

Sponsor Statement

HJR 1

“Proposing amendments to the Constitution of the State of Alaska relating to appropriations from the permanent fund for a fiscal year based on the average of the year-end market values of the fund for the last five fiscal years.”

What Does HJR 1 Do?

[HJR 1](#) proposes a constitutional amendment to the Alaska Permanent Fund that will require all income from the permanent fund to be deposited back into the permanent fund, as opposed to the general fund. Appropriations from the permanent fund, for any fiscal year, shall then be limited to 5% of the average of the year-end market values of the permanent fund for the last five fiscal years, including the fiscal year immediately preceding the fiscal year for which the appropriation is made. An additional 1% can be appropriated upon a three-fourths vote of the members of each house of the legislature. This is intended to be for EMERGENCY situations only warranting extraordinary appropriations.

The long-term annual rate of return on the Fund is 8%. Limiting the payout to 5% allows the Fund to retain the 3% necessary to offset the expected long-term impacts of inflation.

How Does it Work?

The Fund's 5-year average market value equals approximately \$22.5 billion. Five percent of that is \$1.125 billion. This would be how much can be appropriated from the Fund each year for all public purposes including dividends. This amount will grow over time at the rate of inflation plus the amount of constitutionally or statutorily dedicated mineral revenues added to the principal. If the current dividend formula is maintained, an additional \$175–300 million could be available annually to help fill the fiscal gap.

The Benefits

- Provides constitutional protection against inflation for the total Permanent Fund, thereby increasing the amount protected and more effectively safeguarding the Fund
- Establishes limit on annual distributions which will help ensure that the Fund will continue to grow
- Maximizes the total amount of Fund income which can be paid out in the future
- Beginning in 2004, makes available \$175-300 million per year, depending on the Fund's market value, for purposes other than inflation-proofing and dividends (this amount will increase over time as the Fund continues to grow)
- Gives the legislature advanced knowledge of how much Fund income will be available for appropriation each year (within a relatively narrow range)

I encourage your support of this legislation.

By: Representative Norman Rokeberg