ALASKA PERMANENT FUND PROTECTION ACT

House Finance Committee

CSSB 128(FIN)

June 13, 2016

Calculating transfers to the general fund:

1. POMV Draw
    - 5.25% of the average value of the fund in the first 5 of the last 6 years
    - No longer a fixed draw
    - Does not require a constitutional amendment because funds are transferred from the earnings reserve account (ERA), not the corpus
    - For FY17, would provide $1.92 billion for the unrestricted general fund (UGF) budget (20% of the full $2.4 billion draw would go to the dividend)
2. Draw Limit
    - Reduces the POMV draw by a dollar for every dollar that UGF production taxes and royalties exceed a threshold of $1.2 billion
    - Avoids spending fund earnings as oil prices recover and allows the fund to grow and produce larger dividends and larger POMV draws in the future
    - Limit would not be triggered for FY17

Calculating the dividend:

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

Calculating deposits to the corpus:

1. Inflation Proofing Transfers
    - Change the calculation from inflation times the corpus balance to the amount that the balance of the ERA exceeds 4 times the full 5.25% POMV draw
2. Royalty Deposits
    - Reduce to 25% (currently at about 30%)
3. Savings Rule
    - In years of peak revenue, excess unrestricted revenue is divided 50% to the CBR and 50% to the corpus of the permanent fund