

SENATE CONCURRENT RESOLUTION NO. 102 am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/25/99

Introduced: 5/25/99

A RESOLUTION

1 Relating to an advisory vote and a state fiscal plan.

2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 WHEREAS declining oil production, low oil prices, inflation, and an increasing
4 population create continuing annual budget deficits of approximately \$1,000,000,000 (\$1
5 billion); and

6 WHEREAS the original intent and purpose of Alaska's Permanent Fund was to save
7 a portion of Alaska's revenue from its petroleum resources, invest that revenue, and use the
8 earnings from those investments to help provide essential public services in the future when
9 Alaska's revenue from its petroleum resources declined; and

10 WHEREAS the Constitutional Budget Reserve account that has filled the budget gap
11 in recent years is projected to be depleted by 2003; and

12 WHEREAS financial projections predict the depletion of this savings account will
13 jeopardize the continuation of the dividend program; and

14 WHEREAS, in 1976, Alaskans foresaw the inevitable decline in Alaska's oil
15 production and created the permanent fund; and

16 WHEREAS the legislature and the governor recognize that Alaskans place a high
17 value on preserving and protecting the permanent fund; and

1 **WHEREAS** the legislature and the governor recognize the public's desire to be
2 involved in any decisions involving the permanent fund's direction;

3 **BE IT RESOLVED** that if, in an advisory vote, voters approve the question of
4 whether a portion of the permanent fund earnings should be used to fund essential services,
5 the legislature and the governor intend to implement a state fiscal plan that would include the
6 following:

7 (1) Permanent Fund Protection: The principal of the Alaska Permanent Fund
8 remains constitutionally protected and not subject to appropriation; additionally, the fund is
9 inflation-proofed to protect its value for all Alaskans, including future generations;

10 (2) Dividend Preservation: After accounting for inflation-proofing, dividend
11 payments to Alaskans are projected to grow with the market value of the permanent fund over
12 time; permanent fund dividends will be guaranteed to be at least \$1,700 in 1999 and 2000, and
13 beginning in 2001, the dividend will be based on 50 percent of the annual payment of the
14 accounts that are combined to a new Alaska Income Account;

15 (3) Spending Reductions: Continue state general fund budget reductions and
16 commit to a long-term budget discipline and efficiencies;

17 (4) Deposits to Permanent Fund: Provide for deposits into the principal of the
18 Alaska Permanent Fund whenever the balance of the Alaska Income Account exceeds 40
19 percent of the combined total of the principal of the Alaska Permanent Fund and the Alaska
20 Income Account;

21 (5) Calculation of Dividends and Funding for Essential Public Services: A
22 new fund known as the Alaska Income Account would be established within the permanent
23 fund; the Constitutional Budget Reserve Fund and the Earnings Reserve Fund would be
24 combined to create the Alaska Income Account; dividends and the amount available to fund
25 essential services are calculated after accounting for inflation-proofing of the permanent fund
26 principal by multiplying the average market value of the Alaska Income Account and the
27 Alaska Permanent Fund by 5.88 percent; this amount would be divided equally between
28 dividends and essential public services;

29 (6) Accountability: Expenditures related to distributions from the Alaska
30 Income Account will be disclosed with each annual permanent fund dividend; and

31 (7) Income Tax: No personal income tax is enacted as part of this plan.

SCR _____ is read and approved this _____ day of _____, 1999.

Tony Knowles
Governor, State of Alaska