

Alaska Resource Ownership Revenue Account ARORA

Senator Natasha von Imhof
July 2021

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Why are we having this discussion?

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- The dividend formula is:
 - paralyzing the legislature
 - crippling us financially
 - creating deep fissures
 - costs the state \$325 million for every \$500 divided check
- Dividend for the future!



50. Alaska

Alaska, in ‘hard-core survival mode,’ is America’s worst state for business in 2021

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ALASKA SCORE AND RANKING

CATEGORY	2021 SCORE	2021 RANK	2019 RANK	2021 GRADE
COST OF DOING BUSINESS	82	48	48	F
INFRASTRUCTURE	137	49	46	D-
LIFE, HEALTH & INCLUSION	216	19	—	C+
WORKFORCE	179	27	27	C
ECONOMY	66	47	38	F
BUSINESS FRIENDLINESS	128	16	20	B
ACCESS TO CAPITAL	34	46	50	F
TECHNOLOGY & INNOVATION	58	39	41	D-
EDUCATION	49	47	49	F
COST OF LIVING	9	45	44	F
OVERALL	958	50	47	—



2. Alaska

In a world where connectivity is increasingly crucial, [Alaska](#) truly is [the Last Frontier](#). Only about 60% of Alaskans have broadband access. Service is slow, and like so much else in Alaska, it is expensive. Governor Mike Dunleavy has convened a task force to deal with the problem, and he ordered it to issue recommendations by October. It may be a start, but it is also the third such committee since 2014.

2021 Infrastructure score: 137 out of 375 points (Top States Grade: D-)

U.S. population within 500 miles: 632,228

Bridges in poor condition: 9%

Roads in unacceptable condition: 22%

Broadband access: 60.8%

Power outages per year: 4.7 hours

Three Big Decision Points:

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- Statute versus Constitution
- Taxes: Do we institute individual taxes on every Alaskan in order to pay a dividend?
- Ad-hoc draws on the Permanent Fund will destroy Alaska's next egg
- Dividend for the future!

<i>UGF (thousands)</i>	FY22 Governor Proposed Budget
Revenue	4,731,600
Agency	3,804,706
Debt	104,993
Retirement	341,984
Fund Capitalization	131,149
Capital	268,286
Total expenditures	4,651,118
Surplus/ (Deficit)	80,482

<i>UGF (thousands)</i>	FY22 Governor Proposed Budget	\$1000 PFD (ex 80/20 split)	Governor's 50/50 plan
Revenue	4,731,600	4,731,600	4,731,600
Less: Dividend		(\$613,860)	(1,534,600)
Subtotal Revenue:	4,731,600	4,117,740	3,197,000
Agency	3,804,706	3,804,706	3,804,706
Debt	104,993	104,993	104,993
Retirement	341,984	341,984	341,984
Fund Capitalization	131,149	131,149	131,149
Capital	268,286	268,286	268,286
Total expenditures	4,651,118	4,651,118	4,651,118
Surplus/ (Deficit)	80,482	(533,378)	(1,454,118)

← TAXES!!

Guiding Principles going into the Proposal:

