP IN INCOME?	
	Count	%
Yes	195	26.1%
No	536	71.8%
Not sure	16	2.1%

The following questions are for statistical purposes only.

4A. (IF LANDLINE, THEN ASK...) Do you use a cellphone?

4B. (IF CELLPHONE, THEN ASK...) Do you have a landline telephone in your home?

4C. (IF YES TO EITHER 4A OR 4B, THEN ASK...) On which line do you conduct most of your day-to-day telephone communication, your landline or your cellphone?

	LANDLINE/CELL STATUS:	
	Count	%
Land only	20	2.7%
Both - land dominant	53	7.0%
Both - cell dominant	219	29.4%
Cell only	454	60.8%



# PERMANENT FUND DIVIDEND DIVISION

## ANNUAL REPORT 2014

*State of Alaska, Department of Revenue*

# APPLICANT FILING ACTIVITY

## APPLICATION TYPES AND COUNTS

The Division classifies applications by type for ease of distribution and updating of forms.

Note:

- Total applications shown below include applications for dividends prior to 2014.
- Eligible Prior Year Applications for 18-year-old filers: Under regulation 15 AAC 23.133, an individual who has reached majority or who is an emancipated minor, may apply for a prior year dividend. An individual who qualifies must meet all eligibility requirements for the respective prior year(s) and must file before the individual reaches 20 years of age. See Alaska Statute 43.23.055(3).

Dividend Filing Activity			
Application Type and Amount			
Adult Applications	Amount	Child Applications	Amount
Adult Online	403,365	Child Online	147,629
Adult Paper	84,489	Child Paper	26,922
Adult Refile (After filing deadline)	655	Child Refile (After filing deadline)	280
Application on Behalf of Another Adult (online and paper)	2,531	Child in Custody of Health and Social Services	1,800
Disabled Individual	154	Estate of Deceased Child	20
Estate of Deceased Adult	780		
Office of Public Advocacy	1,369		
<b>Total Adult Applications</b>			<b>493,343</b>
<b>Total Child Applications</b>			<b>176,651</b>
<b>Prior Year 18-Year-Old Filers (any dividend year)</b>			<b>59</b>
<b>All other Prior-year Dividend Applications</b>			<b>794</b>
<b>Total Valid Applications (any dividend year)</b>			<b>670,847</b>
<b>Invalid, Duplicate, Withdrawn, or Applications Submitted Solely to Establish Sponsor Eligibility</b>			<b>6,267</b>
<b>Total Applications received during 2014</b>			<b>677,114</b>

# DIVISION PROCESSING ACTIVITY

## GARNISHMENTS AND ASSIGNMENTS

### Garnishments

Under state statutes, up to eighty percent of a dividend may be garnished, unless by a governmental agency, which may garnish up to one-hundred percent of a dividend. Any PFD amount in excess of the total amount garnished is paid to the applicant. These garnishments will pay off debts that are owed to a variety of agencies across the state. There is a priority order for which kind of agency will receive first option to levy garnishments. Within that priority structure, they are ordered based on the date and time stamp of submission. It is, in essence, a "first come, first serve" system within the priority order. Garnishment requests come to the PFDD directly from an agency, such as a court system or process server.

Top Ten Agency Filers	Submitted	
	Number of Requests	Amount
DEPARTMENT OF LAW	170,990	\$76,737,066.97
MUNICIPALITY OF ANCHORAGE	106,086	\$20,890,058.57
CLERK OF COURT ANCHORAGE	34,327	\$343,886,381.93
CHILD SUPPORT SERVICES DIVISION	13,604	\$20,117,123.75
UA COLLEGE SAVINGS PLAN	13,262	\$0.00
DEPARTMENT OF LABOR	5,565	\$14,791,839.07
United States Treasury - Individual Tax (UNITED STATES TREASURY)	5,130	\$50,492,323.36
United States Treasury - Individuals (UNITED STATES TREASURY)	4,399	\$115,866,454.70
CITY OF WASILLA	4,212	\$282,019.00
UNIVERSITY OF ALASKA	3,659	\$4,954,690.67
<b>Total of Top Ten Agencies</b>	<b>361,234</b>	<b>\$648,017,958.02</b>
<b>Total of Other Agencies</b>	<b>22,879</b>	<b>\$119,952,336.69</b>
<b>Total - All Garnishing Agencies</b>	<b>384,113</b>	<b>\$767,970,294.71</b>

Top Ten Agency Filers	Paid			
	Payments	Amount	Average	Primary reason
DEPARTMENT OF LAW ANCHORAGE	55,195	\$11,201,703.09	\$202.95	Fines, delinquent taxes, attorney fees
MUNICIPALITY OF ANCHORAGE	27,022	\$4,309,184.25	\$159.47	Fines, delinquent taxes, attorney fees
UA COLLEGE SAVINGS PLAN FAIRBANKS	12,998	\$12,174,958.02	\$936.68	Private Writs - Small claims, debts
CLERK OF COURT ANCHORAGE	12,828	\$15,092,318.48	\$1,176.51	Fines, delinquent taxes, attorney fees
CHILD SUPPORT SERVICES DIVISION ANCHORAGE	8,890	\$13,252,394.40	\$1,490.71	Delinquent child support payments
U.S. Treasury - Fresno - Individual Tax	3,532	\$4,567,023.62	\$1,293.04	Delinquent income tax liabilities
DEPARTMENT OF LABOR JUNEAU	3,476	\$3,253,799.04	\$936.08	Fines, delinquent taxes, attorney fees
U.S. Treasury - Philadelphia - Individuals	3,309	\$5,252,227.65	\$1,587.26	Delinquent employment tax liabilities
AK. COMM. POSTSECONDARY EDUCATION JUNEAU	2,576	\$4,569,418.22	\$1,773.84	Delinquent tuition
UNIVERSITY OF ALASKA Anchorage	2,532	\$2,287,526.84	\$903.45	Fines, delinquent taxes, attorney fees
<b>Total of Top Ten Agencies</b>	<b>132,358</b>	<b>\$75,960,553.61</b>		
<b>Total of Other Agencies</b>	<b>10,524</b>	<b>\$5,202,777.02</b>		
<b>Total - All Garnishing Agencies</b>	<b>142,882</b>	<b>\$81,163,330.63</b>		

## DIVISION PROCESSING ACTIVITY

### Assignments

State statutes permit applicants to assign their dividend to a government agency or regional housing authority created under Alaska Statute 18.55.996. Any amount in excess of the liability due the assigned agency is paid to the applicant.

Assignments tend to be done on a "voluntary" basis where an individual wishes to utilize their upcoming PFD for a payment to a federal, state, municipal governmental agency, or to a court. Many of these assignments end up going towards housing payments for federal housing programs. Because these are assigned prior to the PFD calculation, it is the agency's responsibility to either set an amount that they will accept for the upcoming PFD, or to have individuals assign percentages of their PFD. Individuals may assign up to one-hundred percent of their expected PFD, per AS 43.23.069(b).

Note: \* A zero value in the "Submitted Amount" column indicates deductions requested as a percentage of the dividend balance, rather than a fixed amount.

Top Ten Assignees	Submitted	
	Number of Requests	Amount
AVCP HOUSING AUTHORITY	277	\$22,736.87
TLINGIT-HAIDA REGIONAL	257	\$76,715.34
BERING STRAITS REGIONAL HOUSING	235	\$20,417.70
CITY OF DILLINGHAM	178	\$42,799.20
NORTHWEST INUPIAT	89	\$0.00
MUNICIPALITY OF ANCHORAGE	88	\$39,780.41
DEPARTMENT OF H&SS	78	\$0.00
DEPARTMENT OF COMMERCE	56	\$2,225.00
CITY OF SELAWIK	56	\$35,419.00
ALEUTIAN HOUSING AUTHORITY	53	\$6,200.00
<b>Total of Top Ten Assignees</b>	<b>1,367</b>	<b>\$246,293.52</b>
<b>Total of Other Assignees</b>	<b>457</b>	<b>\$77,568.46</b>
<b>Total of All Assignees</b>	<b>1,824</b>	<b>\$323,861.98</b>

Top Ten Assignees	Paid			
	Payments	Amount	Average	Primary reason
TLINGIT-HAIDA REGIONAL JUNEAU	226	\$230,913.58	\$1,021.74	
BERING STRAITS REGIONAL HOUSING NOME	210	\$326,769.87	\$1,556.05	
AVCP HOUSING AUTHORITY BETHEL	206	\$277,231.03	\$1,345.78	
MUNICIPALITY OF ANCHORAGE	76	\$38,476.60	\$506.27	
NORTHWEST INUPIAT KOTZEBUE	72	\$132,075.03	\$1,834.38	
CITY OF DILLINGHAM DILLINGHAM	61	\$14,852.80	\$243.49	
ALEUTIAN HOUSING AUTHORITY ANCHORAGE	50	\$80,414.01	\$1,608.28	
CITY OF SELAWIK SELAWIK	46	\$32,140.60	\$698.71	
DEPARTMENT OF COMMERCE JUNEAU	45	\$83,087.00	\$1,846.38	
DEPARTMENT OF H&SS JUNEAU	40	\$71,168.61	\$1,779.22	
<b>Total of Top Ten Assignees</b>	<b>1,032</b>	<b>\$1,287,129.13</b>		
<b>Total of Other Assignees</b>	<b>314</b>	<b>\$439,619.03</b>		
<b>Total of All Assignees</b>	<b>1,346</b>	<b>\$1,726,748.16</b>		

# DIVISION PROCESSING ACTIVITY

## PAYMENTS

The first dividend payment disbursement for the current dividend year begins on the first Thursday in October and continues on a monthly cycle thereafter. In 2014, payment began on October 2<sup>nd</sup>. Applicants who selected the payment method of direct deposit or electronic payment have their dividends initially sent to financial institutions for deposit into checking or savings accounts. Deposit returns from financial institutions are paid via warrant in subsequent payment runs. Warrants, more commonly known as checks, are mailed to all applicants that did not select direct deposit.

If the garnished or assigned amount is less than the dividend amount, the remaining balance will be issued to the applicant by check or direct deposit, depending on their preference.

### Note:

- Payment numbers below reflect payments made through December 31, 2014 only on 2014 Dividends. (See page 20 for payments of prior-year dividends)
- The total amounts shown below include funds distributed to applicants, or to agencies through garnishments, assignments, and charitable contributions.
- The total amounts shown below do NOT include balances still due to applicants that have not yet received the full dividend amount. As of December 31<sup>st</sup>, this total balance is \$420,258.00.

### Highlights:

**498,844** direct deposits settled October 2, 2014 for a total of **\$907,526,659.87**

**85,277** warrants issued October 2, 2014 for a total of **\$148,119,766.53**

Payments of 2014 Dividends through Dec. 31, 2014			
	Applicants	Payment Method Percent	Total Amount
<b>Applicants Paid by Direct Deposit</b>			
Full Dividend Payment to Applicant	457,657		\$862,225,788.00
Payment to Applicant after Voluntary and/or Involuntary Deductions	61,329		\$115,539,780.00
<b>Total Number of Applicants Paid by Direct Deposit</b>	<b>518,986</b>	<b>82.21%</b>	<b>\$977,765,568.00</b>
<b>Applicants Paid by Check</b>			
Full Dividend Payment to Applicant	78,951		\$148,743,684.00
Partial Payment to Applicant - Voluntary and/or Involuntary Deductions	15,072		\$28,393,926.00
<b>Total Number of Applicants Paid by Check</b>	<b>94,023</b>	<b>14.89%</b>	<b>177,137,610</b>
<b>Applicants Paid by Combination of Direct Deposit and Check</b>			
Mixed payments, with and without deductions	1018	0.16%	\$1,832,934.00
<b>Total 2014 Dividends to Applicants (all categories above)</b>	<b>614,027</b>	<b>97.26%</b>	<b>\$1,156,736,112.00</b>
Eligible Dividends Fully Reduced by Garnishments and/or Levies (Involuntary Deductions)	17,279	2.74%	\$32,553,636.00
<b>Total 2014 Dividend Paid (Including Adjustments)</b>	<b>631,306</b>	<b>100.00%</b>	<b>\$1,189,289,748.00</b>

# DIVISION PROCESSING ACTIVITY

## Applications Paid in 2014 for Prior Year Dividends

Prior year dividends may have been issued during 2014 for any the following reasons:

- Applications for the 2013 dividend that were still in review or appeal at the end of calendar year 2013.
- Eligible Prior Year Applications for 18-year-old filers. Under regulation 15 AAC 23.133, an individual who has reached majority or who is an emancipated minor may apply for a prior year dividend. An individual who qualifies must meet all eligibility requirements for the respective prior year(s) and must file before the individual reaches 20 years of age. See Alaska Statute 43.23.055(3).
- Estate Applications and Applications for Disabled Adults. (These application types have an extended filing date of up to one year later than the filing deadline for the respective dividend year.)

Dividend Year	Dividends Paid	Dividend Amount	Total
2013	2,443	\$900.00	\$2,198,700.00
2012	217	\$878.00	\$190,526.00
2011	64	\$1,174.00	\$75,136.00
2010	26	\$1,281.00	\$33,306.00
2009	31	\$1,305.00	\$40,455.00
2007	44	\$1,654.00	\$72,776.00
2006	41	\$1,106.96	\$45,385.36
2005	29	\$845.76	\$24,527.04
2004	27	\$919.84	\$24,835.68
2003	17	\$1,107.56	\$18,828.52
2002	25	\$1,540.76	\$38,519.00
2001	21	\$1,850.28	\$38,855.88
2000	22	\$1,963.86	\$43,204.92
1999	20	\$1,769.84	\$35,396.80
1998	19	\$1,540.88	\$29,276.72
1997	18	\$1,296.54	\$23,337.72
1996	16	\$1,130.68	\$18,090.88
1995	3	\$990.30	\$2,970.90
1994	1	\$983.90	\$983.90
1993	1	\$949.46	\$949.46
1992	2	\$915.84	\$1,831.68
<b>Total</b>	<b>3,087</b>		<b>\$2,957,893.46</b>

\* 2008 Dividends included the one-time Resource Rebate of \$1,200.00.

# APPLICANT DEMOGRAPHICS

## Applicant Demographics

### GENDER, AGE, NAME

Demographics shown here are based on valid applications received for the 2014 dividend only. Ages are given as of December 31, 2014.

