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Governor Bill Walker
STATE OF ALASKA

December 15, 2016

The Honorable Pete Kelly
President of the Senate
Alaska State Legislature
State Capitol Room 518
Juneau, AK 99801

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska permanent fund and the funding structure for State government.

This bill would establish a new financial model to enable sustainable funding of State services and the protection of the permanent fund. The bill would provide for an annual sustainable draw, subject to appropriation, from the permanent fund earnings reserve account to the general fund to support State government services. Additionally, the bill would provide that the Legislature may make appropriations for permanent fund dividends based on the value of the entire permanent fund and the value of mineral royalties. As a result of the changes in this bill, the permanent fund earnings reserve account would generate a predictable and solid return of revenues for State government, and the dividend would continue, but on a more sustainable and predictable basis.

In detail, the bill would make the following changes to allow for sustainable withdrawals from the permanent fund to the general fund:

- Amend AS 37.13.145 to provide for an annual appropriation from the earnings reserve account to the general fund to pay for State government services, calculated based on five and one-quarter percent of the average market value of the permanent fund for the first five of the preceding six fiscal years (hereafter, "POMV draw").
- Add a new section, AS 37.13.146, to provide that the Legislature may appropriate for the payment of dividends from the general fund based on an amount equal to 20 percent of the POMV draw and 20 percent of the mineral royalties received by the State. For the next two years, the dividend would be set at \$1,000. Thereafter, the new formula would go into effect, resulting in a dividend of approximately \$1,000 into the future.
- Change the inflation-proofing mechanism by providing that the Legislature may appropriate any amount in the earnings reserve that exceeds the annual POMV draw multiplied by four to permanent fund principal. This will ensure that a sufficient amount of funds remains in

the earnings reserve account for the POMV draw, while also continuing to build up the principal of the permanent fund over time.

- Add a new section reducing the annual draw from the earnings reserve account to the general fund if the State receives more than \$1.2 billion in mineral royalties and oil and gas production taxes in a fiscal year.

Finally, the bill seeks to amend the uncodified law to express the intent of the Legislature that the Legislature reevaluate the use of permanent fund earnings as provided for in this bill in three years. Upon becoming law, the bill would become effective immediately.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker". The signature is written in a cursive, flowing style.

Bill Walker
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska**
2 **permanent fund, and the earnings reserve account; relating to the mental health trust**
3 **fund; relating to deposits into the dividend fund; relating to the calculation of**
4 **permanent fund dividends; relating to unrestricted state revenue available for**
5 **appropriation; and providing for an effective date."**

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

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

9 LEGISLATIVE INTENT. It is the intent of the legislature that the legislature
10 reevaluate the use of earnings of the Alaska permanent fund, as prescribed under this Act, in
11 three years.

12 * **Sec. 2.** AS 37.13.010(a) is amended to read:

13 (a) Under art. IX, sec. 15, of the state constitution, there is established as a

1 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

2 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
3 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue
4 sharing payments received by the state from mineral leases [ISSUED ON OR
5 BEFORE DECEMBER 1, 1979,] and 25 percent of all bonuses received by the state
6 from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980;

7 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,
8 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
9 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
10 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
11 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
12 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
13 1980]; and

14 (2) [(3)] any other money appropriated to or otherwise allocated by
15 law or former law to the Alaska permanent fund.

16 * **Sec. 3.** AS 37.13.140 is amended to read:

17 **Sec. 37.13.140. Income.** Net income of the fund includes income of the
18 earnings reserve account established under AS 37.13.145. The corporation shall
19 determine the net [NET] income of the fund [SHALL BE COMPUTED
20 ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in accordance with
21 generally accepted accounting principles, excluding any unrealized gains or losses.
22 [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21 PERCENT OF THE
23 NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL YEARS,
24 INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT EXCEED NET
25 INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS THE
26 BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED IN
27 AS 37.13.145.]

28 * **Sec. 4.** AS 37.13.140 is amended by adding new subsections to read:

29 (b) The corporation shall determine the amount available for distribution each
30 year. The amount available for distribution equals five and one-quarter percent of the
31 average market value of the fund for the first five of the preceding six fiscal years,

1 including the fiscal year just ended, computed annually for each fiscal year in
 2 accordance with generally accepted accounting principles. In this subsection, "the
 3 average market value of the fund" includes the balance of the earnings reserve account
 4 established under AS 37.13.145, but does not include that portion of the principal
 5 attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ.
 6 (Superior Court, First Judicial District).

