

**CS FOR SENATE BILL NO. 103(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Offered: 4/30/19**

**Referred: Rules**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1   **"An Act relating to deposits into the dividend fund and income of and appropriations**  
2   **from the earnings reserve account; and providing for an effective date."**

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

4    \* **Section 1.** AS 37.13.140 is amended to read:

5           **Sec. 37.13.140. Income.** (a) [NET INCOME OF THE FUND INCLUDES  
6    INCOME OF THE EARNINGS RESERVE ACCOUNT ESTABLISHED UNDER  
7    AS 37.13.145.] Net income of the fund shall be computed annually as of the last day  
8    of the fiscal year in accordance with generally accepted accounting principles,  
9    excluding any unrealized gains or losses. [INCOME AVAILABLE FOR  
10   DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND  
11   FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST  
12   ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE  
13   FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS  
14   RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

(b) The corporation shall determine the amount available for appropriation each year. The amount available for appropriation is 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, "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). **The amount available for appropriation may not exceed the balance in the earnings reserve account described in AS 37.13.145.**

\* Sec. 2. AS 37.13.140(b), as amended by sec. 2, ch. 16, SLA 2018, is amended to read:

(b) The corporation shall determine the amount available for appropriation each year. The amount available for appropriation is five 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, "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). **The amount available for appropriation may not exceed the balance in the earnings reserve account described in AS 37.13.145.**

\* Sec. 3. 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 **general fund the amount available for appropriation under AS 37.13.140(b). The legislature may appropriate 50 percent of the amount available for appropriation under AS 37.13.140(b) from the general fund to the** dividend fund established under AS 43.23.045 [, 50 PERCENT OF THE INCOME AVAILABLE FOR DISTRIBUTION UNDER AS 37.13.140].

\* Sec. 4. AS 37.13.145(c) is amended to read:

(c) After the **appropriation to the general fund** [TRANSFER] under (b)

1 [AND AN APPROPRIATION UNDER (e)] of this section, the **legislature may**  
 2 **appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve  
 3 account to the principal of the fund an amount sufficient to offset the effect of inflation  
 4 on the principal of the fund during that fiscal year. However, none of the amount  
 5 transferred shall be applied to increase the value of that portion of the principal  
 6 attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
 7 (Superior Court, First Judicial District) on July 1, 2004. The corporation shall  
 8 calculate the amount to transfer to the principal under this subsection by

9 (1) computing the average of the monthly United States Consumer  
 10 Price Index for all urban consumers for each of the two previous calendar years;

11 (2) computing the percentage change between the first and second  
 12 calendar year average; and

13 (3) applying that rate to the value of the principal of the fund on the  
 14 last day of the fiscal year just ended, including that portion of the principal attributed  
 15 to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court,  
 16 First Judicial District).

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

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

28 \* **Sec. 6.** AS 37.13.145(e) is amended to read:

29 (e) The legislature may not appropriate from the earnings reserve account [TO  
 30 THE GENERAL FUND] a total amount that exceeds the amount available for  
 31 appropriation under AS 37.13.140(b) in a fiscal year.

1     \* **Sec. 7.** AS 43.23.025(a) is amended to read:

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

4                     (1) determining the total amount available for dividend payments,  
5             which equals

6                             (A) the amount appropriated [OF INCOME OF THE  
7             ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund  
8             under AS 37.13.145(b) during the current year;

9                             (B) plus the unexpended and unobligated balances of prior  
10            fiscal year appropriations that lapse into the dividend fund under  
11            AS 43.23.045(d);

12                            (C) less the amount necessary to pay prior year dividends from  
13            the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and  
14            43.23.055(3) and (7);

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

19                            (E) less appropriations from the dividend fund during the  
20            current year, including amounts to pay costs of administering the dividend  
21            program and the hold harmless provisions of AS 43.23.240;

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

25                     (3) dividing the amount determined under (1) of this subsection by the  
26            amount determined under (2) of this subsection.

27     \* **Sec. 8.** AS 37.13.145(f) is repealed.

28     \* **Sec. 9.** Section 2 of this Act takes effect on the effective date of sec. 2, ch. 16, SLA 2018.

29     \* **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect July 1, 2020.