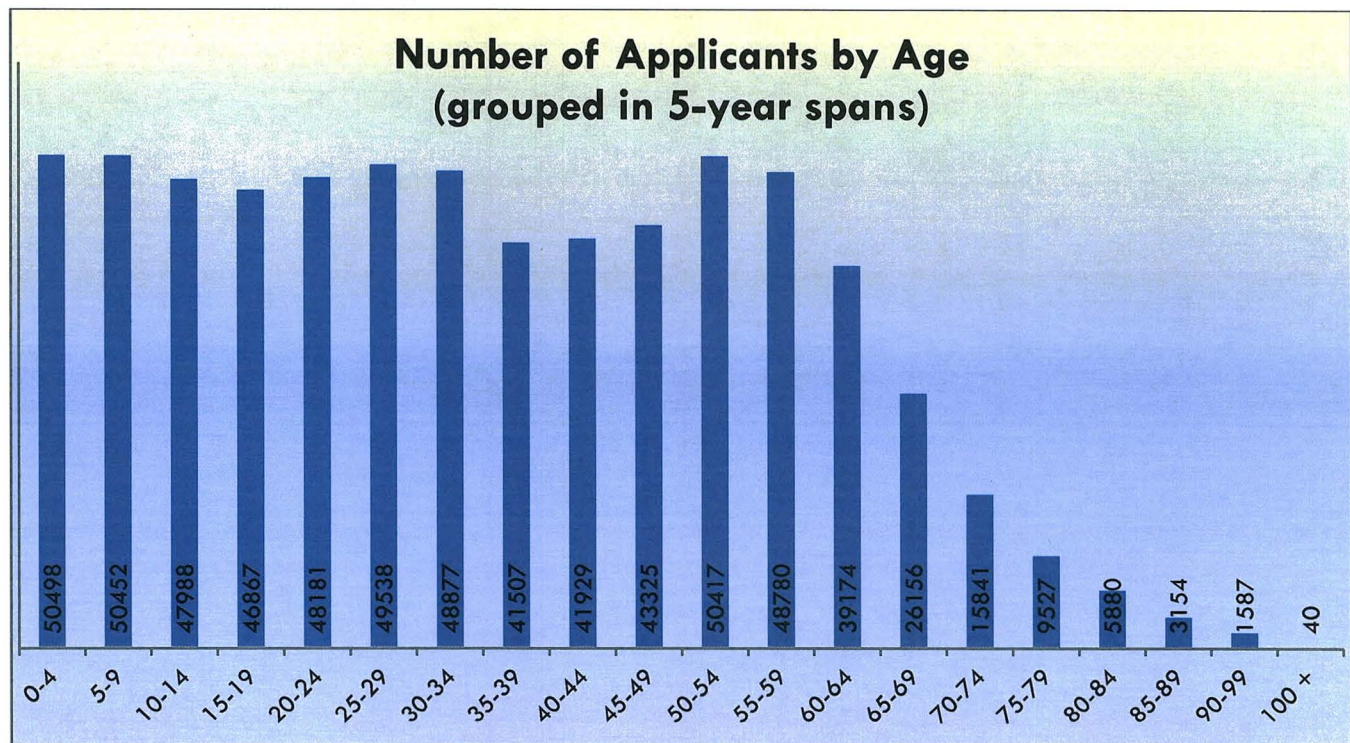
Gender	Applicants	%	Ratio
Men	340,402	50.80%	1.0326
Women	329,651	49.20%	1.0000
<b>Total</b>	<b>670,053</b>	<b>100.00%</b>	

Age	Applicants	%	Ratio
Adults (18 years and older)	493,343	73.627%	2.7918
Children (<18 years old)	176,710	26.373%	1.0000
<b>Total</b>	<b>670,053</b>	<b>100.000%</b>	

#### Highlights:

**9,434** Alaskan newborns (babies born in Alaska during 2013) filed for their first dividend in 2014..

The oldest applicant on file in 2014 was **108** years old!



### Most Common Names Among 2014 Dividend Applicants

Rank	Male Names	Female Names	Last Names
1	Michael	Mary	Smith
2	John	Jennifer	Johnson
3	James	Elizabeth	Williams
4	Robert	Sarah	Brown
5	David	Linda	Jones

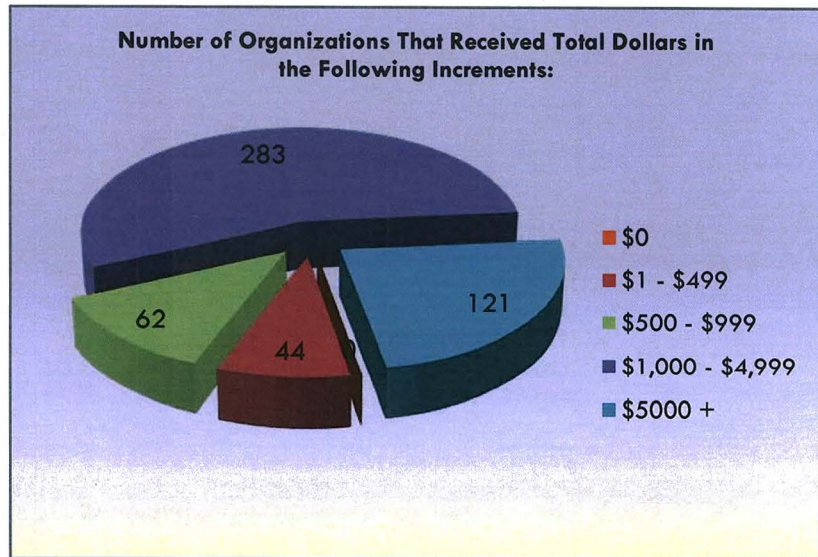
# VOLUNTARY PROGRAMS

## Voluntary Programs

### PICK.CLICK.GIVE.

In 2009, the PFDD implemented a three-year charitable giving pilot program, Pick.Click.Give., authorized by the Alaska legislature per statute AS 43.23.062. In 2012, it became a permanent addition to the PFD online application process.

Initially funded by the Rasmuson Foundation and managed by United Way and the Foraker Group, the program allows an applicant to electronically pledge all or a portion of their dividend to eligible Alaskan nonprofit organizations. "The program goal is to increase individual charitable giving overall, along with increasing the number of new donors to nonprofit organizations." Additional information regarding the program can be found at [www.pickclickgive.org](http://www.pickclickgive.org).



Applicants are allowed to withdraw their pledges up to a specified date, and pledge amounts may be reduced by other garnishments or assignments that take priority. An ineligible applicant pledge would also not be paid. Hence, the actual contributed amount is generally lower than the amounts pledged during the application period.

#### Highlights:

Number of applicants who pledged: **26,813**  
 Number of individual pledges to an organization: **52,424**

Number of eligible charitable organizations: **512**

#### Amount pledged vs amount paid

<b>Total Dollars Pledged By Applicants</b>	<b>\$3,383,850.00</b>
<b>Pledges Withdrawn</b>	<b>(\$575,675.00)</b>
<b>Net Total Dollars Pledged</b>	<b>\$2,808,175.00</b>
<b>Total Dollars Paid to Organizations</b>	<b>\$2,666,996.81</b>

#### Charitable Contributions Appeals

United Way of Anchorage, who acts as the Department of Revenue's "agent", determines if an organization is eligible or ineligible to be included in the charitable contribution list. If the organization is ineligible to be included in the charitable contribution list for the following year's Permanent Fund Dividend electronic application, the organization is issued a denial letter explaining the reasons they are not eligible. The organization has 15 days from the date of the denial letter to file an appeal explaining and supporting their position. Appeals for inclusion in the PFD Charitable Contribution list on the PFD Electronic Application differ from other appeals as they go directly to formal hearing as "fast track" hearings. PFD Division Appeals Specialists prepare the case for a formal hearing and the case is heard by an Administrative Law Judge with the Office of Administrative Hearings (OAH). United Way does not participate in the appeal hearing itself and does not participate in the appeal process. United Way only determines initial eligibility according to state law as the Department of Revenue's agent. There is no fee to file an appeal for inclusion in the PFD Charitable Contribution list on the PFD Electronic Application.

# VOLUNTARY PROGRAMS

## UNIVERSITY OF ALASKA COLLEGE SAVINGS PLAN

In 1990, legislation establishing the Alaska Education Trust Fund (AS 14.40.807) and authorizing an allowance for applicants to contribute fifty percent of their dividend to the fund was passed. In 1991, the name of the fund was changed to the Advance College Tuition (ACT) Payment Fund. The ACT option first appeared on the 1991 dividend applications.

In the fall of 2001, the University of Alaska developed the UA College Savings Plan program as the main program for which contributions can be made toward advanced college tuition costs. The UA College Savings Plan provides various investment strategies to individuals making contributions. Additional information regarding the plan can be found at [www.uacollegesavings.com](http://www.uacollegesavings.com).

**Note:**

- Applicants represent those who opted into the ACT program on their application and were paid a partial or full dividend.
- Total contributions represent actual dollars distributed to the College Savings Plan through December 31, 2014.

YEAR	APPLICANTS	TOTAL CONTRIBUTIONS
2014	12,998	\$12,174,958.02
2013	12,173	\$5,442,842.99
2012	11,214	4,892,579.86
2011	9,642	5,611,270.33
2010	9,032	5,748,649.82
2009	7,910	5,012,962.90
2008	8,766	9,050,096.40
2007	8,495	6,991,936.59
2006	7,847	4,322,765.60
2005	7,482	3,150,343.08
2004	6,601	3,020,373.59
2003	5,667	3,121,888.81
2002	5,094	3,901,412.29
2001	4,464	4,107,056.79
2000	3,766	3,681,902.17
1999	3,663	3,225,384.06
1998	3,468	2,655,048.28
1997	4,426	2,861,877.87
1996	4,945	2,790,779.51
1995	5,405	2,670,684.24
1994	5,905	2,897,904.88
1993	5,925	2,806,199.41
1992	5,490	2,507,537.40
1991	5,018	2,329,943.62
<b>Total</b>	<b>165,396</b>	<b>\$104,976,398.51</b>

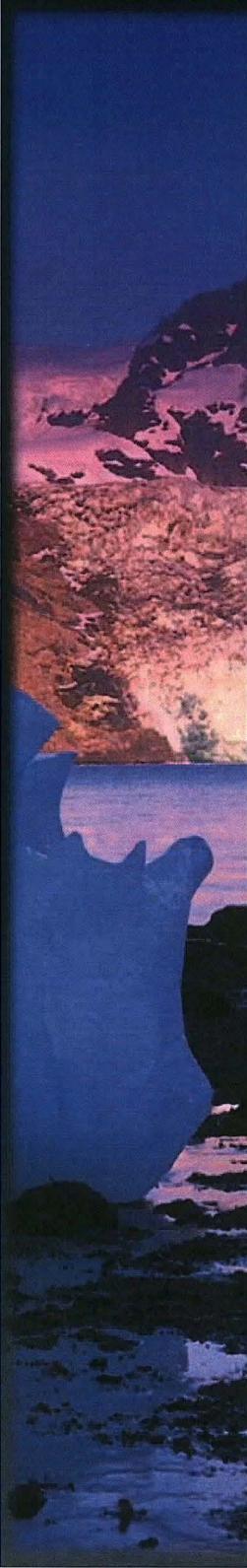
# PERMANENT FUND DIVIDEND DIVISION HISTORY

## PROGRAM TIMELINE



- 1976** • Voters pass a constitutional amendment to establish the Permanent Fund (Alaska Constitution, Article IX, Section 15).
- 1980** • First Permanent Fund dividend legislation enacted. The legislation established a program giving every adult Alaska resident \$50.00 for every year of residency since statehood in 1959 and also established a Dividend Fund. Payment of dividends were stayed under litigation (Zobel v Williams) challenging the constitutionality of the program.
- 1982** • U.S. Supreme Court ruled the 1980 legislation unconstitutional. In response to the litigation, the legislature passed legislation authorizing equal dividend payments to all six-month residents. The first dividend amount was \$1,000.00. The first dividend checks were distributed June 14th.
- 1983** • Residency period defined as six months ending March 31st. Filing due date established as June 30th.
- 1985** • Hold-harmless program funding for public assistance recipients changed from General Fund to Permanent Fund Dividend Fund.
- 1986** • Olympics check-off program begins. Persons allowed to donate \$5.00 to Alaska Winter Olympics account in General Fund.
- 1988** • In January the Permanent Fund Dividend Division was established.
- 1989** • Legislature changed residency period from six to 24 months. Individuals banned from assigning dividends (except to government) by regulation. Felons not eligible for dividends. Physical presence requirement established. Last year for Olympics check-off.
- 1990** • Superior Court ruled 24-month residency requirement unconstitutional and changed the residency requirement to 12 months (Lindy v Malone). Disclosure requirements established to print program costs on dividend checks.

## PERMANENT FUND DIVIDEND DIVISION HISTORY


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- 1991** • Check-off program for Advance College Tuition started. Percent of dividend subject to levy for private judgments increased from 50% to 55%. Fairbanks office closed in September 1991. First receipt cards mailed.
  - 1992** • Individuals banned from assigning dividends (except to government agencies) by statute.
  - 1993** • Direct Deposit programs for full dividends established. Residency period changed to calendar year. Voter registration forms included with application.
  - 1994** • Filing due date changed to March 31. Longevity Bonus Annuity check-off program began. Legislature authorizes the division to charge fee for processing claims and assignments on dividends.
  - 1995** • Longevity Bonus Annuity check-off program repealed.
  - 1996** • Misdemeanants with two prior crimes not eligible for dividends.
  - 1997** • Fairbanks office re-opened in February.
  - 1998** • Internet program implemented to allow applicants to check their status online. All allowable absences defined in statutes (statutory provision for commissioner to define absences by regulation repealed). Spouses accompanying eligible residents authorized as allowable absence. Authority to file for estates (persons who die during filing period) established. Physical presence changed to 72 hours every two years (effective for 2000 dividend). Percent of dividend subject to levy for private judgment increased from 55% to 80%.

## PERMANENT FUND DIVIDEND DIVISION HISTORY



- 1999** • Online application implemented, but applicants required to print and sign full application. Direct Deposit program expanded to include partial dividends.
- 2000** • Imaging system and new data entry system implemented in January. First year that applications were imaged. Improved online application implemented in March (applicants required to sign signature page only).
- 2001** • Alaska Supreme Court rules that immigrant aliens who form intent to remain in Alaska qualify for dividends.
- 2002** • Receipt letter replaces application receipt card. Department of Health and Social Services files applications electronically. Final year securities companies participated in the Direct Deposit program. Misdemeanants with one prior felony or two prior misdemeanors not eligible for dividend.
- 2003** • Electronic signature for online applications implemented March 20th.
- 2004** • Receipt letters eliminated. Online application expanded to cover full application and supplemental schedule. Tri-fold direct deposit advice implemented. Selective Service registration part of the application.
- 2005** • 30 day response regulation adopted. Fraud subpoena power authorized. Power of Attorney allowed for military serving outside the US. Phase I of new Applicant Information system implemented. Checks issued two weeks after Direct Deposits. Applicant addresses no longer public information.
- 2006** • Two Direct Deposits with early payment for on-line January filers. Online filing increases to 57% of applications filed. Allowable absences for Peace Corps volunteers and members of US Olympic team restored.