7 (c) In accordance with AS 37.13.146(a)(1), and subject to appropriation, 20
 8 percent of the amount available for distribution under (b) of this section shall be
 9 reserved for dividends. The remainder of the amount available for distribution under
 10 (b) of this section shall be reduced by the difference between the amount calculated
 11 under (1) of this subsection and the amount under (2) of this subsection if the amount
 12 calculated under (1) of this subsection exceeds the amount under (2) of this
 13 subsection:

14 (1) the total amount of oil and gas production taxes under
 15 AS 43.55.011 - 43.55.180, mineral lease rentals, royalties, royalty sale proceeds, net
 16 profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing
 17 payments and bonuses received by the state from mineral leases that are deposited into
 18 the general fund in the current fiscal year, less the amount under AS 37.13.146(a)(2);

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

20 * **Sec. 5.** AS 37.13.145(d) is amended to read:

21 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]
 22 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,
 23 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,
 24 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the
 25 outcome of this case, or interest earned on the money, or on the earnings of the money
 26 shall be treated in the same manner as other income of the Alaska permanent fund,
 27 except that it is not available for distribution [TO THE DIVIDEND FUND OR FOR
 28 TRANSFERS TO THE PRINCIPAL] under **AS 37.13.140(b) and** (c) [OF THIS
 29 SECTION], and shall be annually deposited into the Alaska capital income fund
 30 (AS 37.05.565).

31 * **Sec. 6.** AS 37.13.145 is amended by adding new subsections to read:

1 (e) Each year the legislature may appropriate from the earnings reserve
2 account to the general fund an amount that does not exceed the amount available for
3 distribution under AS 37.13.140(b) and (c).

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

8 * **Sec. 7.** AS 37.13 is amended by adding new sections to read:

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

12 (1) 20 percent of the amount calculated under AS 37.13.140(b); and

13 (2) an amount equal to 20 percent of the money deposited in the
14 general fund during the fiscal year just ended from all mineral lease rentals, royalties,
15 royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral
16 revenue sharing payments, and bonuses received by the state from mineral leases.

17 (b) Nothing in this section creates a dedicated fund.

18 * **Sec. 8.** AS 37.13.300(c) is amended to read:

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

22 * **Sec. 9.** AS 43.23.025(a) is amended to read:

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

25 (1) determining the total amount available for dividend payments,
26 which equals

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

30 (B) plus the unexpended and unobligated balances of prior
31 fiscal year appropriations that lapse into the dividend fund under

1 AS 43.23.045(d);

2 (C) less the amount necessary to pay prior year dividends from
3 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
4 43.23.055(3) and (7);

5 (D) less the amount necessary to pay dividends from the
6 dividend fund due to eligible applicants who, as determined by the department,
7 filed for a previous year's dividend by the filing deadline but who were not
8 included in a previous year's dividend computation;

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

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

15 (3) dividing the amount determined under (1) of this subsection by the
16 amount determined under (2) of this subsection.

17 * **Sec. 10.** AS 43.23.025 is amended by adding a new subsection to read:

18 (c) Notwithstanding (a) of this section, the amount of each permanent fund
19 dividend for fiscal years 2018 and 2019 shall be \$1,000.

20 * **Sec. 11.** AS 43.23.045(a) is amended to read:

21 (a) The dividend fund is established as a separate fund in the state treasury.

22 **The fund consists of money appropriated to it under AS 37.13.146.** The dividend
23 fund shall be administered by the commissioner and shall be invested by the
24 commissioner in the same manner as provided in AS 37.10.070.

25 * **Sec. 12.** AS 43.23.055 is amended to read:

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

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

29 (2) subject to AS 43.23.011 and paragraph (8) of this section, adopt
30 regulations under AS 44.62 (Administrative Procedure Act) that establish procedures
31 and time limits for claiming a permanent fund dividend; the department shall

1 determine the number of eligible applicants by October 1 of the year for which the
2 dividend is declared and pay the dividends by December 31 of that year;

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

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

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

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

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

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

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

30 (A) access to the data base; or

31 (B) a copy of the information in the data base and a statement

1 certifying its contents;

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

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

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

10 * **Sec. 13.** AS 37.10.430(c); AS 37.13.145(b), and 37.13.145(c) are repealed.

11 * **Sec. 14.** AS 43.23.025(c) is repealed June 30, 2020.

