

Alaska State Legislature



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House Approves Revenues for General Fund Another 25-Percent of Royalties Help Close Fiscal Gap

(JUNEAU) – The Alaska House of Representatives approved House Bill 11 by a vote of 24 to 12 on Tuesday. Sponsored by House Rules Chair Rep. Norman Rokeberg (R-Anchorage), HB 11 returns the percentage of all mineral lease, royalty, and sale revenues deposited into the Permanent Fund to the constitutionally mandated 25-percent. In 1980, the Legislature decided to deposit 50-percent of those revenues into the fund and has continued to do so; however, the State Constitution has always required only 25-percent.

“You don’t continue to save money as you go broke,” Rokeberg said. “We must close the fiscal gap and reduce the draw on the Constitutional Budget Reserve.”

Prudhoe Bay contributes 25-percent of its oil revenues to the Permanent Fund; however, the Alpine and North Star oil fields contribute 50-percent of their revenues to the Permanent Fund. By changing the contribution rate of those fields to 25-percent and directing the remaining funds to the General Fund, Alpine and North Star contributions to the General Fund will replace the declining revenues from Prudhoe Bay. HB 11 will generate an estimated \$42.9 million (average) per year over the next seven years, and \$59.7 million in FY 2004 at an estimate \$25.28 per barrel average. Meanwhile, the decision will not withdraw funds from the Permanent Fund. The Fund will continue to receive 25-percent of state resource revenues; therefore, it will continue to grow.

“We are not taking any money out of the Permanent Fund, and the Permanent Fund Dividend will see almost no impact for the next ten years,” Rokeberg said. “We are closing the fiscal gap and minimizing taxes. The public will see that as we reduce the budget and spend less of the general fund this year.”

HB 11 moves to the Senate.

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