## PERMANENT FUND DIVIDEND DIVISION HISTORY

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- 2007 • Online payment history access for authorized agencies and individuals adopted.
  - 2008 • One time resource rebate added to dividend. Payment timing moved up to September in response to high energy costs. New eligibility system rolled out.
  - 2009 • The Charitable Contribution program named Pick.Click.Give. is launched. The online program allows an applicant to donate all or a portion of their dividend to charities of their choosing.
  - 2010 • Community distribution centers are used for distributing paper applications for the first time. Postal delivery to every Alaskan mailbox is reduced to targeted mailings in light of over 75% of applicants filing online.
  - 2013 • The Division publishes a Facebook page to develop an additional interactive experience with Alaskans through social networking.
  - 2014 • The Division implements system changes to expand the options for Direct Deposit of dividend payments. Within months, the number of financial institutions selected by applicants for Direct Deposit jumps from 22 to over 350!

# PFD cuts could mean big ripples in Alaska economy

By Rachel Waldholz, Alaska's Energy Desk - Anchorage -

March 9, 2016

It's PFD application time in Alaska; the deadline is March 31. And if nothing changes, this year's check, like last year's, will total about \$2000.

But as lawmakers grapple with a mammoth budget deficit, it's becoming increasingly likely that the solution will require tapping Permanent Fund earnings — and reducing the dividend.

Experts say that will have ripple effects throughout the economy. Meanwhile, as Alaska considers scaling back the dividend, the rest of the world is warming to the idea.

The PFD has more impact in rural Alaska, where high unemployment combines with the high cost of living ( including groceries like this \$7.50/gallon milk at Bethel's AC grocery store) to make dividend checks a crucial cash infusion. Photo: Rachel Waldholz/APRN

Karl Widerquist is a professor of political philosophy at Georgetown University's School of Foreign Service in Qatar. He considers the PFD an example of a universal basic income — actually, the *only* example.

"This is the closest thing to a basic income that has existed for any significant period of time, anywhere in the world," he said. "There are a lot of people talking about it, but only Alaska has done it, and Alaska's been doing it for over 30 years."

A universal basic income is essentially what it sounds like – a guaranteed minimum payment distributed to all citizens.

And the concept is having a moment. There's an upcoming referendum in Switzerland; pilot projects planned for Finland, the Netherlands and Canada; and increasing interest from Silicon Valley, which worries that the automation revolution — like self-driving cars — will soon put a lot of people out of work.

Widerquist says all of these places can learn from Alaska.

So what do we know, after distributing the PFD since 1982?

Actually, "There's an awful lot that we don't know," said Gunnar Knapp, who runs the Institute of Social and Economic Research at the University of Alaska, Anchorage.

There's never been much research on the dividend. Knapp said most Alaskans probably don't even know exactly how they spend it.

"You may think, oh, I used that thousand dollars to buy this plane ticket," he said. "But suppose you were going to buy that plane ticket anyway? Then really what that thousand dollars maybe went to was just all the regular stuff you'd buy, except you actually bought a little bit more of it."

But, Knapp said, some things are clear. For one, the dividend matters a lot more if you're poor than if you're rich.

For the twenty percent of Alaska households whose incomes average \$35,000 a year or less, the PFD is a major chunk of change. For a family of four, last year's checks added up to more than \$8000.

Knapp said that's one reason Alaska has one of the most equal – or least unequal – distributions of wealth in the U.S.

"There's many other things that enter into income equality," he said. "But certainly we know that the dividend is a contributing factor."

In general, Knapp said, the dividend also has a bigger impact in rural Alaska than the Railbelt. Cuts would hit hardest in regions with the lowest median household income – that includes some parts of Fairbanks and Anchorage, plus a wide swath of Western Alaska.

Standing outside the AC grocery store in Bethel, you can find plenty of people who put their PFD in a savings account, like 36-year-old Damien Jones.

"That's the best way to save it," he said. "Just put it in savings, let it accumulate, and when a rough time comes, you use it."

Jones was in town from Anchorage. He said he'd be fine if the PFD is cut. But he worries about others in the region, who must cope with both a high cost of living and high unemployment.

For many people, especially in the villages, the PFD is a crucial cash infusion.

Marie Andrew was in Bethel from Tuluksak. She spent her 2015 PFD on a 1995 Ford Explorer. But usually, she says, it just goes to bills. Cutting it would be a big deal.

"It would affect me a lot," she said. "I wouldn't be able to pay my lights or buy food."

Peter Uttereyuk, Jr., 26, is from Scammon Bay. He had his two-year-old son, Simon, on his hip. His last PFD went to diapers, wipes and food.

"It goes all to him," Uttereyuk said. "And *his* PFD goes to his savings for college, and whatever he needs for the future."

That's an example of an important function of the PFD, Knapp said: it make it possible to build wealth.

"For lower income people who really need to use most of their paycheck just to get by," he said. "It provides a way to accumulate and save money over time."

Those savings can then go toward college, a down payment on a house or to start a business. And that's true for people up and down the income ladder.

But what about everyone who spent their PFDs on new laptops or Christmas presents or snowmachines? They aren't just making October an Alaska retailer's favorite time of year, Knapp said. That money ripples through the economy.

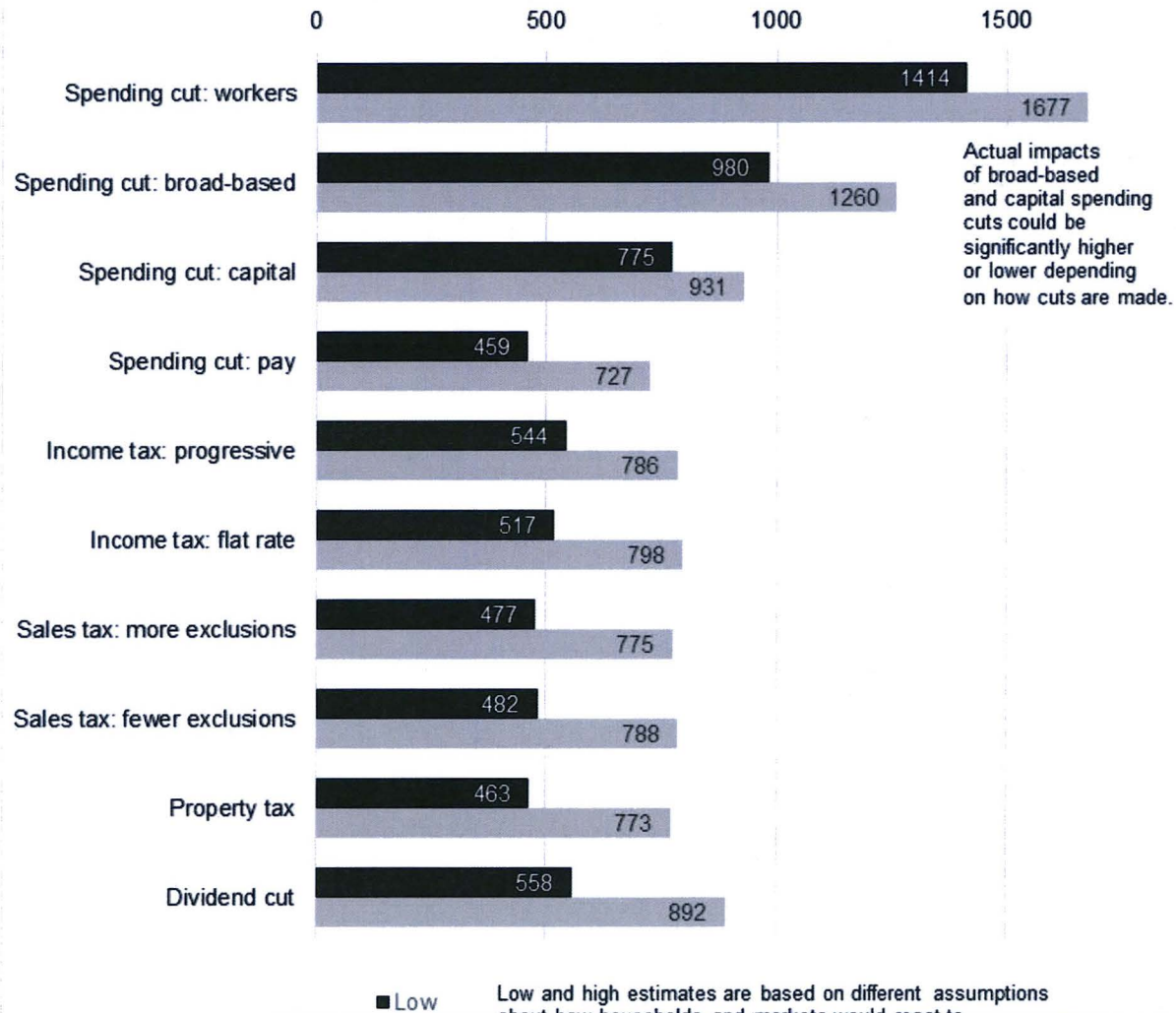
In an analysis presented to lawmakers this month, Knapp estimated cutting the PFD in half could cost more than 6000 jobs statewide — and pull about a billion dollars of income out of the state economy.

Lawmakers must weigh those effects against the impacts of other options — such as cutting government workers or services; instituting an income tax; or raising oil taxes — or, Knapp said, some combination of them all.

How do we reconcile the health of the economy with the need to clo

# Employment impacts

Estimated Job Impacts per \$100 Million of Deficit Reduction (FTE jobs)



# Permanent Fund Dividends and Poverty in Alaska

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Anchorage Population and Economic Data Workshop

October 18, 2016

Anchorage, Alaska



**UAA Institute of Social  
and Economic Research**  
UNIVERSITY of ALASKA ANCHORAGE

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# The Alaska Permanent Fund

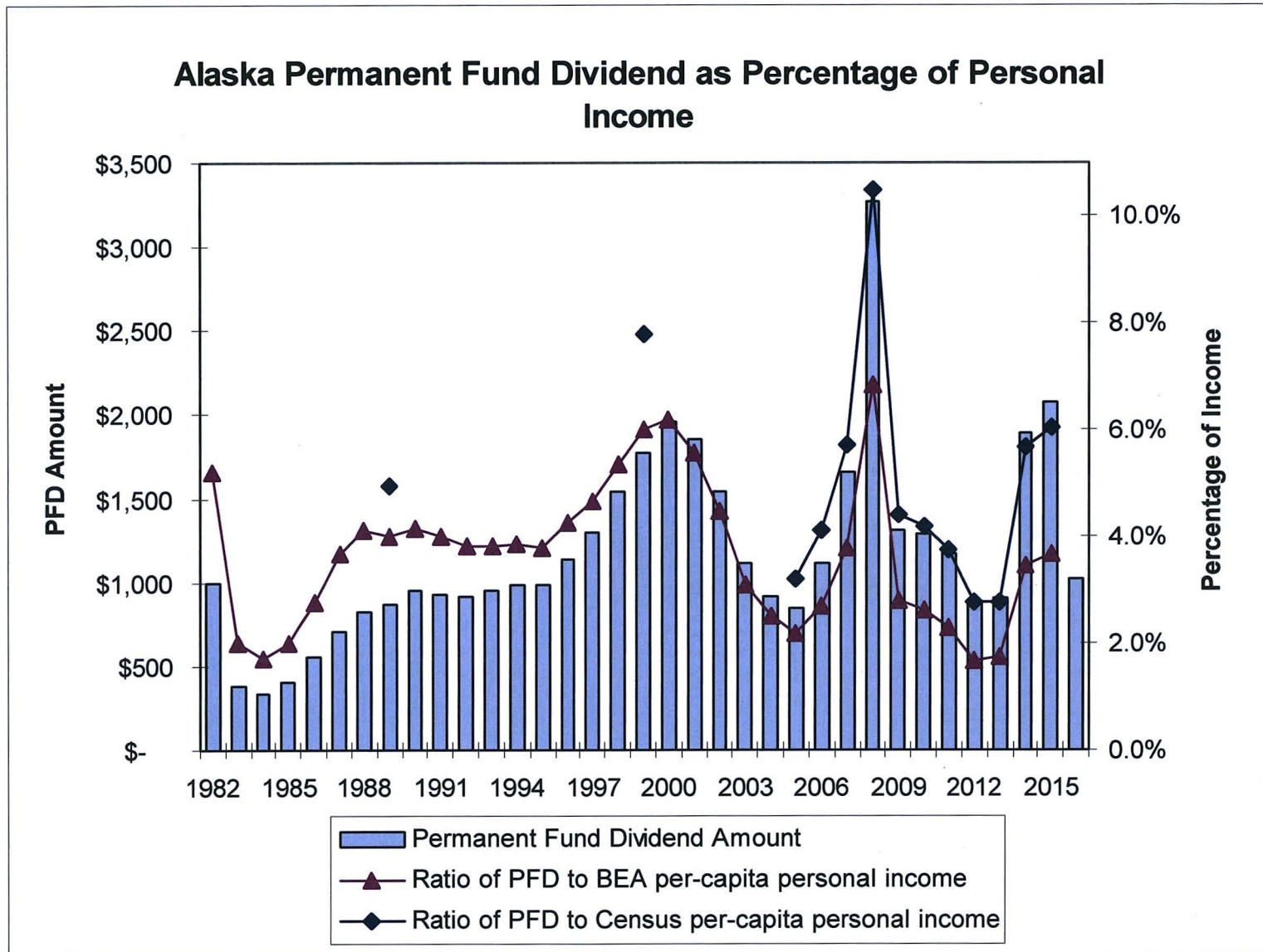
- Permanent Fund established in 1976 to save a portion of oil revenues for future public needs
- Permanent Fund Dividend program created as mechanism to bolster political support for conservative management of the PF
- PFD succeeded in its primary purpose. With conservative management, PF principal \$55 billion in 2016.
- With the drop in current and projected oil revenue, the time has come to consider using PF earnings for their original purpose. That requires reducing or eliminating the PFD.

# Evaluating the Permanent Fund Dividend Program

Beyond its success in protecting the PF principal

- A unique social experiment in providing “basic income” to entire population
- What has been the overall effect of the PFD on poverty reduction in Alaska?
- How has the PFD’s effect on poverty differed for different populations?
  - Alaska Native people
  - Urban versus rural Alaskans
- What would be the likely effect of reduction or elimination of the PFD on Alaska poverty rates?