12 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) DOA-VCCB-12-08-16 Dept. Affected Administration
 Title Permanent Fund Protection and Sustainable State Funding Appropriation Violent Crimes Compensation Board
 Allocation Violent Crimes Compensation Board
 Sponsor Rules by Request of the Governor
 Requester Governor OMB Component Number 2694

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY18 Request	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18	FY19	FY20	FY21	FY22	FY23
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1220	Crime VCF (Other)							
1007	I/A Rcpts (Other)							
1178	temp code (UGF)							
		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
TOTAL CHANGE IN REVENUES		0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable; initial version.

Prepared by Kate Hudson
 Division Violent Crimes Compensation Board
 Approved by Sheldon Fisher, Commissioner
 Agency Department of Administration

Phone 465-5525
 Date/Time 12/7/16 10:00 AM
 Date 12/8/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0

Analysis

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

The Violent Crimes Compensation Board currently receives an annual appropriation from the dividend fund. This appropriation is calculated by the Office of Management and Budget and is based on (a) the amount of the permanent fund dividend, calculated by the Commissioner of Revenue on an annual basis and (b) the number of individuals who are ineligible to receive a permanent fund dividend because they are incarcerated felons. This annual appropriation is used by the Board for operating costs, as well as paying compensation to victims of violent crime.

This appropriation is not the only source of funding for the Violent Crimes Compensation Board. The Board also receives an annual federal grant. However, this is a formula grant, predicated on the prior year's certified state expenditures. Thus, if less state money is available to spend on grants to victims of crime, federal funding would decrease the following year and forward. Should state spending be reduced to zero, then federal funding would also reduce to zero.

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) DOC-PHC-12-13-16 Dept. Affected Department of Corrections
Title PERM. FUND-DEPOSITS;DIVIDEND;EARNINGS Appropriation Health and Rehabilitation Services
Sponsor RULES BY REQUEST OF THE GOVERNOR Allocation Physical Health Care
Requester GOVERNOR OMB Component Number 2952

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18 Appropriation Requested	Included in Governor's FY18 Request	Out-Year Cost Estimates				
			FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1197	AK Cap Fnd (UGF)	9,103.6	9,103.6	9,375.1	9,375.1	8,659.3	8,449.5	*
1007	I/A Rcpts (Other)							
1171	PFD Crim (DGF)	(9,103.6)	(9,103.6)	(9,375.1)	(9,375.1)	(8,659.3)	(8,449.5)	*
	TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
	TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by April Wilkerson
Division Administrative Services - Department of Corrections
Approved by Dean Williams, Commissioner
Agency Department of Corrections

Phone 907-465-3460
Date/Time 12/13/16 5:00 PM
Date 12/13/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

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

The Department of Corrections Physical Health Care component receives a portion of the \$12,613,524.00 permanent fund dividend criminal funds which are based on a fluctuating annual PFD amount and the number of persons deemed ineligible during the appropriate year. The amount of PFD Criminal Funds appropriated to corrections for FY2018 was \$11,191,024.00 based on the CY2016 annual PFD amount of \$1,022.00 and an estimated 12,342 individuals deemed ineligible under AS 43.23.005(d). The Department of Public Safety Crime Victim Compensation fund was appropriated \$1,422,500.00.

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

FY2019 and FY2020 impacts are projected to be the same with an estimated dividend of \$1,000.00 per eligible recipient. This impact would reduce PFD Criminal Funds (\$271.5) increasing Alaska Capital Income Funds \$271.5 for these two fiscal years within the Physical Health Care component.

The FY2021 projections could potentially reflect a slight increase to the annual dividend to \$1,058.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$715.8 reducing Alaska Capital Income Funds (\$715.8) for a continued impact of (\$8,659.3) PFD Criminal Funds / \$8,659.3 Alaska Capital Income Funds within the Physical Health Care component.

The FY2022 projections reflect another slight increase for an annual dividend of \$1,075.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$209.80 reducing Alaska Capital Income Funds (\$209.8) for a continued impact of (\$8,449.5) PFD Criminal Funds / \$8,449.5 Alaska Capital Income Funds within the Physical Health Care component.