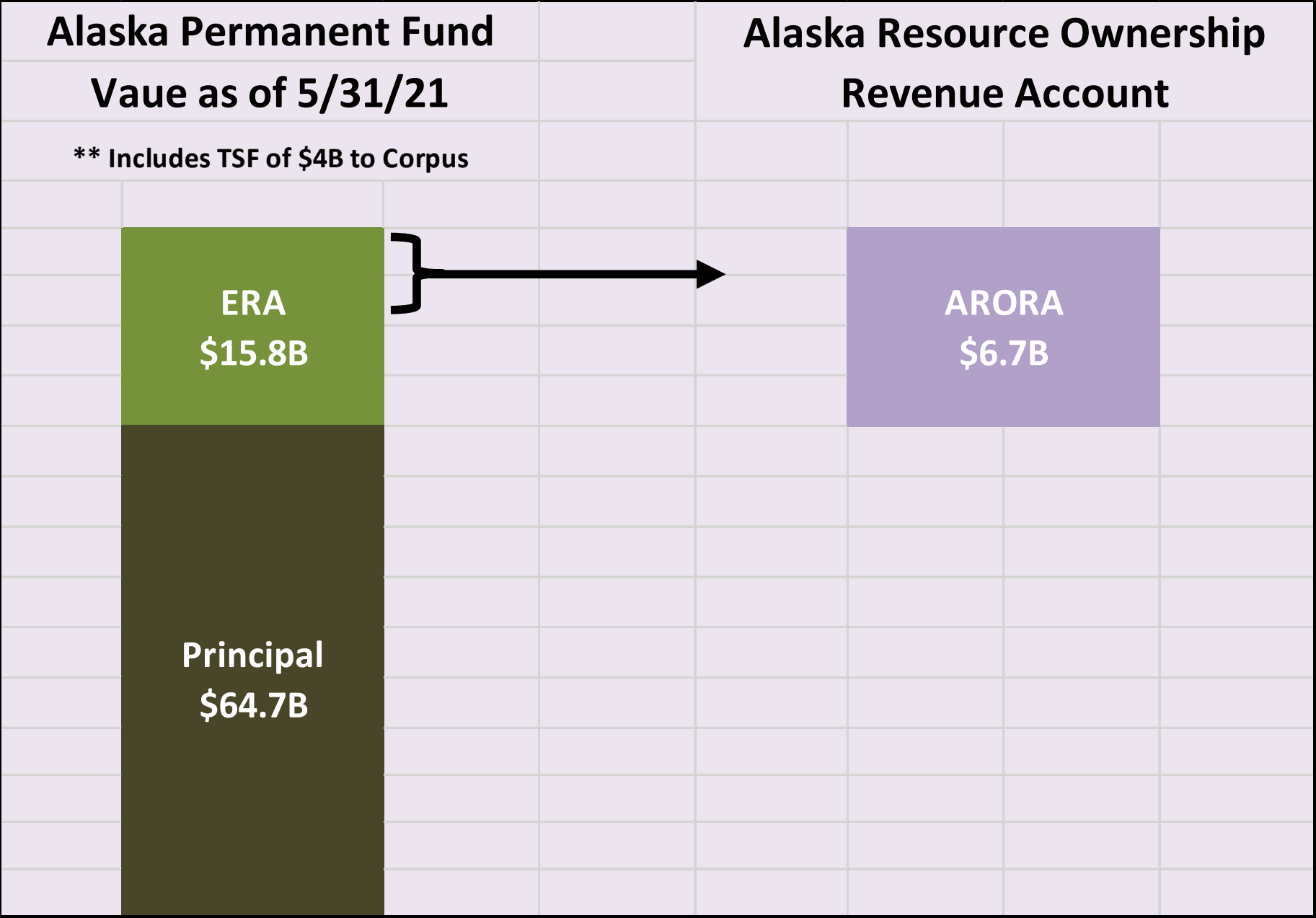
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- Does **not** tax citizens to pay a dividend
- Does **not** require annual ad-hoc draws on the Permanent Fund
- Does **not** liquidate our savings account to pay a dividend
- Provides a dividend for future generations
- Solution is easy to understand
- Allows the legislature to (finally!) focus on policy
- Stabilizes the financial future of our state