PFD varies from year to year, but recent PFD a smaller percentage of per-capita personal income than in the 1990s



Note difference in 2015 per-capita personal income:  
 BEA's \$56,000 vs. Census Bureau's \$34,000

# Challenges for Assessing the Role of the PFD in Reducing Poverty in Alaska

- Official definition of poverty is complex and imperfect
  - Based on family living together in one household
  - Unmarried partners not counted
  - Different poverty thresholds for 47 different family configurations
  - Adjusted every year for inflation
  - Regional cost-of-living differences ignored

Size of family unit	Weighted average thresholds	Related children under 18 years								
		None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual).....	12,071									
Under 65 years.....	12,316	12,316								
65 years and over.....	11,354	11,354								
Two people.....	15,379									
Householder under 65 years.....	15,934	15,853	16,317							
Householder 65 years and over.....	14,326	14,309	16,256							
Three people.....	18,850	18,518	19,055	19,073						
Four people.....	24,230	24,418	24,817	24,008	24,091					
Five people.....	28,695	29,447	29,875	28,960	28,252	27,820				
Six people.....	32,473	33,869	34,004	33,303	32,631	31,633	31,041			
Seven people.....	36,927	38,971	39,214	38,375	37,791	36,701	35,431	34,036		
Eight people.....	40,968	43,586	43,970	43,179	42,485	41,501	40,252	38,953	38,622	
Nine people or more.....	49,021	52,430	52,685	51,984	51,396	50,430	49,101	47,899	47,601	45,768

Source: U.S. Census Bureau. Poverty Thresholds, 2014

# Challenges for Assessing the Role of the PFD in Reducing Poverty in Alaska (continued)

- Data are limited
  - Information on income and detailed household characteristics needed for a representative sample of Alaskans
  - National Surveys such as Current Population Survey and Consumer Expenditure Survey -- Alaska samples too small
  - Census Data (American Community Survey) provides large sample with information on race and region of residence
- Limitations of Census Data
  - Income self-reported
  - Because of survey timing and wording of questions, many people forget to report PFD in census surveys
  - No information about income asked or recorded for children under age 15

# Reporting of Permanent Fund Dividends in the U.S. Census Long Form (1990, 2000) and the American Community Survey (2005-2014)

## Data from 2014 ACS Public Use Sample

Percent of households reporting unearned income

	No other income	Some other income	Total
No interest, rent, dividends	30%	31%	60%
Some interest, rent, div.	22%	18%	40%
Total	51%	49%	100%

Can we observe directly from ACS data how changes in PFD distributions affect income and poverty?

*Problem:* Only about half of ACS households reported receiving any “other income,” the category that should contain the PFD, in 2014.

Regression equations for how amount of income reported varies with household size

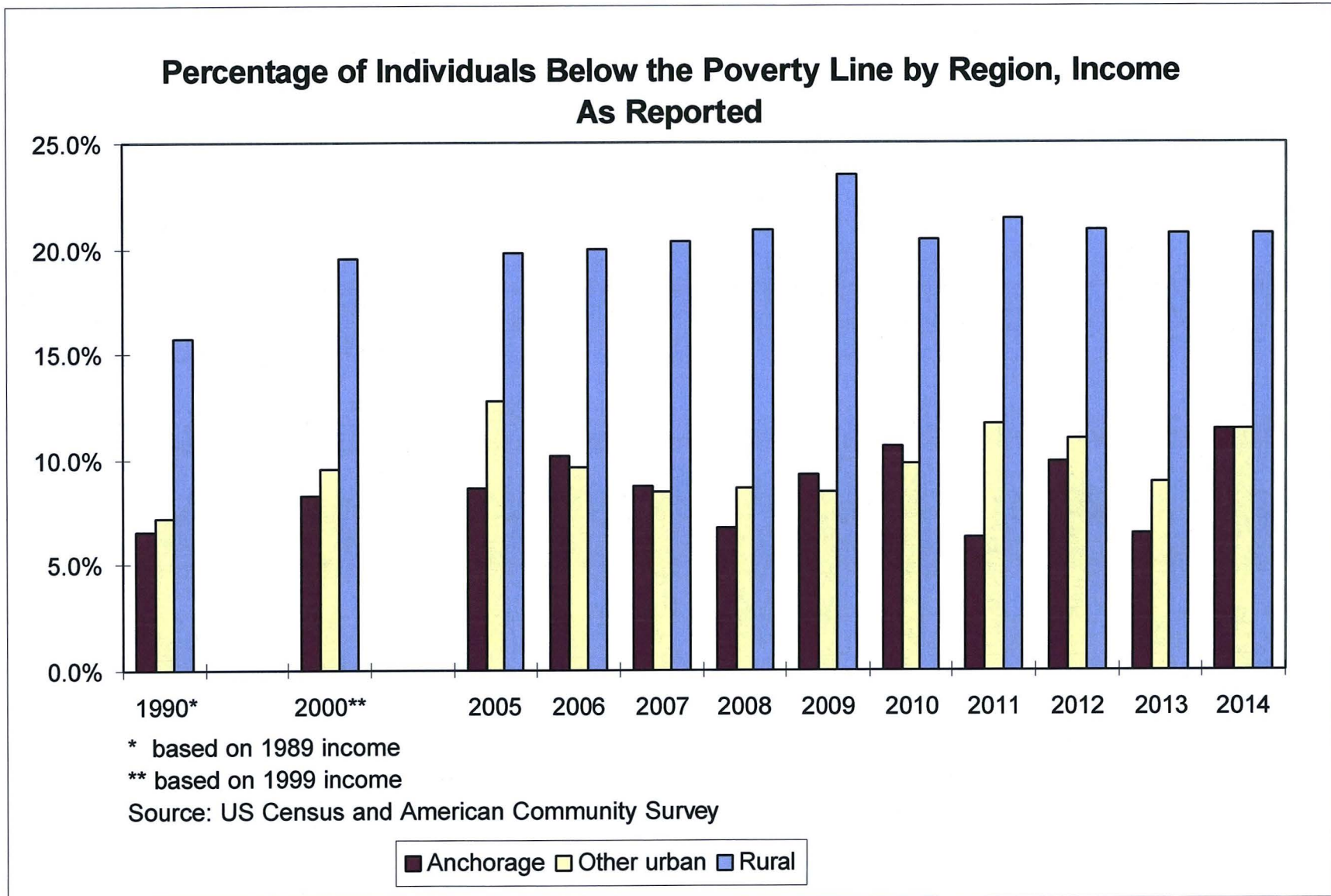
Variable	Other income All households		Other income HH w. other inc.		Interest, rent, and dividends	
	Effect	p	Effect	p	Effect	p
Children under 15	\$ 211	0.03	\$ (3)	0.98	\$ (418)	0.06
Adults	\$ 1,216	0.00	\$ 1,282	0.00	\$ 1,126	0.00
Constant term	\$ (92)	0.68	\$ 1,772	0.00	\$ 1,154	0.02

No questions asked about income of children under 15. Child PFD payments (as well as dividends from ANCSA corps. that enrolled descendents) are missing in the data. No evidence that adults are reporting children’s income.

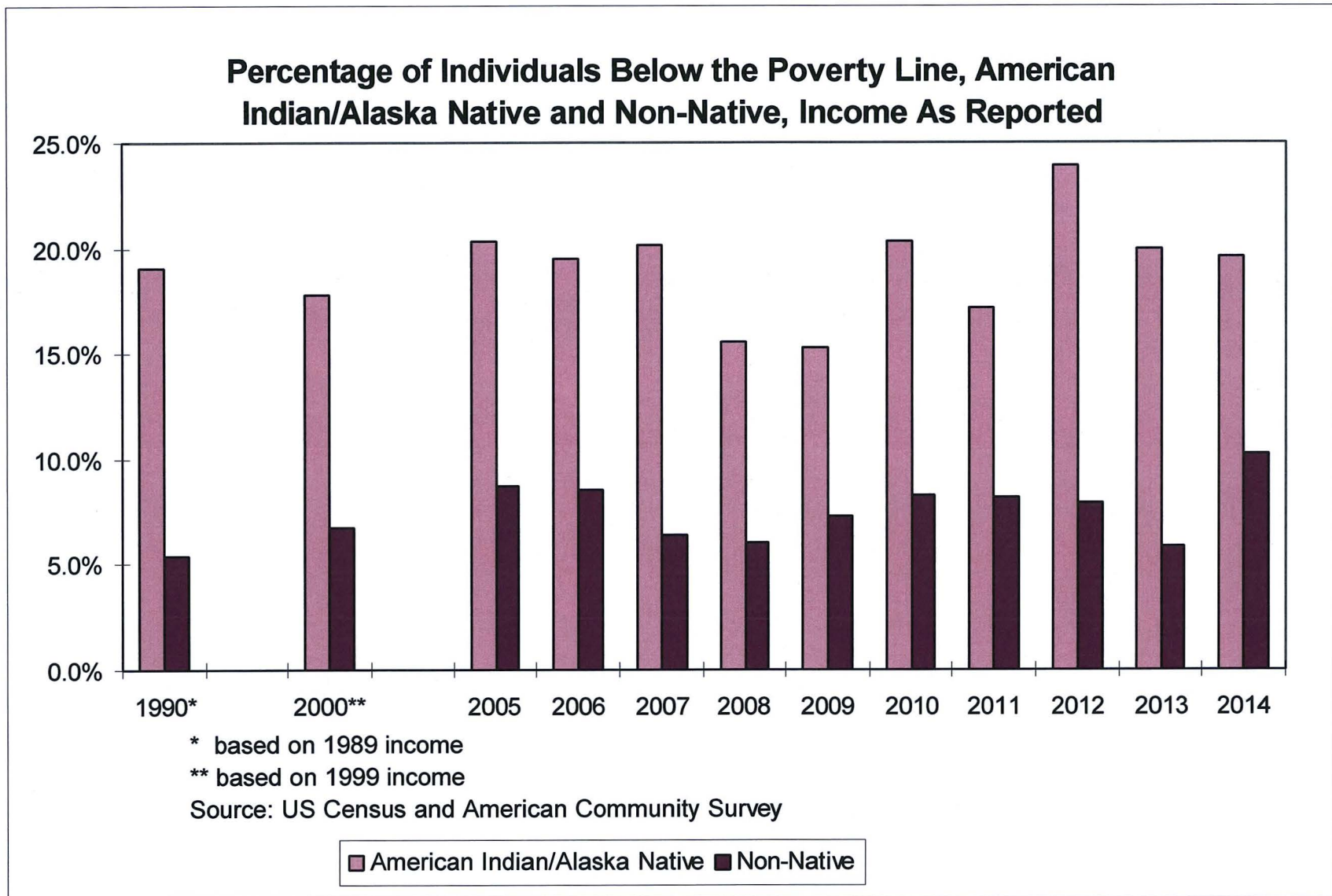
# Data and Methods

- Data sources
  - Public Use Microdata Samples (PUMS) for U.S. Census Long Form: 1990, 2000
  - Public Use Microdata Samples (PUMS) for American Community Survey (ACS): since 2005
- Analysis steps
  - Calculate poverty threshold for each sample person in PUMS data
  - Replicate Census Poverty calculation for each person to check calculations against reported percentage of poverty line
  - Calculate individual and family income without the PFD
    - Find and remove PFD income from each person when reported
    - Compare income without PFD income to poverty threshold for that family
  - Calculate individual and family income with the PFD
    - Add current year's PFD amount for eligible individuals to individual income without the PFD
    - Compare income with PFD income to threshold defined for that family

# Official poverty rates are much higher in rural Alaska

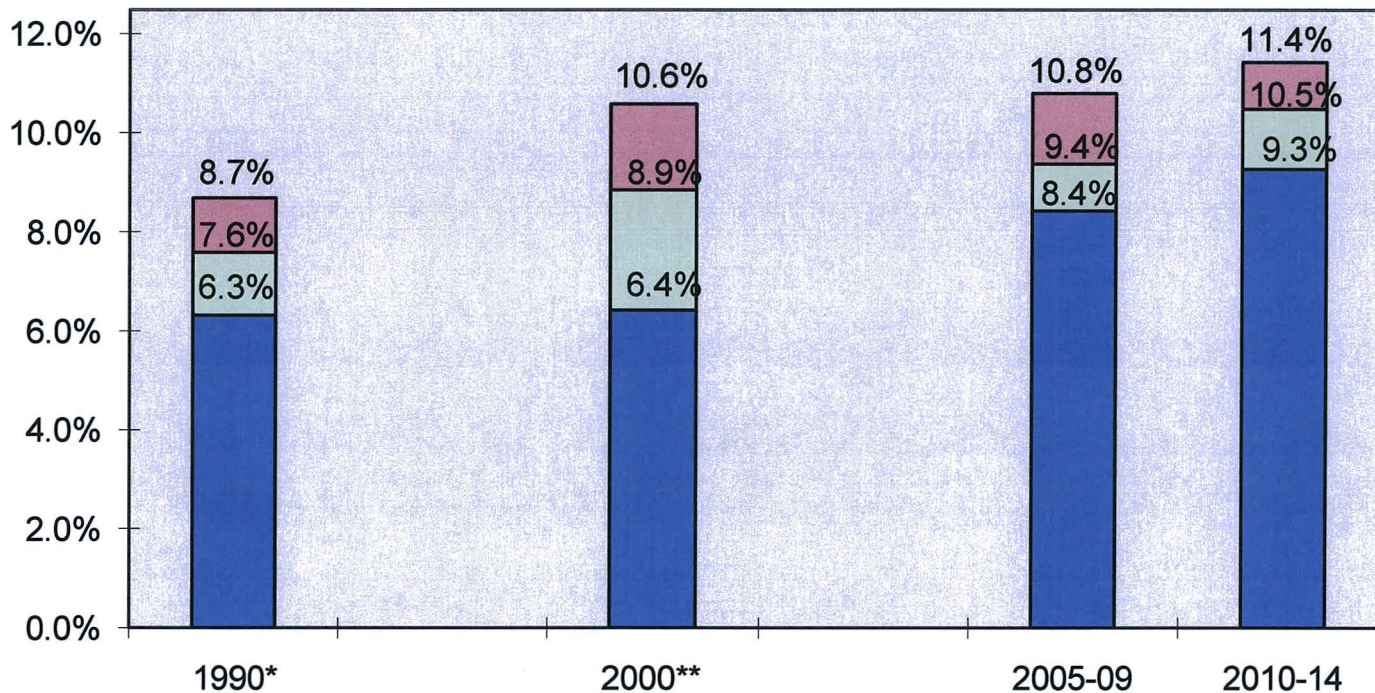


# Alaska Native poverty rates are higher than non-Native rates



PFD reduces poverty by 20 percent (about 2 percentage points).  
However, PFD increasingly less able to ameliorate poverty.

