Hon. William A. Egan, President
Alaska Constitutional Convention

Dear President Egan:

Your Committee on Style and Drafting herewith presents its redraft of the Article on Finance and Taxation for consideration by the Convention.

Respectfully submitted,

George Sundborg, Chairman
R. Rolland Armstrong
Edward V. Davis
Victor Fischer
Mildred R. Hermann
James J. Hurley
Maurice T. Johnson
George M. McLaughlin
Katherine D. Nordale
CONSTITUTIONAL CONVENTION OF ALASKA

RESOLVED, that the following be agreed upon as part of the Alaska State Constitution:

ARTICLE IX

FINANCE AND TAXATION

Taxing Power

1 Section 1. The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article.

Non-discrimination

4 Section 2. The lands and other property belonging to citizens of the United States residing without the State shall never be taxed at a higher rate than the lands and other property belonging to the residents of the State.

Assessment Standards

9 Section 3. Standards for appraisal of all property assessed by the State or its political subdivisions shall be prescribed by law.

Exemptions

12 Section 4. The real and personal property of the State or its political subdivisions is exempt from taxation under conditions and exceptions which may be provided by law. All or any portion of property used exclusively for non-profit religious, charitable, cemetery or educational purposes, as defined by law,
| Interests in Government Property | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|-----------------------------------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| is exempt from taxation. Other exemptions of like or different kind may be granted by general law. All valid existing exemptions are retained until otherwise provided by law. | Section 5. Private leaseholds, contracts, or other interests in land or property owned or held by the United States, the State or its political subdivisions, shall be taxable to the extent of the interests. |
| Section 6. No tax shall be levied or appropriation of public money made or public property transferred, nor shall the public credit be used, except for a public purpose. | Section 7. The proceeds of any state tax or license shall not be dedicated to any special purpose, except when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this constitution by the people of Alaska. |
| Section 8. No state debt shall be contracted unless authorized for capital improvements by a majority vote in each house of the legislature with ratification by a majority of the qualified voters.
of the State who vote on the question. The State may
by law contract debt for the purpose of repelling
invasion, suppressing insurrection, defending the
State in war, meeting natural catastrophes, or re-
deeming indebtedness outstanding at the time this
constitution becomes effective.

Section 9. No debt shall be contracted by any
political subdivision of the State unless authorized
for capital improvements by its governing body with
ratification by a majority vote of those qualified
to vote and voting on the question.

Section 10. The State and its political sub-
divisions may borrow money to meet appropriations
for any fiscal year in anticipation of the collection
of the revenues of that year, but all debt so con-
tracted shall be paid before the end of the next
fiscal year.

Section 11. The restrictions on contracting
debt do not apply to debt incurred through the
issuance of revenue bonds by a public enterprise
or public corporation of the state or political
subdivision when the only security is the revenues
of the enterprise or corporation. The restrictions
do not apply to indebtedness to be paid from special
assessments on the benefitted property nor do they
Section 12. The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices and agencies of the State. The governor at the same time shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

Section 13. No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

Section 14. The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

Section 15. The debts and liabilities of the Territory of Alaska shall be assumed and paid by the State, and debts owed to the Territory shall be collected by the State. Assets of the Territory shall become assets of the State.
Constitutional Convention of Alaska

COMMITTEE PROPOSAL NO. 9

Introduced by Committee on Finance and Taxation

ARTICLE ON FINANCE AND TAXATION

RESOLVED, that the following be agreed upon as part of the Alaska State Constitution.

<table>
<thead>
<tr>
<th>Section</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The power of taxation shall never be surrendered; and shall never be suspended or contracted away, except as provided herein.</td>
</tr>
<tr>
<td>2</td>
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<td>Section 4. The real and personal property of the State and of its political subdivisions shall be exempt from taxation under such conditions and with such exceptions as the legislature may direct. All or any portion of property used exclusively for non-profit</td>
</tr>
</tbody>
</table>

Committee Proposal No. 9 First Enrolled
Taxation of Interests in U.S. Property

Section 5. Private leaseholds, contracts, or other interests in land or property owned or held by the United States, state, and its political subdivisions, shall be taxable to the extent of the interests.