ALASKA RESOURCE OWNERSHIP REVENUE ACCOUNT (ARORA) SJR 18

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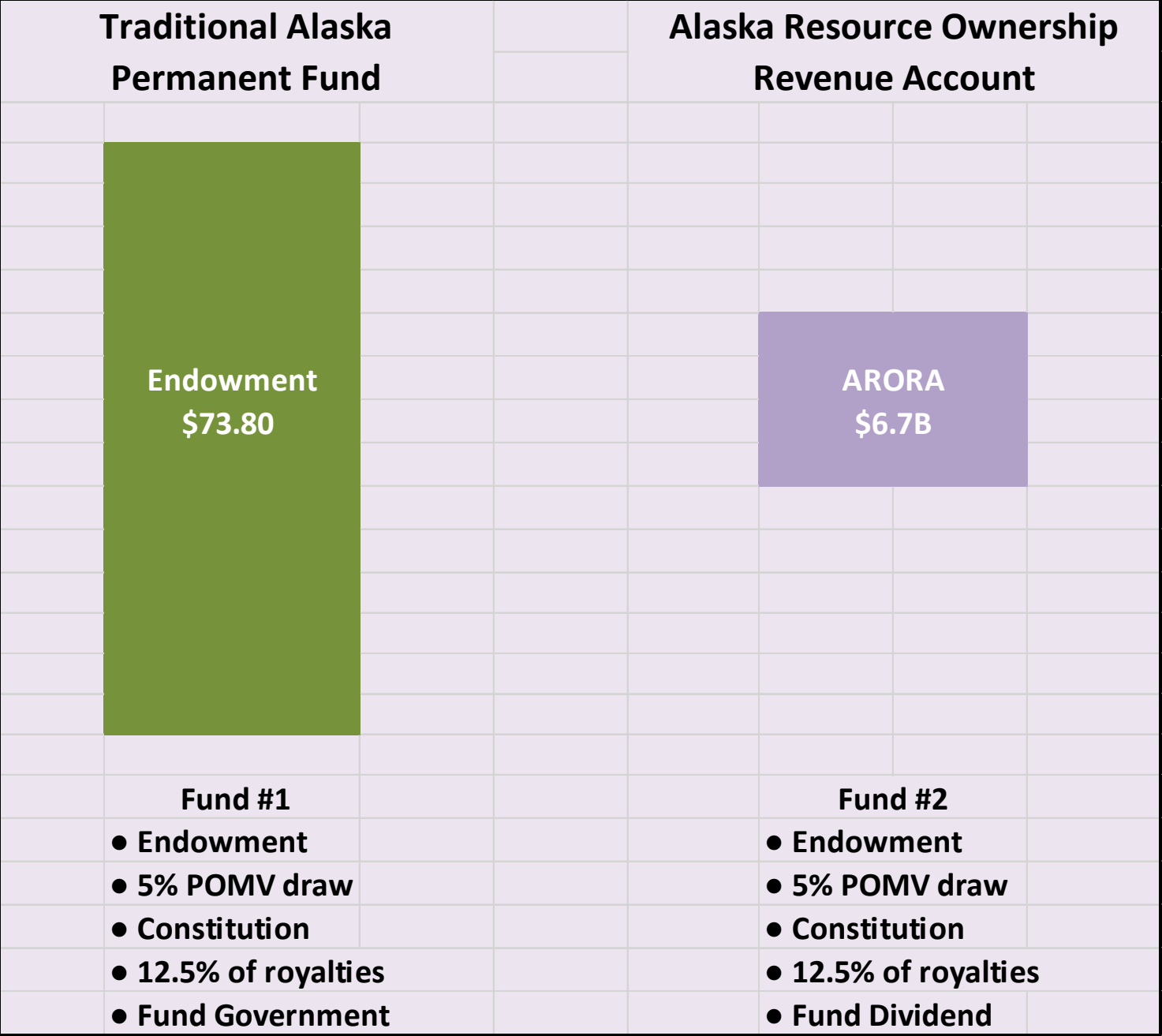
- Transfer \$6.7 billion from the Permanent Fund to create an ARORA dividend fund
- Put the ARORA fund into the Constitution, so it's protected
- 5% POMV (5 years trailing) of ARORA fund to pay annual dividends
- 12.5% of Royalties will be deposited into the fund each year (50/50 split with the traditional deposit into the Permanent Fund)
- Account and dividends will grow over time