**Alaska Poverty Rates: Reported Rate and Estimated Rate  
With and Without PFD Income**



\* based on 1989 income

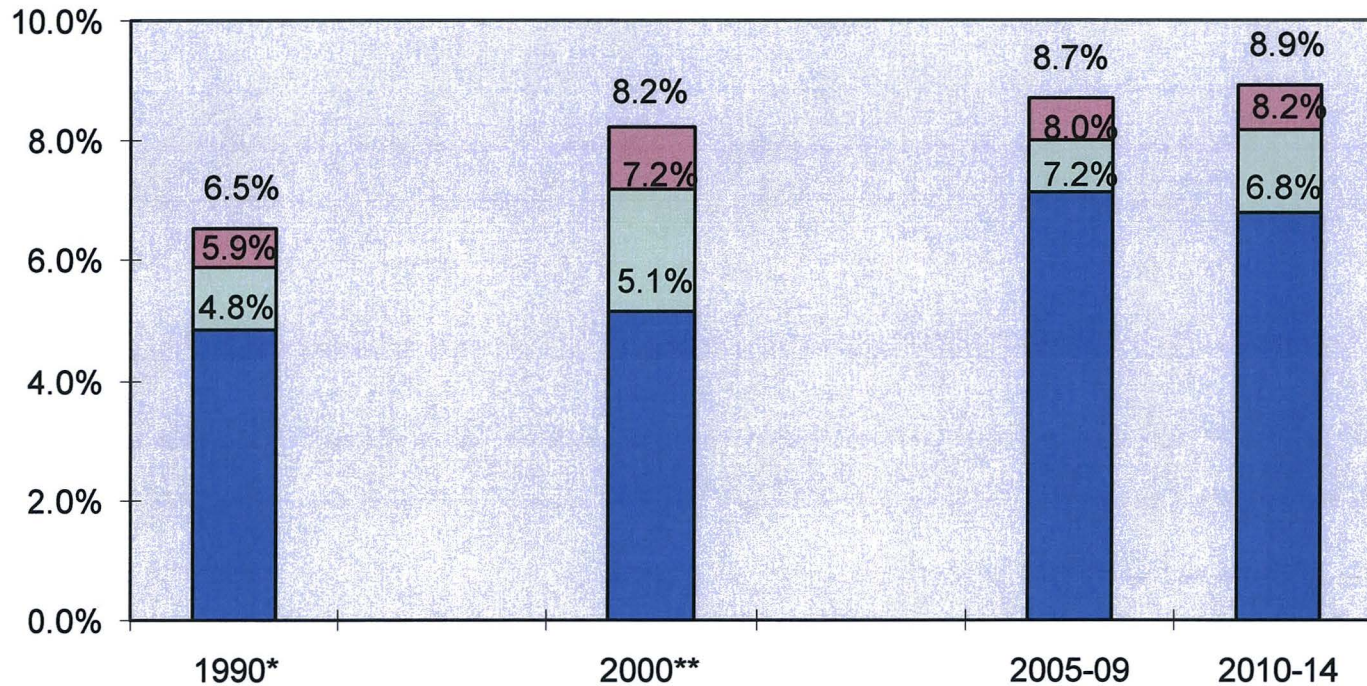
\*\* based on 1999 income

Source: Estimated from US Census and American Community Survey PUMS data

■ With PFD ■ As reported ■ No PFD

Poverty rates excluding PFD income are rising in Anchorage. Anchorage has welcomed about 1,800 foreign immigrants per year since 2005. Between 2005 and 2009, 45% poor (and not eligible for PFD the first year).

**Anchorage Poverty Rates: Reported Rate and Estimated Rate With and Without PFD Income**



\* based on 1989 income

\*\* based on 1999 income

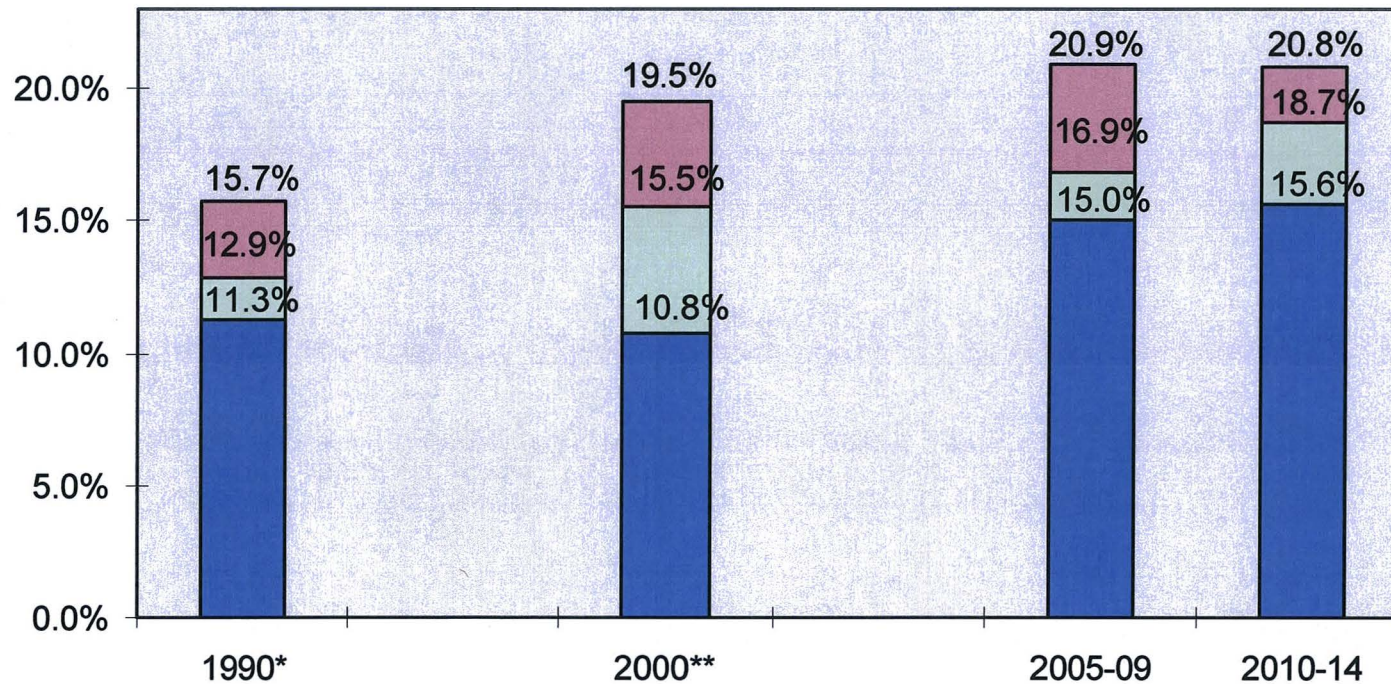
Source: Estimated from US Census and American Community Survey PUMS data

■ With PFD □ As reported ■ No PFD

PFD much more important in reducing poverty in rural Alaska.

Without PFD, more than one in five rural Alaskans poor.

### Rural Alaska Poverty Rates: Reported Rate and Estimated Rate With and Without PFD Income



\* based on 1989 income

\*\* based on 1999 income

Source: Estimated from US Census and American Community Survey PUMS data

■ With PFD ■ As reported ■ No PFD

# Conclusions about the Alaska Permanent Fund Dividend and Poverty

- The PFD annually lifts 15,000-25,000 Alaskans out of poverty, depending on the size of the dividend.
- The PFD reduces the number of Alaska Native living in poverty by one-quarter.
- Despite PFD, poverty rates are rising in Alaska, especially in urban areas.
- Reducing the PFD by \$1,000 will likely increase the number of Alaskans below the poverty line by 12-15,000 (2% of Alaskans).
- Unless the Census substantially revises its survey methods, Census data will show a much smaller increase in poverty rates than will actually occur.

The authors gratefully acknowledge support for this research from the National Science Foundation, award #1216399, and First Alaskans Institute.

## DIVIDEND SUMMARY

### DIVIDEND CALCULATION

Annually the dividend amount is calculated and announced mid-September, based on an estimated number of applicants. An estimate is used because, as of the dividend calculation date, eligibility determinations have not been completed for all applications. A number of these applications will be determined as payable after continued processing. Also, some applicants have extended filing due dates until March 31, 2015, such as the estate and disabled applications.

<b>Amount Available for Dividends</b>		
FY 15 PFD Fund Beginning Balance	\$10,649,064.79	
Expenditures to date	\$(103,243.35)	
PFD Fund Balance as of September 5, 2014		\$10,545,821.44
Transfer from Permanent Fund Corporation		
Permanent Fund Earnings (5-year average)	\$1,234,833,864.35	
Less Appropriations (see below)	\$(36,048,800.00)	
Net Transfer from Permanent Fund Corporation		\$1,198,785,064.35
Reductions (see below)		\$(766,480.03)
<b>Total Amount Available for Dividends</b>		<b>\$1,208,564,405.76</b>
<b>Total estimated number of eligible applicants:</b>	<b>641,489</b>	
<b>Appropriations and Reductions Detail</b>		
<b>Appropriations</b>		
Department of Health and Social Services		
Hold-Harmless Provision for Public Assistance	\$17,724,700.00	
Department of Corrections		
Physical Health Care	\$8,445,900.00	
Department of Revenue, PFD Division		
Administrative Cost	\$8,245,500.00	
SB 119 PFD Computer Replacement	\$130,000.00	
Total Department of Revenue, PFD Division	\$8,375,500.00	
Department of Administration		
Violent Crimes Compensation Board	\$1,502,700.00	
<b>Total Appropriations</b>		<b>\$36,048,800.00</b>
<b>Reductions</b>		
Reserve for Prior Year Dividend Liabilities	\$227,426.85	
Reserve for 18-Year-Old Applications for Prior Years	\$471,053.18	
Reserve for Resource Rebate Payments	\$68,000.00	
<b>Total Reductions</b>		<b>\$766,480.03</b>
<b>Total Appropriations and Reductions Detail</b>		<b>\$36,815,280.03</b>

## Ratio of top 1% income to bottom 99% income, U.S. and by state and region, 2013

Rank (from highest to lowest)	State/region	Average income of the top 1%	Average income of the bottom 99%	Top-to-bottom ratio
1	New York	\$2,006,632	\$44,163	45.4
2	Connecticut	\$2,402,339	\$56,445	42.6
3	Wyoming	\$2,118,167	\$52,196	40.6
4	Nevada	\$1,386,448	\$36,169	38.3
5	Florida	\$1,265,774	\$36,530	34.7
6	Massachusetts	\$1,692,079	\$56,115	30.2
7	California	\$1,411,375	\$48,899	28.9
8	Texas	\$1,301,618	\$48,350	26.9
9	New Jersey	\$1,453,741	\$57,447	25.3
10	Illinois	\$1,207,547	\$48,684	24.8
11	Michigan	\$834,008	\$37,896	22.0
12	Washington	\$1,100,186	\$50,372	21.8
13	Georgia	\$857,728	\$40,095	21.4
14	North Dakota	\$1,282,551	\$61,178	21.0
15	Oklahoma	\$930,201	\$44,849	20.7
16	Louisiana	\$859,619	\$41,600	20.7
17	Arkansas	\$750,101	\$36,421	20.6
18	Arizona	\$784,469	\$38,354	20.5
19	Tennessee	\$820,373	\$40,156	20.4
20	Pennsylvania	\$926,051	\$45,781	20.2
21	Colorado	\$1,101,214	\$54,809	20.1
22	Missouri	\$833,823	\$41,641	20.0
23	Minnesota	\$1,035,928	\$52,689	19.7
24	Kansas	\$981,279	\$50,367	19.5
25	South Dakota	\$1,025,091	\$53,213	19.3
26	Wisconsin	\$888,121	\$46,669	19.0
27	Utah	\$940,662	\$50,367	18.7
28	Rhode Island	\$884,609	\$47,545	18.6
29	Oregon	\$754,431	\$40,719	18.5
30	South Carolina	\$668,739	\$36,950	18.1
31	New Hampshire	\$1,011,141	\$56,475	17.9
32	Ohio	\$752,582	\$42,391	17.8
33	Virginia	\$987,607	\$55,743	17.7
34	North Carolina	\$745,686	\$42,162	17.7
35	Montana	\$730,864	\$42,013	17.4
36	Alabama	\$665,097	\$38,854	17.1
37	Maryland	\$1,024,110	\$60,172	17.0
38	Mississippi	\$565,813	\$33,383	16.9
39	Kentucky	\$619,585	\$37,371	16.6
40	Indiana	\$717,688	\$43,426	16.5
41	Idaho	\$738,278	\$45,254	16.3
42	Vermont	\$735,607	\$45,719	16.1
43	Delaware	\$768,109	\$48,371	15.9
44	New Mexico	\$593,739	\$37,995	15.6
45	Nebraska	\$872,892	\$57,076	15.3
46	Maine	\$612,494	\$41,165	14.9
47	West Virginia	\$488,634	\$34,407	14.2
48	Iowa	\$714,758	\$51,248	13.9
49	Hawaii	\$690,073	\$51,033	13.5
50	Alaska	\$833,117	\$63,226	13.2
11*	District of Columbia	\$1,531,432	\$63,100	24.3
	<b>United States</b>	<b>\$1,153,293</b>	<b>\$45,567</b>	<b>25.3</b>
	<b>Northeast</b>	<b>\$1,564,388</b>	<b>\$49,108</b>	<b>31.9</b>
	<b>Midwest</b>	<b>\$914,248</b>	<b>\$45,539</b>	<b>20.1</b>
	<b>South</b>	<b>\$988,670</b>	<b>\$43,421</b>	<b>22.8</b>
	<b>West</b>	<b>\$1,188,400</b>	<b>\$47,396</b>	<b>25.1</b>

\* Rank of the District of Columbia if it were ranked with the 50 states

**Note:** Incomes are in 2014 dollars. Data are for tax units.

**Source:** Authors' analysis of state-level tax data from Sommeiller (2006) extended to 2013 using state-level data from the Internal Revenue Service SOI Tax Stats (various years), and Piketty and Saez (2012)



**Alaska Permanent Fund Corporation**

P. O. Box 115500 Juneau, AK 99801  
 Tel: (907) 796-1500 Fax: (907) 586-2057

February 16, 2016

Senator Bill Wielechowski  
 VIA EMAIL

Dear Senator Wielechowski –

In a letter dated February 12, 2016 to Department of Revenue Commissioner Hoffbeck, you asked four questions regarding inflation proofing transfers. You asked for the same information during the Senate State Affairs Committee hearing on February 16, 2016. This letter serves to answer both your written questions and those asked in committee.