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) DOR-APFC-12-13-16
 Title Permanent Fund Protection and Sustainable State Funding
 Sponsor RULES BY REQUEST OF THE GOVERNOR
 Requester GOVERNOR
 Dept. Affected Department of Revenue
 Appropriation Alaska Permanent Fund Corporation
 Allocation APFC Investment Management Fees
 OMB Component Number 109

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY18 Request	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18					
Personal Services							
Travel							
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1007	I/A Rcpts (Other)							
1178	temp code (UGF)							
	TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS		FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
	TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ 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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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

Phone (907)796-1520
 Date/Time 12/13/2016 at 1:00PM
 Date 12/13/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

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

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) DOR-TAX-12-14-16 Dept. Affected Department of Revenue
Title Permanent Fund Protection and Sustainable State Funding Appropriation Taxation and Treasury
Allocation Tax Division
Sponsor RULES BY REQUEST OF THE GOVERNOR
Requester GOVERNOR OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18 Appropriation Requested	Included in Governor's FY18 Request	Out-Year Cost Estimates					
			FY18	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY19	FY20	FY21	FY22	FY23	
1002	Federal Receipts							
1003	GF Match							
1004	GF		2,561,900.0	2,713,000.0	2,830,500.0	2,892,600.0	2,942,800.0	
1041	PF ERA (DGF)		(2,507,000.0)	(2,650,800.0)	(2,760,200.0)	(2,815,600.0)	(2,866,900.0)	
1105	PF Gross (Other)		(54,900.0)	(62,200.0)	(70,300.0)	(77,000.0)	(75,900.0)	
1178	temp code (UGF)							
	TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

POSITIONS								
		FY18	FY19	FY20	FY21	FY22	FY23	
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
	TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ 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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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

Phone (907)465-3279
Date/Time 12/14/16 2:00 PM
Date 12/14/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

This legislation makes several changes to various aspects of the Permanent Fund program, including changes to the dividend calculation, changes to how Fund earnings are used, and changes to how royalty revenue is shared among various governmental funds. These changes do not directly impact revenue received by the Tax Division, but this fiscal note has been prepared in an attempt to represent all changes as a result of this legislation in a single fiscal note. All amounts shown are based on a combination of the Department of Revenue's Fall 2016 revenue forecast, and assumptions used by the Office of Management and Budget for development of the FY 2018 budget proposal. For purposes of this fiscal note the impacts are shown beginning with FY 2018; however the legislation has an immediate effective date and would also apply to FY 2017 funding if passed during the first session of the 30th Alaska Legislature.

One provision of this legislation is to reduce the share of minerals bonuses, rents, and royalties that are deposited to the Permanent Fund from 50% to 25% for certain leases. The Alaska Constitution mandates that 25% of all minerals bonuses, rents, and royalties be deposited into the Permanent Fund. However, for leases issued after February 15, 1980, a higher 50% of bonuses, rents, and royalties are deposited into the Permanent Fund. This legislation would reduce the contribution rate to the Permanent Fund for those leases to the constitutionally mandated 25%. Based on the Department of Revenue's Fall 2016 production and price assumptions, this provision of the bill would increase deposits to the General Fund by approximately \$55 million to \$77 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

The bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25 percent of the average market value of the fund, including the earnings reserve, for the first five of the preceding six fiscal years. This draw would be allocated between the Dividend Fund and the General Fund. Based on the Fall 2016 revenue forecast for royalty deposits (only the constitutionally mandated 25%), and assuming a 6.5% rate of return on the Permanent Fund (an assumption used for budget development; this may not match the official return forecast from the Permanent Fund Corporation), this provision of the bill would increase deposits to the General Fund by approximately \$2,408 to \$2,687 million annually. This legislation would reduce the balance of the Permanent Fund Earnings Reserve Account by the same amount.

In total, revenues to the General Fund would be increased by \$2,463 to \$2,942 million annually based on the stated assumptions.

This legislation would also modify how dividends are calculated and funded. The annual Permanent Fund Dividend to eligible Alaskans would be funded by appropriation from the General Fund, instead of by appropriation from the Earnings Reserve. The appropriation for dividends would be based on a combination of 20% of the transfer from the Permanent Fund to the General Fund, plus 20% of the value of royalties received during the year. Over the time horizon of this fiscal note, the expected appropriation for dividends under the stated assumptions would range from \$651 to \$775 million annually.

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Governor Bill Walker
STATE OF ALASKA

December 15, 2016

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol Room 410
Juneau, AK 99801

Dear Speaker Edgmon:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska permanent fund and the funding structure for State government.