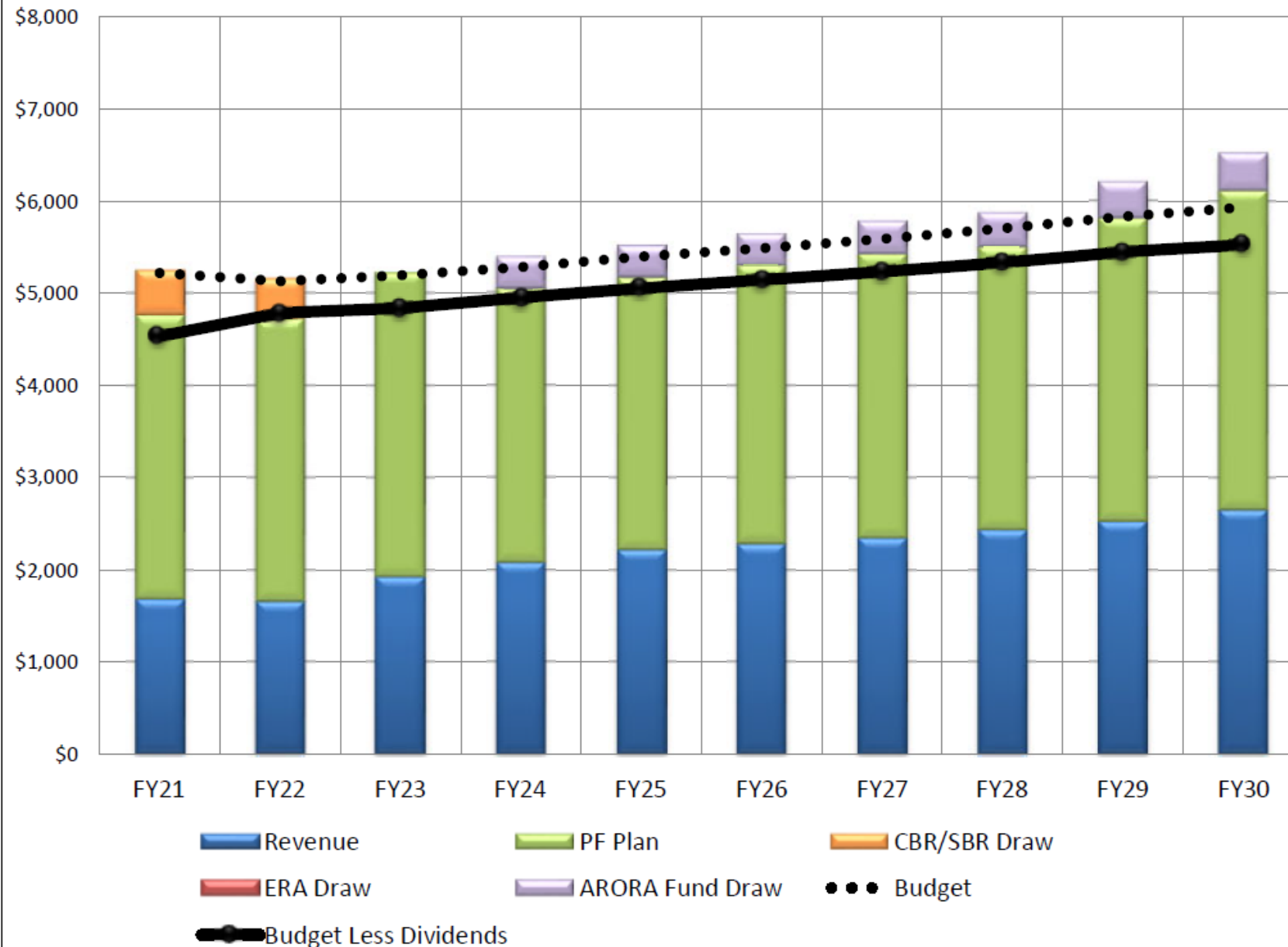
Permanent Fund becomes True Endowment

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- Becomes traditional endowment
- Consolidate Permanent Fund Earnings Reserve Account (ERA) into the Principal
- Put 5% POMV (5 years trailing) to pay for government services into the Constitution
- 12.5% of Royalties will be deposited into the fund



UGF Revenue/Budget (\$millions)