**1) History of all appropriations to the Alaska Permanent Fund from the Earnings Reserve Account.**

Fiscal Year	Transfer	Fiscal Year	Transfer	Fiscal Year	Transfer	Fiscal Year	Transfer
1980	\$0.3	1990	\$454.0	2000	\$422.9	2010	\$0.0
1981	\$0.2	1991	\$558.8	2001	\$685.9	2011	\$533.2
1982	\$0.0	1992	\$476.9	2002	\$602.3	2012	\$1,073.1
1983	\$231.2	1993	\$362.5	2003	\$352.1	2013	\$703.0
1984	\$150.9	1994	\$372.3	2004	\$524.1	2014	\$585.6
1985	\$234.6	1995	\$347.6	2005	\$641.0	2015	\$624.4
1986	\$216.4	1996	\$407.1	2006	\$855.9		
1987	\$148.1	1997	\$485.6	2007	\$860.4		
1988	\$302.9	1998	\$422.7	2008	\$807.7		
1989	\$360.2	1999	\$288.2	2009	\$1,144.3		
1980	\$0.3	1990	\$454.0	2000	\$422.9		

**Notes:**

- 1980: Realized gains retained in Fund principal, per note page 7 of FY80 annual report.*
- 1981: Note page 9 in FY81's annual report. "Net realized gain on transactions retained in the Fund's principal is \$219,388".*
- 2003: FY03 inflation proofing = \$352,052 and the special FY03 appropriation of \$354.2 will be reclassified as pre funding inflation proofing for FY04.*
- 2010: The statutory inflation proofing transfer calculation produced a negative number.*

# Alaska's Economy

## Historical Trends and Future Outlook

BY MOUHCINE GUETTABI AND GUNNAR KNAPP

In this article we review recent trends in Alaska's economy and the economic outlook for the near-term and longer-term future. We begin with a brief description of the structure of Alaska's economy and key factors that drive it. Next we review historical trends in the economy. We then discuss factors likely to affect the economy in the near-term future, including the dramatic decline in oil prices and state oil revenues and the state's response to the resulting very large deficits. Finally, we discuss the longer-term outlook for the Alaska economy, including the potential economic impacts of an LNG (liquefied natural gas) export project.

Alaska's economy is complicated. In this brief article we have to omit important details due to lack of space. In particular, we do not address regional variation in the economy, which is significant, or the significant changes occurring in many industries.

Major Alaska Economic Sectors			
Basic or Support	Sectors	Major Industries	Selected Important Economic Drivers
Basic	Resource industries	<ul style="list-style-type: none"> <li>▶ Oil</li> <li>▶ Seafood</li> <li>▶ Mining</li> </ul>	<ul style="list-style-type: none"> <li>▶ Oil prices</li> <li>▶ Other resource prices</li> <li>▶ Federal and state regulations</li> <li>▶ Resource technology</li> </ul>
	Federal government	<ul style="list-style-type: none"> <li>▶ Federal civilian</li> <li>▶ Federal military</li> </ul>	<ul style="list-style-type: none"> <li>▶ Federal politics</li> </ul>
Support	State and local government	<ul style="list-style-type: none"> <li>▶ State government</li> <li>▶ Local government (including K-12 education)</li> </ul>	<ul style="list-style-type: none"> <li>▶ State oil revenues</li> <li>▶ State investment revenues</li> <li>▶ State politics</li> </ul>
	Trade, service, transportation, and infrastructure industries*	<ul style="list-style-type: none"> <li>▶ Retail trade</li> <li>▶ Wholesale trade</li> <li>▶ Healthcare</li> <li>▶ Services</li> <li>▶ Transportation</li> <li>▶ Construction</li> </ul>	<ul style="list-style-type: none"> <li>▶ Basic sectors' output, employment and income</li> <li>▶ Extent to which households and businesses spend money in Alaska</li> <li>▶ State and local government spending</li> <li>▶ Government transfer payments (including Permanent Fund dividends)</li> <li>▶ Rate of and expectations for future economic growth</li> </ul>

\* Some of these industries are partially "basic" to the extent that they sell services outside Alaska. For example, the shares of the retail trade and accommodation and food service industries supported by sales to tourists are "basic." However, in practice it is difficult to estimate the "basic" components of these industries.

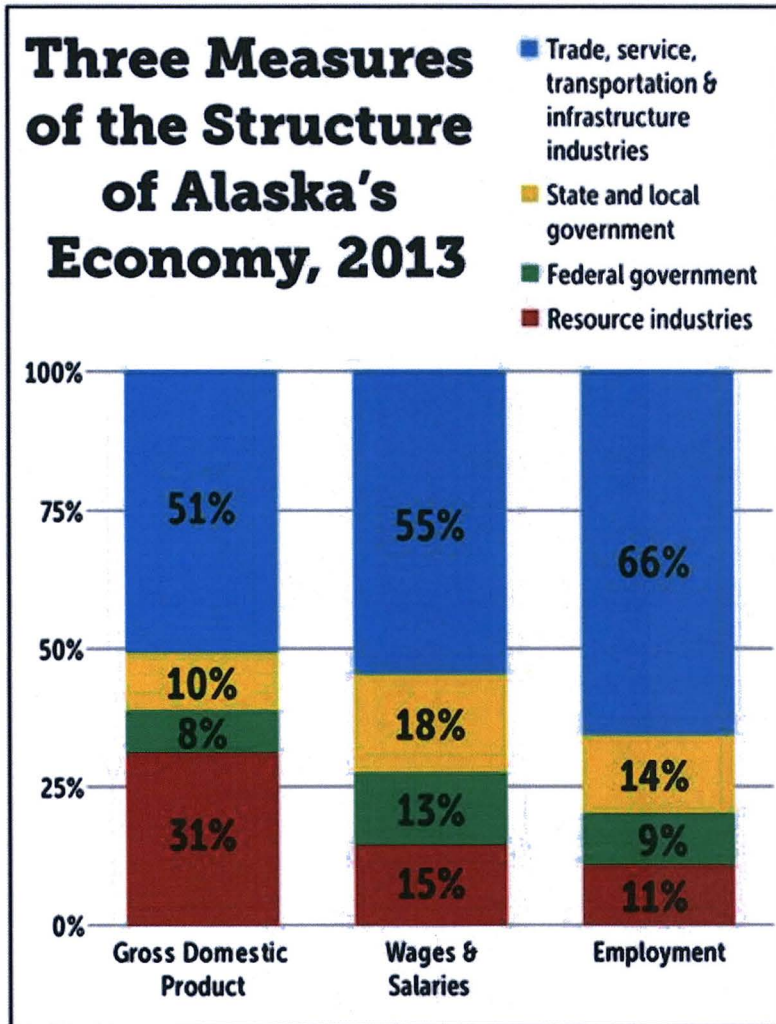
Alaska's future economic outlook is uncertain. We can't predict with certainty the combined effects of the many factors which may affect it. Our primary goal is to describe potential implications of factors which we know will affect it.

### Alaska Economic Structure and Trends

It is useful to group Alaska industries as "basic" or "support" and further into the four major "sectors" shown in the table below—which vary in what drives them, how they have changed in the past, how they are likely to change in the future, and in their relative importance for different regions of Alaska. Basic sectors and industries sell goods and services primarily to markets outside Alaska and thus bring money into the economy (the federal government is "basic" because federal spending in Alaska is paid for from outside Alaska). Support sectors and industries sell goods and services primarily to markets inside Alaska and thus recirculate money in the economy.

There is no single measure which fully describes the structure of Alaska's economy and the relative economic importance of different sectors and industries. Three useful measures are employment, wage and salary income, and contribution to gross domestic product. The relative significance of different sectors varies across these measures, reflecting the fact they measure different things. Employment measures how many people work in a sector, wages and salaries measure how much they earn, and GDP measures how much value they create.

As shown in the graph below, in 2013 (the most recent year for which detailed GDP estimates are available) resource industries accounted for 31 percent of gross domestic product but only 11 percent of total employment. In contrast, trade, service, transportation, and infrastructure industries accounted for 51 percent of GDP but 66 percent of employment. State and local government accounted for 14 percent of employment but 18 percent of wages and salaries. The federal government accounted for 9 percent of employment but 13 percent of wages and salaries.

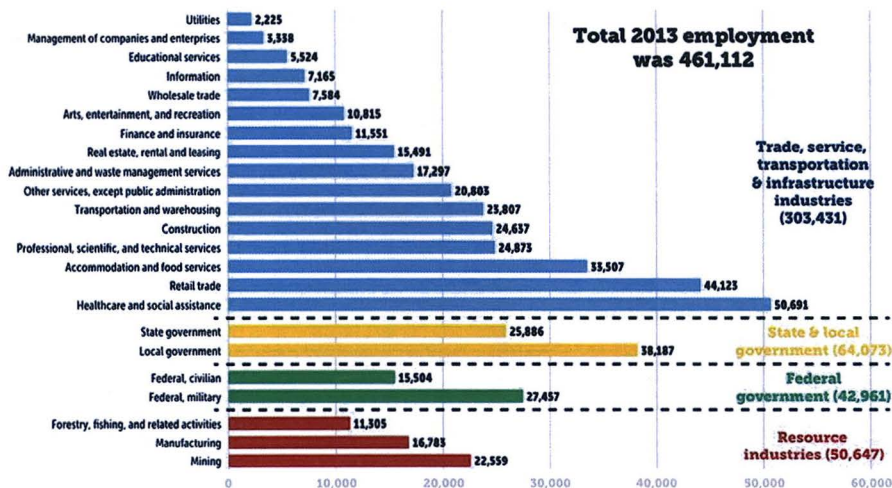


Total Alaska employment in 2013, as estimated by the Bureau of Economic Analysis and including non-wage and salary employment, was 461,112. Employment for 2015, for which data are not yet available, would be slightly higher. A useful rule of thumb to remember is that 4,600 jobs would be about 1 percent of Alaska employment and 46,000 jobs would be about 10 percent of Alaska employment. The six largest Alaska industries in 2013, as measured by employment, were healthcare and social assistance, retail trade, local government, accommodation and food services, federal military, and state government.

Long-time Alaskans may remember Alaska as a state with rapidly rising employment and population, characterized by periods of boom and bust such as the construction of the trans-Alaska oil pipeline in the mid-1970s, the recession following completion of the pipeline in the late 1970s, the government-spending and construction-driven boom of the early 1980s, and the oil price-crash-driven deep recession of the late 1980s. While true once—as shown in the graphs below—that picture is no longer true. For the past quarter-century, Alaska’s economy has been characterized by relatively slow and steady growth in population and employment—driven by growth across many sectors such as the federal government, mining, tourism, air cargo, healthcare, and retail trade, and with significant regional variation.

More recent data suggest that this long period of gradual growth may be ending. From July 2013 through June 2015, year-over-year growth in monthly employment averaged 0.93 percent for private sector employment, 0.46 percent for total employment, 0.18 percent for state government, -0.79 percent for local government, and -3.64 percent for federal government employment. This suggests that declining government employment—which accounts for 23 percent of Alaska employment and 31 percent of total wage and salary income—may end or reverse a long period of growth in Alaska employment.

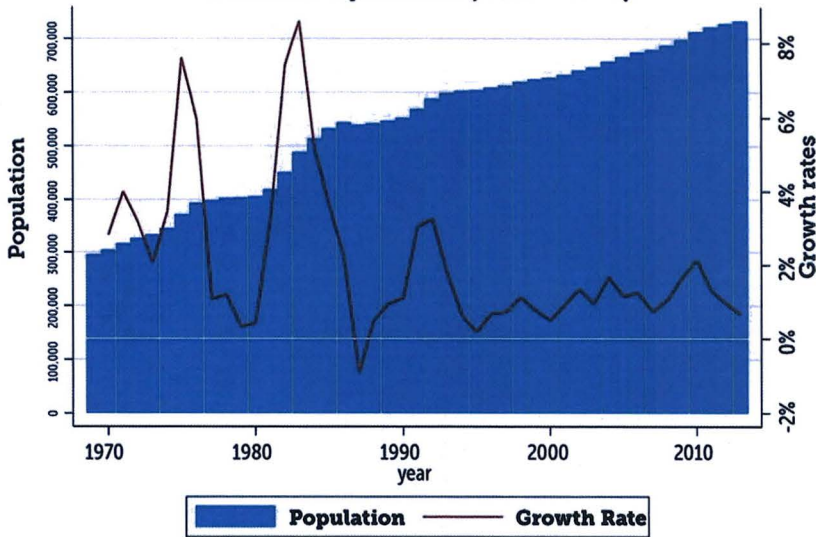
**Alaska Employment by Industry and Sector, 2013**



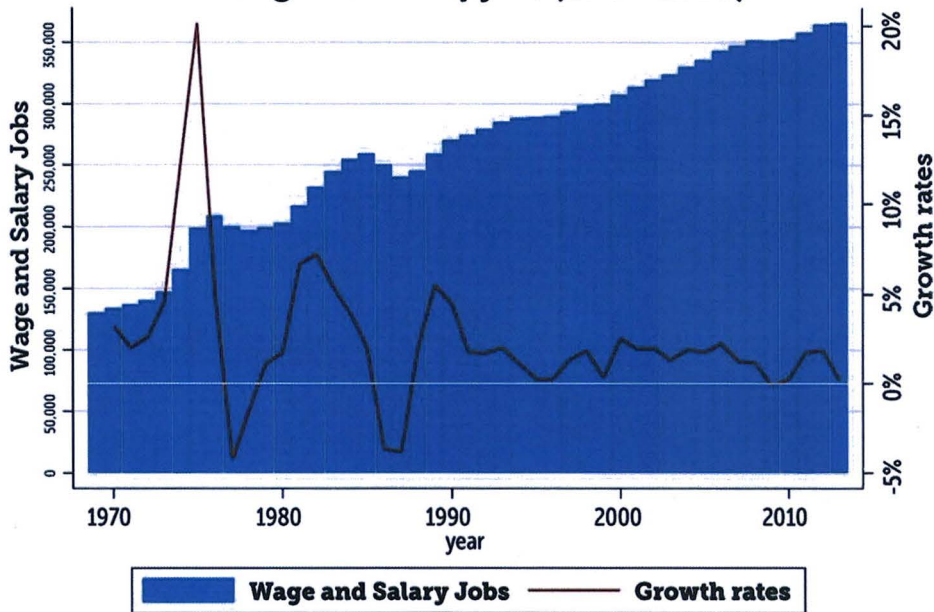
**Factors Affecting Alaska’s Near-Term Economic Outlook**

In the near term—over the next few years—three factors appear most likely to drive change in Alaska’s economy, all of which are uncertain and difficult to project. First, the decline in federal spending and employment of recent years appears likely to continue, although we don’t know what specific cuts may occur, and particularly whether or not significant reductions will occur to military units based in Alaska. National politics, including the outcomes of next year’s presidential and congressional elections, will likely influence how much money the federal government spends in Alaska and what it spends it on.