This bill would establish a new financial model to enable sustainable funding of State services and the protection of the permanent fund. The bill would provide for an annual sustainable draw, subject to appropriation, from the permanent fund earnings reserve account to the general fund to support State government services. Additionally, the bill would provide that the Legislature may make appropriations for permanent fund dividends based on the value of the entire permanent fund and the value of mineral royalties. As a result of the changes in this bill, the permanent fund earnings reserve account would generate a predictable and solid return of revenues for State government, and the dividend would continue, but on a more sustainable and predictable basis.

In detail, the bill would make the following changes to allow for sustainable withdrawals from the permanent fund to the general fund:

- Amend AS 37.13.145 to provide for an annual appropriation from the earnings reserve account to the general fund to pay for State government services, calculated based on five and one-quarter percent of the average market value of the permanent fund for the first five of the preceding six fiscal years (hereafter, "POMV draw").
- Add a new section, AS 37.13.146, to provide that the Legislature may appropriate for the payment of dividends from the general fund based on an amount equal to 20 percent of the POMV draw and 20 percent of the mineral royalties received by the State. For the next two years, the dividend would be set at \$1,000. Thereafter, the new formula would go into effect, resulting in a dividend of approximately \$1,000 into the future.
- Change the inflation-proofing mechanism by providing that the Legislature may appropriate any amount in the earnings reserve that exceeds the annual POMV draw multiplied by four to permanent fund principal. This will ensure that a sufficient amount of funds remains in

the earnings reserve account for the POMV draw, while also continuing to build up the principal of the permanent fund over time.

- Add a new section reducing the annual draw from the earnings reserve account to the general fund if the State receives more than \$1.2 billion in mineral royalties and oil and gas production taxes in a fiscal year.

Finally, the bill seeks to amend the uncodified law to express the intent of the Legislature that the Legislature reevaluate the use of permanent fund earnings as provided for in this bill in three years. Upon becoming law, the bill would become effective immediately.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker
Governor

Enclosure

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska**
2 **permanent fund, and the earnings reserve account; relating to the mental health trust**
3 **fund; relating to deposits into the dividend fund; relating to the calculation of**
4 **permanent fund dividends; relating to unrestricted state revenue available for**
5 **appropriation; and providing for an effective date."**

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

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

9 LEGISLATIVE INTENT. It is the intent of the legislature that the legislature
10 reevaluate the use of earnings of the Alaska permanent fund, as prescribed under this Act, in
11 three years.

12 * **Sec. 2.** AS 37.13.010(a) is amended to read:

13 (a) Under art. IX, sec. 15, of the state constitution, there is established as a

1 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

2 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
3 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue
4 sharing payments received by the state from mineral leases [ISSUED ON OR
5 BEFORE DECEMBER 1, 1979,] and 25 percent of all bonuses received by the state
6 from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980;

7 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,
8 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
9 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
10 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
11 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
12 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
13 1980]; and

14 (2) [(3)] any other money appropriated to or otherwise allocated by
15 law or former law to the Alaska permanent fund.

16 * **Sec. 3.** AS 37.13.140 is amended to read:

17 **Sec. 37.13.140. Income.** Net income of the fund includes income of the
18 earnings reserve account established under AS 37.13.145. The corporation shall
19 determine the net [NET] income of the fund [SHALL BE COMPUTED
20 ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in accordance with
21 generally accepted accounting principles, excluding any unrealized gains or losses.
22 [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21 PERCENT OF THE
23 NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL YEARS,
24 INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT EXCEED NET
25 INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS THE
26 BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED IN
27 AS 37.13.145.]

28 * **Sec. 4.** AS 37.13.140 is amended by adding new subsections to read:

29 (b) The corporation shall determine the amount available for distribution each
30 year. The amount available for distribution equals five and one-quarter percent of the
31 average market value of the fund for the first five of the preceding six fiscal years,

1 including the fiscal year just ended, computed annually for each fiscal year in
 2 accordance with generally accepted accounting principles. In this subsection, "the
 3 average market value of the fund" includes the balance of the earnings reserve account
 4 established under AS 37.13.145, but does not include that portion of the principal
 5 attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ.
 6 (Superior Court, First Judicial District).

