

Sponsor Statement

House Bill 553

[HB 553](#) is effective only if a Percent of Market Value (POMV) constitutional amendment is approved by the voters during the 2004 general election and takes effect. HB 553 provides conforming language to existing statute to accommodate changing the constitutional requirement that all income of the Permanent Fund be deposited into the general fund to the more limiting appropriation mechanism of 'up to 5%' of market value in the proposed POMV constitutional amendments which protect the fund's principal.

HB 553 provides that the annual appropriation from the Permanent Fund under the POMV management structure be divided equally between paying individual dividends and public services.

Section 1: Amends the basis for the Alaska jury list to people applying for a Permanent Fund Dividend. Former language referenced applicants for a "distribution of Alaska Income."

Section 2: Changes Legislative Budget and Audit Committee duties from making annual recommendations for investment policy for the 'income' of the Permanent Fund to making annual recommendations for investment policy for the Permanent Fund.

Section 3: Amends statute to direct the Permanent Fund Corporation to invest that value of the fund beyond principal by the 'prudent investor' rule.

Section 4: Clarifies how the proceeds from 'up to 5%' of the fund may be spent.

- (a) The legislature may appropriate money to pay the costs of the corporation associated with operating and investing the fund.
- (b) Not more than 50% of the payout may be appropriated to the general fund. Not more than 505% of the payout may be appropriated to the dividend fund.
- (c) States that the corporation shall transfer the money appropriated within 14 days of the effective date of the appropriation.

Section 5: The proposed POMV constitutional amendment allows appropriations based on the 'market value' of the fund. This section provides a statutory mandate that 'market value' be determined in accordance with generally accepted accounting principles.

Section 6: Eliminates the current statutory provision that any unexpended operating budget of the Permanent Fund Corporation be included in the determination of 'income' of the fund for the calculation of income available for distribution. The determination of income available for distribution will no longer be required under the proposed POMV constitutional amendment that bases the amount that can be distributed on market value

Section 7: The Permanent Fund Corporation manages the investment portfolio of the Mental Health Trust Authority. Current statute provides that the income from those funds be determined “in the same manner the corporation determines the net income of the Alaska Permanent Fund...” The Mental Health Trust Authority has previously adopted a POMV style management. This section provides a statutory mandate that the net income of the Mental Health Trust fund be determined in accordance with generally accepted accounting principles.

Section 8: This section changes language in the existing Permanent Fund Dividend payment statutes to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the current dividend payment statutes.

Section 9: This section changes language in the disclosures required on the payment stub for Permanent Fund Dividends to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the disclosures required.

Section 10: Repeals statute that will be superceded by operation of the proposed POMV constitutional amendment. AS 37.13.140 defined income and net income of the Permanent Fund for purposes of making distributions. Under the proposed POMV constitutional amendment, distributions are based on Market Value not on income. AS 37.13.145 defined the disposition of the income of the permanent fund including inflation proofing and transfers to the dividend account. Inflation proofing is inherent in the proposed POMV constitutional amendment and Section 3 of this legislation provides for transfers to the dividend account.