### Alaska Population (1969-2013)

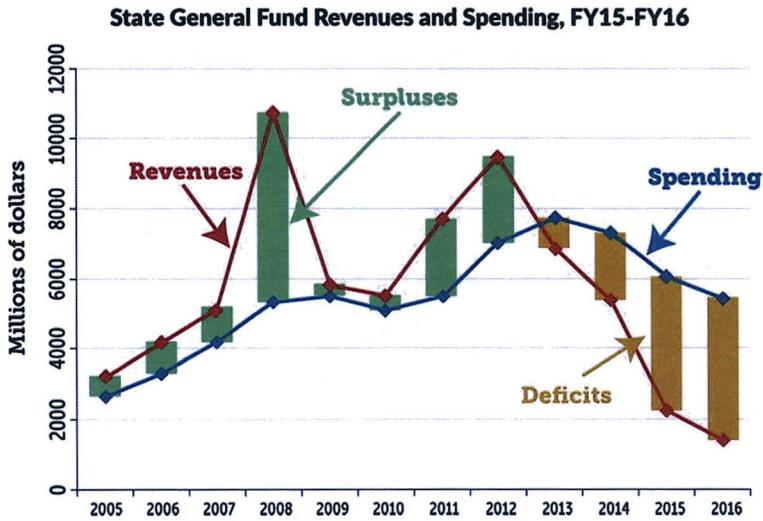


### Wage and salary jobs (1969-2013)



A second important factor will be the response of Alaska's oil industry to likely continued low oil prices and to potential reductions in state oil and gas tax credits. To date, Alaska has not yet experienced the dramatic decline in oil industry employment that has occurred in most other US oil-producing states. This reflects in part the larger scale of Alaska oil fields and investments and the increased difficulty of oil extraction from aged fields which requires more labor. However, Shell's recent decision to stop further offshore oil exploration on its Chukchi Sea leases—in which low oil prices were almost certainly a contributing factor—was a reminder that oil prices affect profitability and investment in remote, high-cost areas such as Alaska. Moreover, the recent further slide in oil prices to below \$40/barrel (as of early December) will further test the oil industry's ability and willingness to invest in Alaska exploration and development.

A third important factor—and likely the largest driver of near-term economic changes—will be how the state adjusts to dramatically lower oil revenues. After rising for many years, state revenues have fallen dramatically since 2012, the combined result of declining oil production, increasing tax-deductible costs of oil production, and a drastic fall in oil prices from more than \$100/barrel in August 2014 to below \$40/barrel in early December 2015. State spending has also fallen since 2013, but not as far or as fast as revenues, resulting in large deficits which the state has funded by drawing down savings reserves. Current deficit levels—likely to exceed \$3.5 billion in FY16—cannot be sustained as they would drain available state savings in the state’s Constitutional Budget Reserve Fund (projected to be about \$7.7 billion at the end of FY16) within a few years.



### Estimated Short-Run Economic Impacts of Selected Options for Reducing the Deficit by \$100 Million

How the \$100 million is cut	Employment Impacts (full-time equivalent jobs in Alaska)			Income Impacts (millions of \$ of income earned in Alaska)			Impacts as % of Alaska total		Deficit reduction per lost job
	Direct	Multiplier	Total	Direct	Multiplier	Total	Employment	income	
Spending cut: state workers	962	715	1677	95.0	42.8	137.8	0.50%	0.81%	\$59,622
Spending cut: across the board	505	755	1260	67.5	47.7	115.2	0.38%	0.67%	\$79,346
Spending cut: capital projects	506	425	931	41.7	22.3	63.9	0.28%	0.37%	\$107,449
Income tax	0	971	971	0.0	53.9	53.9	0.29%	0.32%	\$103,033
Permanent Fund Dividend reallocation	0	727	727	0.0	43.3	43.3	0.22%	0.25%	\$137,476
Spend other Permanent Fund earnings	0	0	0	0.0	0.0	0.0	0.00%	0.00%	NA

**Source:** Preliminary calculations for an ongoing ISER study of economic impacts of state fiscal options, using IMPLAN economic impact model, December 2015. Note that economic impacts of fiscal options may vary substantially depending on what kinds of spending are cut (payments to workers of different income levels, utilities, contracts, capital spending, etc.) or how taxes are structured.

Unless oil prices rise dramatically and unexpectedly, within a few years the state will have to reduce the deficit by either reducing spending or finding new ways to pay for spending. The only "fiscal options" which could significantly reduce the deficit are some combination of:

- Further cuts in state spending
- Broad-based taxes such as income or sales taxes
- Reallocating spending of Permanent Fund earnings from dividends to state government
- Spending other Permanent Fund earnings

The Alaska Legislature faces difficult choices between these options, none of which are popular.

The table above shows estimates of the potential short-run economic impacts of selected options for reducing the deficit by \$100 million. The estimates are based on input-output analysis, which tracks how the "direct" impacts of a cut in state spending or a reduction in household income are "multiplied" in the economy. The short-run economic impacts of larger spending cuts or new revenues would be proportional: the impacts of cuts or new revenues of \$1 billion would be ten times as large.

The estimated employment and income impacts include both "direct" and "multiplier" employment and income. Direct impacts are changes in employment and income of employees of state government and state contractors. Multiplier impacts are changes in employment and income in other industries due to ripple effects in the rest of the economy as households, which lose income, and businesses, which lose sales, spend less.

The estimated impacts are based on generic assumptions about how state spending cuts would be made and how income taxes or lower Permanent Fund Dividends would affect household spending. They should be considered approximate estimates of the initial short-run impacts of these fiscal options, as well as indicators of how the relative economic impacts of fiscal options may differ. They do not show potentially important indirect or longer-term impacts of fiscal options, such as how they might affect state services on which the economy depends, economic confidence, investment, and real estate prices. They also don't show how the relative effects of different options may vary by region, or their relative impacts on different income groups. (We are currently studying these other potential economic impacts.)

Here are some approximate rules of thumb about potential short-run employment impacts of state fiscal options:

Cutting state spending by \$1 billion by cutting the state workforce could cause a loss of about 17,000 Alaska jobs, or about 5 percent of total employment: each lost job would reduce the deficit by about \$60,000.

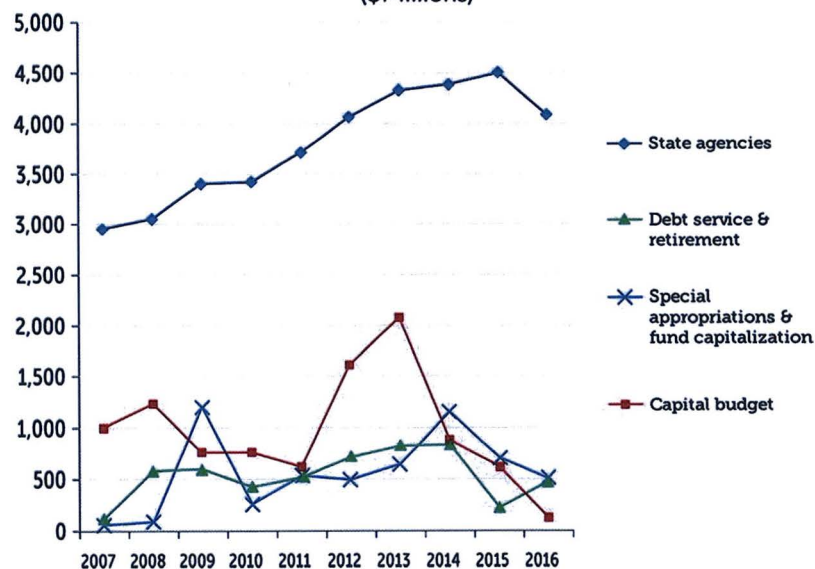
Cutting state spending in other ways would have smaller employment and income impacts. For example, across the board cuts of \$1 billion might cause a loss of about 13,000 jobs, or 4 percent of employment: each lost job would reduce the deficit by about \$80,000.

Reducing the deficit by collecting income taxes or reallocating Permanent Fund Dividend payments to pay for state government would have smaller total impacts on employment and income than cutting state government—because there would be no direct cuts to jobs or income of state employees or contractors. There would be “multiplier” impacts due to impacts on household disposable income and spending. Collecting \$1 billion in income taxes or Permanent Fund Dividend reallocations could cause a loss of about 10,000 jobs or 7,000 jobs, respectively.

Reducing the deficit by spending other Permanent Fund earnings would not have any short-run impacts on the economy: it would not reduce payments to state workers or contractors or reduce household disposable income.

Note that the relative economic impacts of different fiscal options would vary significantly by region. The relative economic impacts of cutting the state workforce would be highest in regions where state government accounts for a relatively higher share of employment, such as Juneau and Fairbanks, and where state-funded local government (particularly K-12 education) accounts for a relatively high share of employment, such as rural western Alaska. In contrast, the relative economic impacts of an income tax would be highest in wealthier urban areas such as Anchorage.

**State General Fund Budgets, FY07-FY16**  
(\$Millions)



Clearly the short-term economic impacts of significantly reducing the state deficit—which will exceed \$3.5 billion this year—could be significant. How large they will be, and how and when they will be felt, will depend on how and when the state reduces the deficit. It will not be possible to avoid significant impacts: Permanent Fund earnings over and above those used to fund dividends are insufficient to close the deficit. While the economic impacts of different fiscal options will surely play a role in the political debate over how to close the deficit, significant economic impacts of the decline in state revenues since 2012 are already inevitable—because of the effects of budget cuts that have already been made but not yet reflected in lower state spending. Since 2013, the state budget has been cut by \$2.7 billion, or by 34 percent. Of this cut, \$1.9 billion, or 73 percent, was in cuts to the capital budget. Because capital projects take time—often several years—to plan and build, the full impacts of the large cuts that have already been made to the capital budget have not yet been felt as cuts to state spending. When they are felt, they will have significant economic impacts. If, for example, the impacts of \$1 billion in capital spending cuts remain to be felt, the estimates shown in the table above suggest that they could cause a total loss of about 9,000 Alaska jobs, or about 3 percent of total employment.

The state faces a difficult economic tradeoff in how rapidly it reduces the deficit. Clearly the impacts would be very large if the entire deficit of more than \$3.5 billion were to be closed in one year—regardless of how it is closed. For this and other reasons, it is likely that the deficit will be reduced more gradually, spreading the economic impacts out over time.

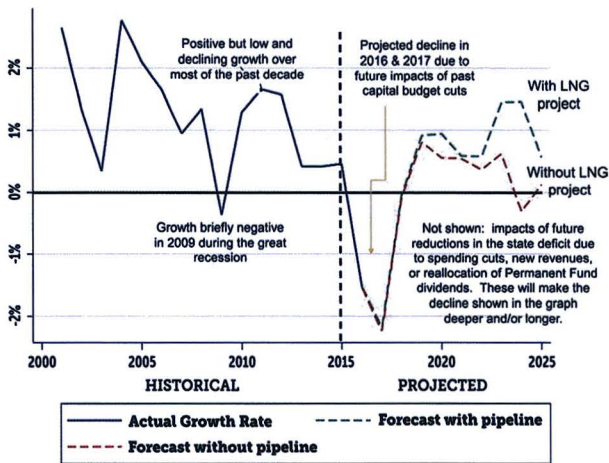
However, there are also significant potential negative economic consequences to delay in significantly reducing the deficit. Continued deficits of more than \$3.5 billion could drain state savings in as little as two years—forcing major adjustments with major economic impacts all at once. Delay in reducing the deficit could harm business confidence, reducing business investment and availability of credit to home-buyers and businesses.

It could also harm the state's credit rating. In August, Standard & Poor's Ratings Services affirmed its "AAA" rating for state bonds but revised its outlook from stable to negative, stating that "the negative outlook reflects that the large structural deficit in the state's unrestricted general fund could render its overall fiscal position inconsistent with our 'AAA' rating. We expect that if lawmakers do not enact significant fiscal reforms to reduce the imbalance within the next year, the state's rating could begin transitioning downward. The rating migration lower would likely persist and accelerate if lawmakers continued to fail to act as the state's budget reserves (not including the Permanent Fund) approached depletion."

### **Longer-Term Economic Outlook**

Over the longer term, once the state has adjusted to significantly lower average oil revenues, the most important factor potentially driving change in Alaska's economy would be the development of an Alaska LNG export project—combining a North Slope gas conditioning plant, a natural gas pipeline, and a Southcentral Alaska liquefaction plant. If built, these would be huge projects, with a combined total cost currently estimated at between \$45 billion and \$65 billion. If the project proceeds on the currently envisioned schedule, construction employment might peak in 2024 and 2025 at about 6,500 jobs. Subsequent revenues to the state from its project ownership share and LNG sales could approach \$2 billion, further stimulating the economy over the longer term.

**Annual Percentage Change in Total Alaska Employment: Historical and Projected**



However, whether or when an LNG project will be built remains far from certain. The project is still in the pre-front-end engineering and design (pre-FEED) phase, with the decision about whether to proceed to the much more expensive front-end engineering and design (FEED) phase still at least a year away. Many issues remain to be resolved between the state and the three multinational oil companies participating in the project, and many uncertainties remain about the project cost, markets, and potential economic returns. Given the scale of the project, the fact that hundreds of millions of dollars have already been spent and are planned on pre-FEED studies does not necessarily mean that the project will be built as currently scheduled or built at all. Thus the LNG export project remains a very large economic opportunity, but also an uncertainty, over the coming decade.

Beyond the potential LNG project, other important drivers of change in the Alaska economy will continue to be the federal government, the oil industry, the seafood and mining industries, the tourism industry, air cargo, and (over time) newer service industries such as engineering and environmental consulting. It is very difficult to predict how these industries will change over time, given their dependence on highly variable international market conditions as well as federal and state political and regulatory decisions. What is most certain is that there will be changes and surprises—but there is no obvious reason to expect either dramatic long-term growth or decline.

### Conclusions

The graph at left shows historical annual growth rates of Alaska employment over the period 2000-2015 as well as our projections for 2016-2025. We calculated our projections using ISER's econometric model of Alaska's economy, population, and finances. The projections are based on two economic scenarios which consist of numerous assumptions about levels of future basic industry activity (both generic and project specific), national economic variables, and state fiscal policy variables. Both scenarios assume constant oil prices of \$55/barrel. The difference between the scenarios is that one assumes that no LNG export project occurs, while the other assumes that a project occurs with the schedule and impacts described above.