7 (c) In accordance with AS 37.13.146(a)(1), and subject to appropriation, 20
 8 percent of the amount available for distribution under (b) of this section shall be
 9 reserved for dividends. The remainder of the amount available for distribution under
 10 (b) of this section shall be reduced by the difference between the amount calculated
 11 under (1) of this subsection and the amount under (2) of this subsection if the amount
 12 calculated under (1) of this subsection exceeds the amount under (2) of this
 13 subsection:

14 (1) the total amount of oil and gas production taxes under
 15 AS 43.55.011 - 43.55.180, mineral lease rentals, royalties, royalty sale proceeds, net
 16 profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing
 17 payments and bonuses received by the state from mineral leases that are deposited into
 18 the general fund in the current fiscal year, less the amount under AS 37.13.146(a)(2);

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

20 * **Sec. 5.** AS 37.13.145(d) is amended to read:

21 (d) Income [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]
 22 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,
 23 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,
 24 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the
 25 outcome of this case, or interest earned on the money, or on the earnings of the money
 26 shall be treated in the same manner as other income of the Alaska permanent fund,
 27 except that it is not available for distribution [TO THE DIVIDEND FUND OR FOR
 28 TRANSFERS TO THE PRINCIPAL] under AS 37.13.140(b) and (c) [OF THIS
 29 SECTION], and shall be annually deposited into the Alaska capital income fund
 30 (AS 37.05.565).

31 * **Sec. 6.** AS 37.13.145 is amended by adding new subsections to read:

1 (e) Each year the legislature may appropriate from the earnings reserve
2 account to the general fund an amount that does not exceed the amount available for
3 distribution under AS 37.13.140(b) and (c).

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

8 * **Sec. 7.** AS 37.13 is amended by adding new sections to read:

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

12 (1) 20 percent of the amount calculated under AS 37.13.140(b); and

13 (2) an amount equal to 20 percent of the money deposited in the
14 general fund during the fiscal year just ended from all mineral lease rentals, royalties,
15 royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral
16 revenue sharing payments, and bonuses received by the state from mineral leases.

17 (b) Nothing in this section creates a dedicated fund.

18 * **Sec. 8.** AS 37.13.300(c) is amended to read:

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

22 * **Sec. 9.** AS 43.23.025(a) is amended to read:

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

25 (1) determining the total amount available for dividend payments,
26 which equals

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

30 (B) plus the unexpended and unobligated balances of prior
31 fiscal year appropriations that lapse into the dividend fund under

1 AS 43.23.045(d);

2 (C) less the amount necessary to pay prior year dividends from
3 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
4 43.23.055(3) and (7);

5 (D) less the amount necessary to pay dividends from the
6 dividend fund due to eligible applicants who, as determined by the department,
7 filed for a previous year's dividend by the filing deadline but who were not
8 included in a previous year's dividend computation;

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

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

15 (3) dividing the amount determined under (1) of this subsection by the
16 amount determined under (2) of this subsection.

17 * **Sec. 10.** AS 43.23.025 is amended by adding a new subsection to read:

18 (c) Notwithstanding (a) of this section, the amount of each permanent fund
19 dividend for fiscal years 2018 and 2019 shall be \$1,000.

20 * **Sec. 11.** AS 43.23.045(a) is amended to read:

21 (a) The dividend fund is established as a separate fund in the state treasury.

22 The fund consists of money appropriated to it under AS 37.13.146. The dividend
23 fund shall be administered by the commissioner and shall be invested by the
24 commissioner in the same manner as provided in AS 37.10.070.

25 * **Sec. 12.** AS 43.23.055 is amended to read:

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

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

29 (2) subject to AS 43.23.011 and paragraph (8) of this section, adopt
30 regulations under AS 44.62 (Administrative Procedure Act) that establish procedures
31 and time limits for claiming a permanent fund dividend; the department shall

1 determine the number of eligible applicants by October 1 of the year for which the
2 dividend is declared and pay the dividends by December 31 of that year;

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

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

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

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

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

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

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

30 (A) access to the data base; or

31 (B) a copy of the information in the data base and a statement

1 certifying its contents;

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

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

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

10 * **Sec. 13.** AS 37.10.430(c); AS 37.13.145(b), and 37.13.145(c) are repealed.

11 * **Sec. 14.** AS 43.23.025(c) is repealed June 30, 2020.

12 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) DOA-VCCB-12-08-16 Dept. Affected Administration
 Title Permanent Fund Protection and Sustainable State Funding Appropriation Violent Crimes Compensation Board
 Allocation Violent Crimes Compensation Board
 Sponsor Rules by Request of the Governor
 Requester Governor OMB Component Number 2694

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY18 Request	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18	FY19	FY20	FY21	FY22	FY23
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1220	Crime VCF (Other)							
1007	I/A Rcpts (Other)							
1178	temp code (UGF)							
		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
TOTAL CHANGE IN REVENUES		0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable; initial version.