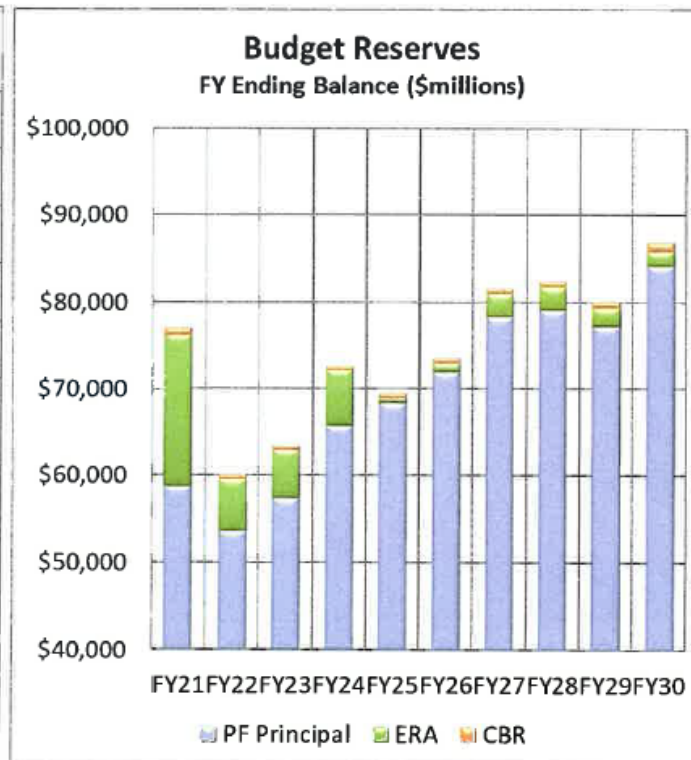
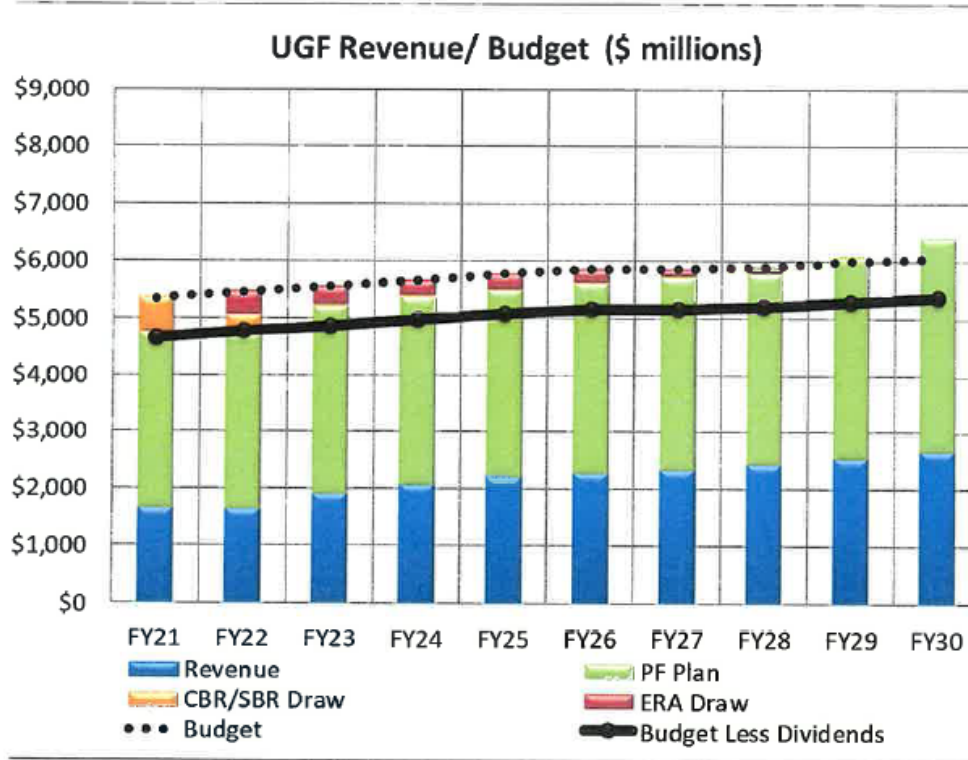


