

The Impact of Constitutionalizing the POMV and Capping the Draw on the Permanent Fund

The constitutional amendment to establish a single-fund endowment using a Percent of Market Value (POMV) draw does not interfere with how the Legislature sets the Permanent Fund Dividend. That is an independent decision unrelated to whether there is a one- or two-account structure.

Alaska's Permanent Fund has long provided key benefits for Alaskans, all predicated upon saving a portion of the state's oil and mineral resource royalties. Today, the Fund stands as the largest U.S. sovereign wealth fund and a globally recognized model for converting finite natural resources into lasting financial wealth.

Through the annual POMV draw, a projected 59% of the state's unrestricted general fund revenue in the coming fiscal year is available from the Fund's earnings to be used for dividends and essential government services. However, the Fund's existing two-account structure poses challenges that threaten the long-term stability and sustainability of the annual draw distribution.

The Solution: Consolidation into a Single-Fund Endowment Model

The Board of Trustees of the Alaska Permanent Fund has supported the transition to a Single-Fund Endowment Model for over 20 years. This model would incorporate a constitutionally established POMV rule that limits annual withdrawals. The implementation of this approach would:

Guarantee the Availability of a Draw to Support Dividends and State Services

The transition to a Single-Fund would guarantee the availability of an annual POMV draw while maintaining flexibility in how the money is utilized. The certainty of the annual draw would ensure the ability to provide for a dividend and essential government services from the Fund.

Strengthen Constitutional Protections of Fund Balance

Strengthen Alaska's financial position through sustainable withdrawals limited to the Fund's long-term real return. Secure the Fund's future while maintaining legislative appropriation discretion over how POMV transfers are allocated. The proposed endowment model would allow the Constitution to protect 95% of the Fund instead of the ~73% protected within the current framework.

Intergeneration Equity Through Built-In Inflation Proofing

Enhance fiscal stability by safeguarding the Fund's purchasing power against inflation through automatic inflation adjustments while generating annual revenue. Combining the accounts would remove the necessity for inflation proofing appropriations since the earnings would stay with the Fund.

Align with Prudent Investment Standards

Establish global best practices and investment standards that adhere to prudent guidelines for endowments and total return investing, maximizing long-term growth without liquidity constraints.

The Impact of Constitutionalizing the POMV

By constitutionalizing the Permanent Fund's POMV draw and capping the annual payout, the Alaska Permanent Fund would provide a stable and predictable distribution each year. In this construct, the Legislature would still have the authority to decide how the annual draw is appropriated, including the proportion allocated to dividends versus other needs. This reform would promote fiscal responsibility while maintaining the Legislature's power to appropriate funds for the dividend program and essential government services.

Conclusion

Adopting a Single-Fund Endowment Model with a constitutionally defined POMV limit that is aligned with a long-term real rate of return represents a forward-thinking solution that secures the future of the Alaska Permanent Fund. By making this change, Alaska can uphold its commitment to intergenerational wealth, align with prudent investment standards, and provide stable annual distributions that are available for legislative appropriation to support both public services and the dividend program.

This approach honors the vision of the Fund's founders while ensuring that it continues to benefit all Alaskans—today and for generations to come.