Prepared by Kate Hudson
 Division Violent Crimes Compensation Board
 Approved by Sheldon Fisher, Commissioner
 Agency Department of Administration

Phone 465-5525
 Date/Time 12/7/16 10:00 AM
 Date 12/8/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

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

The Violent Crimes Compensation Board currently receives an annual appropriation from the dividend fund. This appropriation is calculated by the Office of Management and Budget and is based on (a) the amount of the permanent fund dividend, calculated by the Commissioner of Revenue on an annual basis and (b) the number of individuals who are ineligible to receive a permanent fund dividend because they are incarcerated felons. This annual appropriation is used by the Board for operating costs, as well as paying compensation to victims of violent crime.

This appropriation is not the only source of funding for the Violent Crimes Compensation Board. The Board also receives an annual federal grant. However, this is a formula grant, predicated on the prior year's certified state expenditures. Thus, if less state money is available to spend on grants to victims of crime, federal funding would decrease the following year and forward. Should state spending be reduced to zero, then federal funding would also reduce to zero.

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) DOC-PHC-12-13-16 Dept. Affected Department of Corrections
Title PERM. FUND-DEPOSITS;DIVIDEND;EARNINGS Appropriation Health and Rehabilitation Services
Sponsor RULES BY REQUEST OF THE GOVERNOR Allocation Physical Health Care
Requester GOVERNOR OMB Component Number 2952

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18 Appropriation Requested	Included in Governor's FY18 Request	Out-Year Cost Estimates				
			FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

	FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1197 AK Cap Fnd (UGF)	9,103.6	9,103.6	9,375.1	9,375.1	8,659.3	8,449.5	*
1007 I/A Rcpts (Other)							
1171 PFD Crim (DGF)	(9,103.6)	(9,103.6)	(9,375.1)	(9,375.1)	(8,659.3)	(8,449.5)	*
TOTAL	0.0						

POSITIONS

	FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

	FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004 Gen Fund (UGF)							
1178 temp code (UGF)							
TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by April Wilkerson
Division Administrative Services - Department of Corrections
Approved by Dean Williams, Commissioner
Agency Department of Corrections

Phone 907-465-3460
Date/Time 12/13/16 5:00 PM
Date 12/13/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

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

The Department of Corrections Physical Health Care component receives a portion of the \$12,613,524.00 permanent fund dividend criminal funds which are based on a fluctuating annual PFD amount and the number of persons deemed ineligible during the appropriate year. The amount of PFD Criminal Funds appropriated to corrections for FY2018 was \$11,191,024.00 based on the CY2016 annual PFD amount of \$1,022.00 and an estimated 12,342 individuals deemed ineligible under AS 43.23.005(d). The Department of Public Safety Crime Victim Compensation fund was appropriated \$1,422,500.00.

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

FY2019 and FY2020 impacts are projected to be the same with an estimated dividend of \$1,000.00 per eligible recipient. This impact would reduce PFD Criminal Funds (\$271.5) increasing Alaska Capital Income Funds \$271.5 for these two fiscal years within the Physical Health Care component.

The FY2021 projections could potentially reflect a slight increase to the annual dividend to \$1,058.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$715.8 reducing Alaska Capital Income Funds (\$715.8) for a continued impact of (\$8,659.3) PFD Criminal Funds / \$8,659.3 Alaska Capital Income Funds within the Physical Health Care component.

The FY2022 projections reflect another slight increase for an annual dividend of \$1,075.00 per eligible individual. This impact would increase the PFD Criminal Funds by \$209.80 reducing Alaska Capital Income Funds (\$209.8) for a continued impact of (\$8,449.5) PFD Criminal Funds / \$8,449.5 Alaska Capital Income Funds within the Physical Health Care component.

