

HOUSE CS FOR CS FOR SENATE BILL NO. 26(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/12/17

Referred: Today's Calendar

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to an appropriation limit; relating to the budget responsibilities of the**
2 **governor; relating to the Alaska permanent fund, the earnings of the Alaska permanent**
3 **fund, and the earnings reserve account; relating to the mental health trust fund; relating**
4 **to deposits into the dividend fund; relating to the calculation and payment of permanent**
5 **fund dividends; and providing for an effective date."**

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

7 * **Section 1.** AS 37.05.550(b) is amended to read:

8 (b) The legislature may appropriate to the fund money received by the state as
9 Alaska marine highway system program receipts or from a settlement or final judicial
10 determination of the Dinkum Sands case (United States v. Alaska) and the North
11 Slope royalty case (State v. Amerada Hess, et al.) and not deposited into the Alaska
12 permanent fund under **AS 37.13.010(a)** [AS 37.13.010(a)(1) OR (2)] or into the public
13 school trust fund under AS 37.14.150.

1 * **Sec. 2.** AS 37.07.020 is amended by adding a new subsection to read:

2 (f) In addition to the budget and bills submitted under (a) of this section and
3 the fiscal plan submitted under (b) of this section, the governor shall submit a report
4 on how the budget prepared under (a) of this section complies with the appropriation
5 limit set out in art. IX, sec. 16, Constitution of the State of Alaska.

6 * **Sec. 3.** AS 37.13.010(a) is amended to read:

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

9 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
10 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue
11 sharing payments received by the state from mineral leases [ISSUED ON OR
12 BEFORE DECEMBER 1, 1979], and 25 percent of all bonuses received by the state
13 from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980]; and

14 (2) [50 PERCENT OF ALL MINERAL LEASE RENTALS,
15 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
16 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
17 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
18 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
19 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
20 1980; AND

21 (3)] any other money appropriated to or otherwise allocated by law or
22 former law to the Alaska permanent fund.

23 * **Sec. 4.** AS 37.13.140 is amended to read:

24 **Sec. 37.13.140. Income and market value.** Net income of the fund includes
25 income of the earnings reserve account established under AS 37.13.145. The
26 corporation shall determine the net [NET] income of the fund [SHALL BE
27 COMPUTED ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in
28 accordance with generally accepted accounting principles, excluding any unrealized
29 gains or losses. [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21
30 PERCENT OF THE NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL
31 YEARS, INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT

1 EXCEED NET INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED
 2 PLUS THE BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED
 3 IN AS 37.13.145.]

4 * **Sec. 5.** AS 37.13.140 is amended by adding new subsections to read:

5 (b) The corporation shall determine the amount available for distribution each
 6 year. The amount available for distribution is 5.25 percent of the average market value
 7 of the fund for the first five of the preceding six fiscal years, including the fiscal year
 8 just ended, computed annually for each fiscal year in accordance with generally
 9 accepted accounting principles. In this subsection, "the average market value of the
 10 fund" includes the balance of the earnings reserve account established under
 11 AS 37.13.145, but does not include that portion of the principal attributed to the
 12 settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First
 13 Judicial District).

14 (c) In accordance with AS 37.13.145(b)(2), and subject to appropriation, 33
 15 percent of the amount available for distribution under (b) of this section shall be
 16 reserved for dividends. The remainder of the amount calculated to be available for
 17 distribution under (b) of this section shall be reduced by 80 cents for each dollar by
 18 which the amount calculated under (1) of this subsection and the amount under (2) of
 19 this subsection if the amount calculated under (1) of this subsection exceeds the
 20 amount under (2) of this subsection:

21 (1) the total amount of oil and gas production taxes under
 22 AS 43.55.011 - 43.55.180, mineral lease rentals, royalties, royalty sale proceeds, net
 23 profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing
 24 payments and bonuses received by the state from mineral leases that are deposited into
 25 the general fund in the current fiscal year;

26 (2) the sum of \$1,400,000,000, adjusted annually for inflation based on
 27 a formula provided by the Department of Labor and Workforce Development,
 28 reflecting the change from the previous year in the Consumer Price Index for the
 29 Anchorage metropolitan area compiled by the Bureau of Labor and Statistics, United
 30 States Department of Labor, and rounded to the nearest \$10,000,000.

31 * **Sec. 6.** AS 37.13.140(b), added by sec. 5 of this Act, is amended to read:

(b) The corporation shall determine the amount available for distribution each year. The amount available for distribution is five [5.25] percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended, computed annually for each fiscal year in accordance with generally accepted accounting principles. In this subsection, "the average market value of the fund" includes the balance of the earnings reserve account established under AS 37.13.145, but does not include that portion of the principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

* Sec. 7. AS 37.13.145(b) is amended to read:

(b) Each [AT THE END OF EACH] fiscal year, the legislature may appropriate [CORPORATION SHALL TRANSFER] from the earnings reserve account to the

(1) principal of the fund, 0.25 percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended, computed annually for each fiscal year in accordance with generally accepted accounting principles; in this paragraph, "average market value of the fund" has the meaning given in AS 37.13.140(b);

(2) dividend fund established under AS 43.23.045, 33 [50] percent of the amount [INCOME] available for distribution under AS 37.13.140(b); and

(3) general fund, 67 percent of the amount available for distribution under AS 37.13.140(b) [AS 37.13.140].