Fiscal Model: Budget w/ \$1,000 PFD

FY09-17 Returns

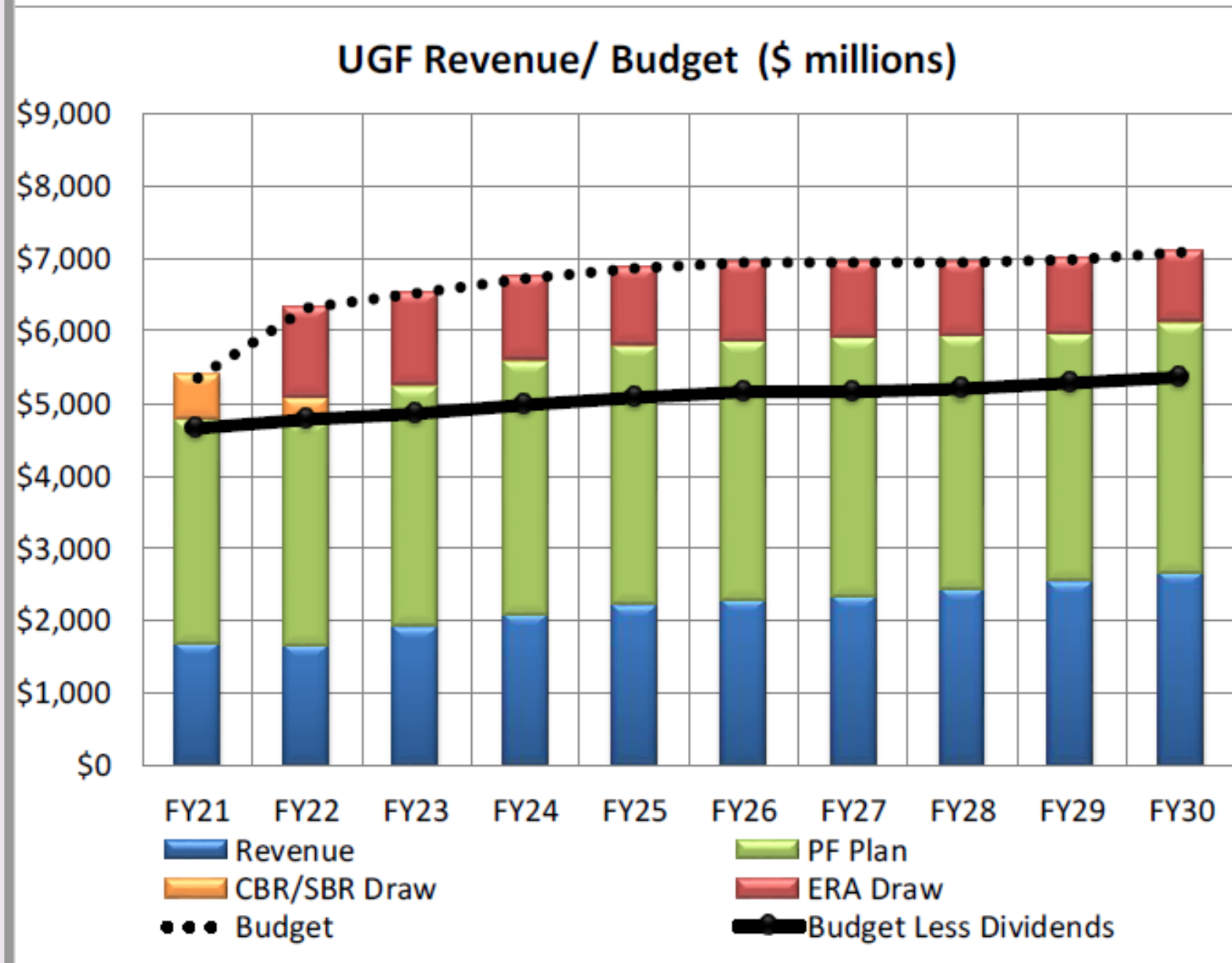
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Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-744	-334	-285	-274	-238	-145	-120	91	333



Effective POMV	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Draw Rate	5.25%	5.64%	5.46%	5.39%	5.39%	5.33%	5.18%	5.15%	5.00%	5.00%

Legislative Finance Division



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Governor's
50/50 Plan

What does ARORA solve?

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1. Constitution: Can't override
2. No new individual taxes to pay a dividend
3. Vote of the People to create the ARORA account
4. Dividend no longer competes with other spending
5. Simple to understand
6. Share wealth ownership 50/50 with government through Royalty split
7. Continued downward pressure on government spending

In summary:

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- Completely hands off solution
- Legislature can focus on other things
- Improves the efficiency and productivity of the legislature
- No new individual taxes required to pay a dividend under the ARORA plan
- Stabilizes the financial future of our state

Hmmm.....

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