As discussed earlier, growth in total Alaska employment was positive but low and declining over most of the past decade, with a small decline in employment in 2009 during the great recession. As shown in the graph, we project a decline in total employment of about 2 percent during 2016 and 2017 as a result of cuts to the state capital budget which have already occurred but have not yet been reflected in actual capital spending.

What the graph does not show is the economic impacts of the inevitable further state adjustments to the budget deficit over the next few years, which will have to include some significant combination of spending cuts, new revenues, and/or reallocation of Permanent Fund dividends. These adjustments will make future employment declines either deeper or longer-lasting than shown in the graph. However, when the deficit has been significantly

reduced, employment rates should rebound to continue the low but positive historical trend—with significantly higher growth rates if an LNG project occurs.

Our projections are of course speculative. There are many reasons for which they could appear foolish within a few years or even months from now, in response to events we cannot foresee, ranging from major oil discoveries to natural disasters to global economic or political crises which might drive prices for oil and other Alaska resources unexpectedly higher or lower. However, our goal is not to argue that the projections will necessarily come true. Rather our goal is to suggest a way of thinking about the factors that may drive Alaska's near and longer-term economic future—which may be a useful starting point for thinking about the implications of alternative assumptions about these factors.

***Mouhcine Guettabi is an assistant professor of economics at the University of Alaska Anchorage Institute of Social and Economic Research (ISER). He holds a PhD in economics from Oklahoma State University, where he specialized in regional and urban economics, health economics, and applied microeconomics. Before coming to ISER in 2013, he was a research economist at the Center for Applied Economic Research (CAER) at Oklahoma State University where he conducted public policy analysis, regional economic development, and economic forecasting. At ISER he has undertaken a wide range of research including updating ISER's economic forecasting model for Alaska, assessing needs of Alaska veterans, conducting a survey of employer provided health insurance, and studying economic costs to Alaska of higher fuel prices and the economic importance of the Bristol Bay salmon fishery.***

***Gunnar Knapp is director and professor of economics at the University of Alaska Anchorage Institute of Social and Economic Research (ISER), where he has worked since receiving his PhD in Economics from Yale University in 1981. For much of his career his research has focused on markets for and management of Alaska fisheries. Currently he is engaged in extensive research and outreach about Alaska's fiscal situation and options. For many years he has taught a University of Alaska Anchorage course on the economy of Alaska.***

*This article first appeared in the January 2016 print edition of Alaska Business Monthly.*

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## Official Election Pamphlet -- Special Advisory Vote - Ballot Language

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"An Act relating to income for the Alaska Permanent Fund and authorizing an advisory vote on a long-term financial plan for the state and providing for an effective date"

### BALLOT LANGUAGE

#### QUESTION

**Preamble:** The people of Alaska created the Alaska Permanent Fund to save a portion of Alaska's petroleum revenue for the future. After investing those savings, the original intent and purpose was to use the earnings from those investments when Alaska's petroleum revenues declined. Petroleum revenues have now declined substantially and are forecast to continue to decline. Our reliance upon declining oil production and volatile oil prices constitutes an unsustainable state budget system. The governor and state legislature seek the public's judgment regarding a stable and sustainable long-term balanced budget plan.

**Balanced Budget Plan:** This will preserve the permanent fund dividend, inflation-proof the permanent fund, support public services, and establish a Citizens' Balanced Budget Task Force.

#### The Balanced Budget Plan will:

1. **Spending Reductions:** Continue state general fund budget reductions and commit to long-term budget discipline and efficiencies.
2. **Permanent Fund Protection:** Guarantee the Alaska permanent fund principal remains untouched. Inflation-proof the permanent fund to protect its value for all Alaskans, including future generations.
3. **Permanent Fund Dividends:** Guarantee a dividend to eligible Alaskan residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000. Thereafter, the dividend will be approximately \$1,340 and will continue to grow with the value of the permanent fund. After accounting for inflation-proofing, the dividend will be based on 50 percent of the annual earnings payment.
4. **Funding for Essential Public Services:** After payment of permanent fund dividends and inflation-proofing the fund, prioritize the annual investment earnings payment for essential public services.
5. **Accountability:** Fully disclose expenditures from the permanent fund earnings with each annual permanent fund dividend.
6. **Balanced Budget Task Force:** Establish a Citizens' Balanced Budget Task Force to present options to further reduce state spending and identify appropriate future revenue sources.
7. **Income Tax:** No personal income tax is enacted as part of this plan.

**Question:** After paying annual dividends to residents and inflation-proofing the permanent fund, should a portion of permanent fund investment earnings be used to help balance the state budget?

YES or NO



# ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of November 30, 2016

Projections extend ten years, and are based on best available information (\$ in millions)

Nonspendable Fund Balance - Principal									Assigned Fund Balance										TOTAL FUND				
FY	FY-Begin Contrib. Balance	Appropriations	Dedicated <sup>(2)</sup>		FY-End Balance Contributions	Unrealized Gain (Loss)		FY-End Non-spendable Balance	Acct. Net Income <sup>(3)</sup>	Statutory Net Income <sup>(3)</sup>	Distributions of Statutory Net Income			FY-End Balance Realized	Unrealized Gain (Loss)		Net Assigned Change	FY-End Assigned Balance	FY	FY-End Balance			
			State Revenues	Inflation Proofing		Net Change	FY-End Balance				Dividends	Inf-Proofing / Other <sup>(10)</sup>	Gen. Fund / Other <sup>(4)</sup>		Net Change	FY-End Balance <sup>(9)</sup>							
77-07	0	7,039	9,693	10,765	27,497	6,198	6,197	33,694	39,096	34,618	15,359	14,506	388	4,132	0	0	(1,504)	4,133	77-07	37,827			
08	27,497	0	844	808	29,149	(3,886)	2,064	31,213	(1,372)	2,938	1,293	808	33	4,969	352	352	1,189	5,321	08	36,534			
09	29,149	0	651	1,144	30,945	(3,513)	(1,449)	29,496	(6,394)	(2,509) <sup>(8)</sup>	875	1,144	0 <sup>(8)</sup>	441	(373)	(21)	(4,901)	420	09	29,917			
10	30,944	0	679	0 <sup>(8)</sup>	31,624	1,869	421	32,045	3,517	1,590 <sup>(8)</sup>	858	0 <sup>(8)</sup>	0 <sup>(8)</sup>	1,194	37	16	790	1,210	10	33,255			
11	31,624	0	887	533	33,044	4,367	4,788	37,832	6,812	2,143 <sup>(8)</sup>	801	533	13 <sup>(8)</sup>	2,016	276	292	1,098	2,308	11	40,140			
12	33,044	0	915	1,073	35,033	(1,568)	3,220	38,253	(100)	1,568	605	1,073	17	1,905	(117)	175	(227)	2,081	12	40,333			
13	35,033 <sup>(8)</sup>	0	840	743	36,615	964	4,184	40,800	4,314 <sup>(8)</sup>	2,928	604	743	30	3,487	392	567	1,973	4,054	13	44,853			
14	36,615	0	779	546	37,941	2,878	7,062	45,002	6,848	3,531	1,235	546	32	5,237	408	975	2,158	6,211	14	51,214			
15	37,941	0	600	624	39,165	(589)	6,473	45,638	2,384	2,907	1,373	624	24	6,147	41	1,016	951	7,162	15	52,800			
16	39,165	0	284	0	39,449	(1,723)	4,750	44,199	398	2,198	696	0	18	7,649	(95)	921	1,408	8,570	16	52,769			
Lo	39,449	0	277	941	40,667	(4,583)	167	40,834	(3,736)	1,725	1,395	941	15	7,039	(892)	29	(1,503)	7,068	17	47,902			
Mid	39,449	0	277	941	40,667	557	5,307	45,974	3,428	2,733	1,501	941	23	7,941	115	1,036	407	8,977	17	54,951			
Hi	39,449	0	277	941	40,667	5,959	10,709	51,376	11,661	4,161	1,651	941	35	9,218	1,507	2,428	3,075	11,646	17	63,022			
18	40,667	0	299	922	41,888	261	5,569	47,457	3,710	3,292	1,539	922	26	8,772	130	1,166	961	9,938	18	57,394			
19	41,888	0	328	950	43,166	260	5,829	48,995	3,877	3,442	1,530	950	26	9,734	148	1,314	1,110	11,048	19	60,043			
20	43,166	0	343	979	44,488	268	6,097	50,584	4,058	3,604	1,603	979	26	10,756	160	1,474	1,182	12,230	20	62,814			
21	44,488	0	357	1,009	45,853	286	6,382	52,236	4,248	3,774	1,769	1,009	26	11,752	162	1,636	1,158	13,388	21	65,623			
22	45,853	0	361	1,040	47,255	299	6,681	53,936	4,439	3,946	1,896	1,040	26	12,762	169	1,804	1,178	14,566	22	68,502			
23	47,255	0	364	1,071	48,690	307	6,988	55,678	4,636	4,122	1,983	1,071	26	13,829	180	1,985	1,248	15,814	23	71,492			
24	48,690	0	364	1,104	50,158	316	7,304	57,462	4,840	4,304	2,074	1,104	26	14,956	193	2,178	1,320	17,134	24	74,596			
25	50,158	0	371	1,137	51,666	325	7,629	59,295	5,052	4,494	2,167	1,137	26	16,146	206	2,384	1,397	18,530	25	77,825			
26	51,666	0	370	1,171	53,207	334	7,962	61,169	5,272	4,692	2,264	1,171	26	17,403	220	2,604	1,477	20,007	26	81,176			
27	53,207	0	366	1,205	54,778	342	8,305	63,083	5,501	4,896	2,363	1,205	26	18,731	235	2,840	1,563	21,571	27	84,653			
<b>Cumulative Totals</b>																							
<b>Proj. for 2017-2026</b>									0	3,801	11,528	3,555	49,060	43,299	20,689	11,528	288	1,919	13,001				

Assumptions: Total Return - Inflation = Total Real Return				Statutory Return		
Lo	FY 2017	-6.84%	2.25%	-9.09%	Lo	3.51%
Mid	FY 2017 <sup>(6)</sup>	6.70%	2.25%	4.45%	Mid	5.43%
Hi	FY 2017	22.26%	2.25%	20.01%	Hi	8.15%
<b>FY 2018-2026<sup>(7)</sup></b>				6.95%	2.25%	4.70%

**Notes related to financial history and projections FY1977 - FY2027:**

- <sup>(1)</sup> Appropriations include special general fund, realized earnings, and other miscellaneous appropriation transfers into principal.
- <sup>(2)</sup> Dedicated State Revenues in current and future fiscal years are based on the Fall 2016 Department of Revenue forecast.
- <sup>(3)</sup> Accounting net income is based on United States Generally Accepted Accounting Principles (GAAP). Statutory net income is accounting net income, excluding any unrealized gains and losses on investments, and excluding earnings of the Alaska Capital Income Fund (AM Hess, et al principal).
- <sup>(4)</sup> Beginning in FY08, based on legal opinion, unrealized gains and losses were allocated between the nonspendable fund balance (principal) and the assigned fund balance (earnings reserve). Prior to FY08, all unrealized gains and losses were included with principal.
- <sup>(5)</sup> Current year returns and inflation are based on 2016 Callan capital market assumptions.
- <sup>(6)</sup> Future returns are based on 2016 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary.
- <sup>(7)</sup> During FY 2009, the ACIF realized losses of \$33.3 million, which are excluded from statutory net income, and are included in the ending unreserved balance as a deficit account. During FY 2010 and FY 2011, the ACIF had realized income of \$20.8 and \$25.3 million, which is excluded from statutory net income, and served to reduce the FY 2009 deficit.
- <sup>(8)</sup> The statutory inflation calculation for FY 2010 was -36%; therefore, there was no inflation proofing transfer during FY 2010.
- <sup>(9)</sup> FY77-07 includes special appropriations to principal of \$3.7 billion.

**Income year-to-date as of November 30, 2016**

<b>FY16 Statutory net income</b>	
Interest, dividends, real estate & other income	\$ 453.9
Realized gains (losses) on the sale of invested assets	829.7
Less operating exp / Legis. Appropriations	(50.4)
Less AK Capital Inc. Fund committed realized earnings	(9.6)
<b>Statutory net income (loss)</b>	<b>\$ 1,223.6</b>

<b>FY16 Accounting (GAAP) net income</b>	
Statutory net income (loss)	\$ 1,223.6
Unrealized gains (losses) on invested assets	691.7
AK Capital Income Fund committed realized earnings	9.6
<b>Accounting (GAAP) net income (loss)</b>	<b>\$ 1,924.9</b>

**PERFORMANCE SUMMARY**

(preliminary as of November 30, 2016)	Current Month	Last 3 Months	Fiscal Y-T-D	Calendar Y-T-D	Last 12 Months	Last 3 Years	Last 5 Years
PUBLIC EQUITIES	0.67%						
FIXED INCOME PLUS	-2.41%						
PRIVATE EQUITY AND GROWTH OPPORTUNITIES	-0.57%						
REAL ESTATE	N/A	0.26%	2.53%	9.50%	9.76%	11.24%	10.93%
INFRASTRUCTURE/PRIVATE CREDIT/INCOME OPPTS	0.16%						
ABSOLUTE RETURN	N/A	0.83%	2.24%	-0.02%	-0.74%	1.30%	3.05%
ASSET ALLOCATION	0.01%						
TOTAL FUND	-0.19%	-0.27%	2.78%	6.33%	4.65%	5.27%	8.02%
<b>Total Fund Return Objective</b>	<b>0.26%</b>	<b>1.43%</b>	<b>2.19%</b>	<b>6.61%</b>	<b>6.69%</b>	<b>6.17%</b>	<b>6.31%</b>

**Note related to the performance summary:**

Effective October 1, 2016, the Board of Trustees changed the target asset allocation of the Fund. Historical returns for the new asset classes will be reported over time.

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version:	SJR 1
Fiscal Note Number:	1
(S) Publish Date:	3/8/2017

Identifier: SJR1-OOG-DOE-03-06-17  
 Title: CONST AM: GUARANTEE PERM FUND  
 DIVIDEND  
 Sponsor: WIELECHOWSKI  
 Requester: (S) 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)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates					
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<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								

**Change in Revenues**

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>

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

**Estimated CAPITAL (FY2018) 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.

Prepared By:	Josie Bahnke, Director	Phone:	(907)465-2644
Division:	Division of Elections	Date:	03/06/2017 03:48 PM
Approved By:	Guy Bell, Administrative Director	Date:	03/06/17
Agency:	Office of the Governor		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

Analysis

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