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

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

1 annually deposited into the Alaska capital income fund (AS 37.05.565).

2 * **Sec. 9.** AS 37.13.145 is amended by adding new subsections to read:

3 (e) Each year that the balance of the earnings reserve account exceeds four
4 times the amount calculated for appropriations under (b) and (f) of this section, after
5 the appropriations under (b) and (f) of this section, the legislature may appropriate
6 from the earnings reserve account to the principal of the fund the lesser of the

7 (1) amount by which the balance of the earnings reserve account
8 exceeds four times the amount calculated for appropriations under (b) and (f) of this
9 section; or

10 (2) cumulative amount of inflation on the principal of the fund
11 between the current fiscal year and June 30, 2015, less amounts transferred after
12 June 30, 2015, to the fund to offset the effect of inflation on the principal of the fund.

13 (f) After the appropriations under (b) of this section, but before the
14 appropriation under (e) of this section, for fiscal years 2018 and 2019, the legislature
15 may appropriate from the earnings reserve account an additional amount, if necessary,
16 to provide a dividend of at least \$1,250 for each individual.

17 * **Sec. 10.** AS 37.13.145(e), added by sec. 9 of this Act, is amended to read:

18 (e) Each year that the balance of the earnings reserve account exceeds four
19 times the amount calculated for appropriations under (b) [AND (f)] of this section,
20 after the appropriations under (b) [AND (f)] of this section, the legislature may
21 appropriate from the earnings reserve account to the principal of the fund the lesser of
22 the

23 (1) amount by which the balance of the earnings reserve account
24 exceeds four times the amount calculated for appropriations under (b) [AND (f)] of
25 this section; or

26 (2) cumulative amount of inflation on the principal of the fund
27 between the current fiscal year and June 30, 2015, less amounts transferred after
28 June 30, 2015, to the fund to offset the effect of inflation on the principal of the fund.

29 * **Sec. 11.** AS 37.13.150 is amended to read:

30 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
31 investments must be identified as the source of the operating budget of the corporation

1 in the state's operating budget under AS 37.07 (Executive Budget Act). The
 2 unexpended balance of the corporation's annual operating budget does not lapse at the
 3 end of the fiscal year but shall be treated as income **and part of the market value of**
 4 **the fund** under AS 37.13.140.

5 * **Sec. 12.** AS 37.13.300(c) is amended to read:

6 (c) Net income from the mental health trust fund may not be included in the
 7 computation of net income **or market value** available for distribution under
 8 AS 37.13.140.

9 * **Sec. 13.** AS 43.23.025 is amended by adding a new subsection to read:

10 (c) Notwithstanding (a) of this section, the amount of each permanent fund
 11 dividend for fiscal years 2018 and 2019 shall be at least \$1,250. If the amount of
 12 appropriations is not sufficient to provide the dividend amount in this subsection, the
 13 commissioner shall reduce the dividend amount under this subsection by an equal
 14 amount for each eligible individual.

15 * **Sec. 14.** AS 43.23.055 is amended to read:

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

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

19 (2) subject to AS 43.23.011 and paragraph (8) of this section, adopt
 20 regulations under AS 44.62 (Administrative Procedure Act) that establish procedures
 21 and time limits for claiming a permanent fund dividend; the department shall
 22 determine the number of eligible applicants by October 1 of the year for which the
 23 dividend is declared and pay the dividends by December 31 of that year;

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

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

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

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

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

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

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

(A) access to the data base; or

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

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

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

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

* **Sec. 15.** AS 37.13.145(c) is repealed July 1, 2017.

1 * **Sec. 16.** AS 37.13.145(f) and AS 43.23.025(c) are repealed June 30, 2020.

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

4 FISCAL YEAR 2017. Notwithstanding another provision of law, the legislature may
5 appropriate from the earnings reserve account for fiscal year 2017 the amount by which 5.25
6 percent of the average market value of the fund for fiscal years 2011, 2012, 2013, 2014, and
7 2015, computed annually for each fiscal year in accordance with generally accepted
8 accounting principles, exceeds \$695,650,000. In this section, "average market value of the
9 fund" includes the balance of the earnings reserve account established under AS 37.13.145,
10 but does not include that portion of the principal attributed to the settlement of State v.
11 Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

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

14 RETROACTIVITY. If sec. 17 of this Act takes effect after June 29, 2017, sec. 17 of
15 this Act is retroactive to June 29, 2017.

16 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 CONDITIONAL EFFECT. This Act takes effect only if the Thirtieth Alaska State
19 Legislature passes and enacts into law in 2017

20 (1) legislation relating to a broad-based tax, directed to education, that is
21 estimated by the Department of Revenue to generate annually at least \$650,000,000, once
22 fully implemented, and that has an effective date not later than January 1, 2019; and

23 (2) the version of House Bill 111 that passes out of the House of
24 Representatives.

25 * **Sec. 20.** If, under sec. 19 of this Act, secs. 17 and 18 of this Act take effect, they take
26 effect immediately under AS 01.10.070(c).

27 * **Sec. 21.** If, under sec. 19 of this Act, sec. 6 of this Act takes effect, it takes effect July 1,
28 2019.

29 * **Sec. 22.** If, under sec. 19 of this Act, sec. 10 of this Act takes effect, it takes effect
30 June 30, 2020.

31 * **Sec. 23.** Except as provided in secs. 20 - 22 of this Act, if, under sec. 19 of this Act, this

1 Act takes effect, it takes effect July 1, 2017.