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) DOR-APFC-12-13-16
 Title Permanent Fund Protection and Sustainable State Funding
 Sponsor RULES BY REQUEST OF THE GOVERNOR
 Requester GOVERNOR
 Dept. Affected Department of Revenue
 Appropriation Alaska Permanent Fund Corporation
 Allocation APFC Investment Management Fees
 OMB Component Number 109

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY18 Request	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES	FY18	FY18					
Personal Services							
Travel							
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1007	I/A Rcpts (Other)							
1178	temp code (UGF)							
	TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS		FY18	FY18	FY19	FY20	FY21	FY22	FY23
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES		FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004	Gen Fund (UGF)							
1178	temp code (UGF)							
	TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ 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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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

Phone (907)796-1520
 Date/Time 12/13/2016 at 1:00PM
 Date 12/13/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

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

FISCAL NOTE

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Bill Version _____
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) DOR-TAX-12-14-16 Dept. Affected Department of Revenue
Title Permanent Fund Protection and Sustainable State Funding Appropriation Taxation and Treasury
Allocation Tax Division
Sponsor RULES BY REQUEST OF THE GOVERNOR
Requester GOVERNOR OMB Component Number 2476

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY18 Appropriation Requested	Included in Governor's FY18 Request	Out-Year Cost Estimates					
			FY18	FY19	FY20	FY21	FY22	FY23
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

	FY18	FY18	FY19	FY20	FY21	FY22	FY23
1002 Federal Receipts							
1003 GF Match							
1004 GF		2,561,900.0	2,713,000.0	2,830,500.0	2,892,600.0	2,942,800.0	3,040,500.0
1041 PF ERA (DGF)		(2,507,000.0)	(2,650,800.0)	(2,760,200.0)	(2,815,600.0)	(2,866,900.0)	(2,965,200.0)
1105 PF Gross (Other)		(54,900.0)	(62,200.0)	(70,300.0)	(77,000.0)	(75,900.0)	(75,300.0)
1178 temp code (UGF)							
	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

	FY18	FY18	FY19	FY20	FY21	FY22	FY23
1004 Gen Fund (UGF)							
1178 temp code (UGF)							
TOTAL CHANGE IN REVENUES	0.0						

Estimated SUPPLEMENTAL (FY17) operating costs _____ 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY18) costs _____ 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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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

Phone (907)465-3279
Date/Time 12/14/16 2:00 PM
Date 12/14/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. 0 _____

Analysis

This legislation makes several changes to various aspects of the Permanent Fund program, including changes to the dividend calculation, changes to how Fund earnings are used, and changes to how royalty revenue is shared among various governmental funds. These changes do not directly impact revenue received by the Tax Division, but this fiscal note has been prepared in an attempt to represent all changes as a result of this legislation in a single fiscal note. All amounts shown are based on a combination of the Department of Revenue's Fall 2016 revenue forecast, and assumptions used by the Office of Management and Budget for development of the FY 2018 budget proposal. For purposes of this fiscal note the impacts are shown beginning with FY 2018; however the legislation has an immediate effective date and would also apply to FY 2017 funding if passed during the first session of the 30th Alaska Legislature.

One provision of this legislation is to reduce the share of minerals bonuses, rents, and royalties that are deposited to the Permanent Fund from 50% to 25% for certain leases. The Alaska Constitution mandates that 25% of all minerals bonuses, rents, and royalties be deposited into the Permanent Fund. However, for leases issued after February 15, 1980, a higher 50% of bonuses, rents, and royalties are deposited into the Permanent Fund. This legislation would reduce the contribution rate to the Permanent Fund for those leases to the constitutionally mandated 25%. Based on the Department of Revenue's Fall 2016 production and price assumptions, this provision of the bill would increase deposits to the General Fund by approximately \$55 million to \$77 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

The bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25 percent of the average market value of the fund, including the earnings reserve, for the first five of the preceding six fiscal years. This draw would be allocated between the Dividend Fund and the General Fund. Based on the Fall 2016 revenue forecast for royalty deposits (only the constitutionally mandated 25%), and assuming a 6.5% rate of return on the Permanent Fund (an assumption used for budget development; this may not match the official return forecast from the Permanent Fund Corporation), this provision of the bill would increase deposits to the General Fund by approximately \$2,408 to \$2,687 million annually. This legislation would reduce the balance of the Permanent Fund Earnings Reserve Account by the same amount.

In total, revenues to the General Fund would be increased by \$2,463 to \$2,942 million annually based on the stated assumptions.

This legislation would also modify how dividends are calculated and funded. The annual Permanent Fund Dividend to eligible Alaskans would be funded by appropriation from the General Fund, instead of by appropriation from the Earnings Reserve. The appropriation for dividends would be based on a combination of 20% of the transfer from the Permanent Fund to the General Fund, plus 20% of the value of royalties received during the year. Over the time horizon of this fiscal note, the expected appropriation for dividends under the stated assumptions would range from \$651 to \$775 million annually.