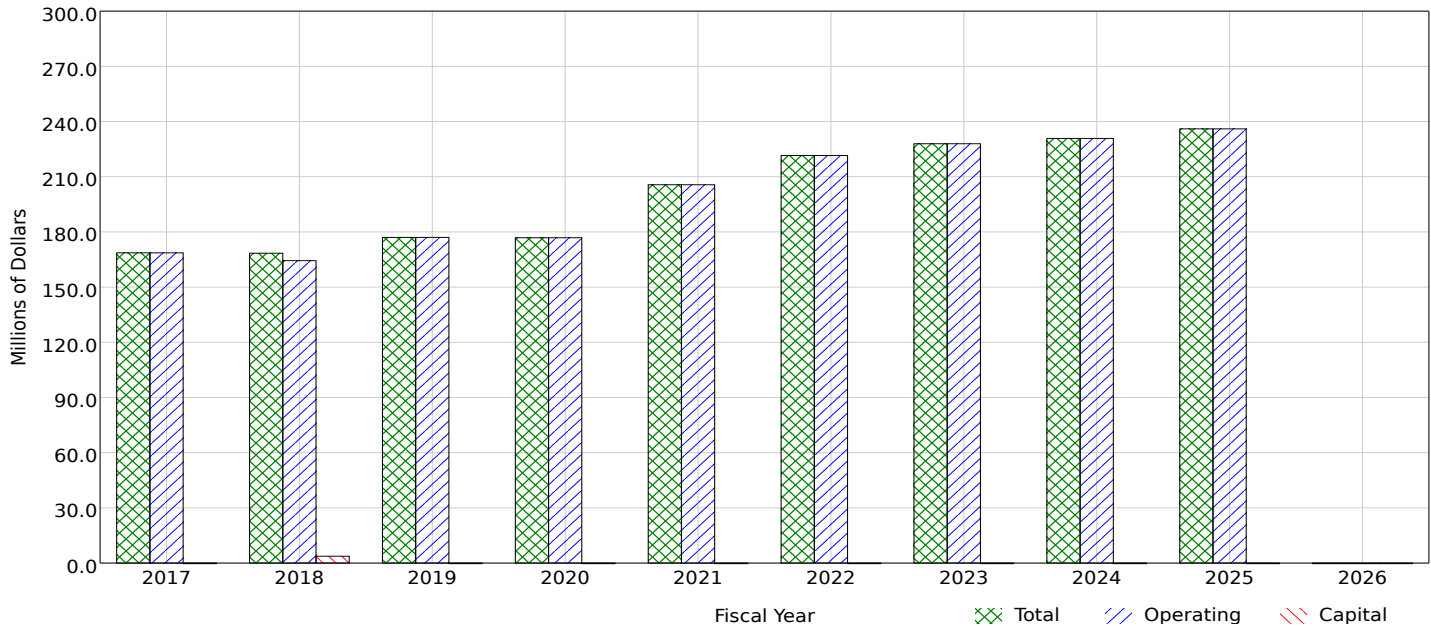


Fund Source Report

1105 PF Gross Permanent Fund Corporation Gross Receipts

Year Authorized 1997 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Corporate Receipts

Operating and Capital Appropriations



Legal Authority

Article IX Section 15, AS 37.05.146(b)(4)(E), AS 37.13.150

Source of Revenue

Gross revenue generated by Permanent Fund investments

Restrictions on Use

Permanent Fund revenue, as opposed to income, is the source of the Permanent Fund Corporation's budget

Description and History

The Permanent Fund was established by Constitutional amendment in 1977. The amendment directed that at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in the Permanent Fund. The principal of the Permanent Fund may be used only for income producing investments; it is not available for appropriation.

Code 1105 is used for the management fees and operational costs of the Permanent Fund Corporation. These costs are broadly interpreted to include some expenses of the Department of Law and Department of Natural Resources that are related to oil and gas litigation and permitting. Although arguments can be advanced for use of an alternative fund source code for activities outside the corporation itself, DNR and Law costs have been funded directly with code 1105 for many years.

In order to ensure that operating funds are available regardless of investment returns, appropriations for Permanent Fund Corporation (and associated) operations are not conditioned on net income or the balance of the ERA; they depend upon gross realized cash flow. Per AS 37.13.145, income of the Permanent Fund goes through the Corporation into the ERA as soon as it is received. However, AS 37.13.150 states that the corporation's operating budget shall come from revenue generated by investments. Appropriations not used for costs of operations become income and flow to the ERA at year-end. This differentiation of "income" and "revenue generated" provides the Corporation with a source of operating funds even if the ERA market value is negative and the Corporation experiences negative net realized income. In effect, appropriations to the Corporation (and for associated costs) occur before the revenue reaches the ERA; expenditures of gross receipts reduce the amount of Permanent Fund earnings deposited in the ERA.

State corporation receipts were budgeted in one fund code called "corporate receipts" until 1998 when a budget fund was created for each state corporation in order to clarify the budget process.

Fund Source Report

See also 1041 Permanent Fund Earnings Reserve Account

July 2014

Use of the code in the departments of Law, Natural Resources, and Revenue (for non-corporate activities) increased incrementally over the years (from about \$6.3 million in FY07 to \$7.2 million in FY14. Appropriations to Law had remained flat at \$1.48 million. The appropriation to Law was increased to \$2.58 in FY15.