Taxation for Public Purpose

Section 6. No tax shall be levied or appropriation of public money made or public property transferred, nor shall the public credit be used, except for a public purpose.

Earmarking Restricted

Section 7. The proceeds of any state tax or license or part thereof shall not be allocated to any special purpose, except where state participation in Federal programs will thereby be denied. This provision shall not prohibit the continuance of any allocation for special purposes existing upon the date of ratification of this Constitution by the people of Alaska.

Debt Contraction Restricted

Section 8. No debt shall be contracted by or in behalf of the State unless the debt shall be
authorized for capital improvements by a majority vote
in each house with ratification by a majority of the
qualified voters of the state voting on the question,
provided that the State may by law contract debt for
the purpose of repelling invasion, suppressing insur-
rection, defending the State in war, meeting natural
catastrophes, or redeeming outstanding indebtedness
of the State at the time this Constitution becomes
effective.

Section 9. Unless authorized by law for capital
improvements, no debt shall be contracted by or in be-
half of any political subdivision of the State and
then only upon approval of not less than a majority of
those voting on the question within the respective
political subdivision and qualified to vote on the
particular issue as prescribed by law. Additional
requirements and qualifications of voters may be
provided by law.

Section 10. The State and its political subdivi-
sions may by law borrow money to meet appropriations
for any fiscal year in anticipation of the collection
of the revenues of that year, but all debt so con-
tracted shall be paid prior to the end of the next
fiscal year.
Section 11. The restrictions in this Constitution on the contraction of debt do not apply to refunding indebtedness of the State or any political subdivision thereof; to indebtedness incurred under revenue bond statutes by a public enterprise of the state or political subdivision, or by a public corporation, when the only security for such indebtedness is the revenues of the enterprise or public corporation; or to special assessments.

Section 12. At such time as may be prescribed by law, the governor shall submit to the legislature a budget setting forth a complete plan of proposed expenditures and anticipated income of all departments, offices and agencies of the State for the next fiscal year. At the time of submitting the budget to the legislature, the governor shall also submit a general appropriation bill to authorize all proposed expenditures set forth in the budget. At the same time he shall submit to the legislature a bill or bills covering all recommendations in the budget for new or additional revenues.

Section 13. No money shall be withdrawn from the treasury except in accordance with appropriations made by law, nor shall any obligation for the payment of money be incurred except as authorized by law. All
unobligated appropriations outstanding at the end of a period of time specified by law shall be void.

Section 14. The legislature shall appoint an auditor who is a certified public accountant and who shall serve during its pleasure. It is the duty of the auditor to conduct such post-audits as may be prescribed by law and to report to the legislature and the governor.

Section 15. The debts and liabilities of the Territory of Alaska shall be assumed and paid by the State of Alaska, and debts owed to the Territory of Alaska shall be collected by the State. Assets of the Territory of Alaska shall become assets of the State.
ALASKA CONSTITUTIONAL CONVENTION

REPORT OF THE COMMITTEE ON

FINANCE AND TAXATION

Hon. William A. Egan
President, Alaska Constitutional Convention

My dear Mr. President:

Your Committee on Finance and Taxation presents for consideration of the Convention its proposed article on Finance and Taxation.

Your Committee considered and incorporated in this report many of the ideas contained in Convention proposals numbered 3, 4, 6 (Sections 8, 10, 11, and 12), 20 and 41.

We include a section-by-section commentary on the proposed article.

Respectfully submitted,

Leslie Nerland, Chairman
Dorothy J. Awes
Frank Barr
James Nolan
Frank Peratrovich
Chris Poulsen
Barrie M. White, Jr.

Committee Proposal No. 9
CONSTITUTIONAL CONVENTION OF ALASKA

COMMITTEE PROPOSAL NO. 9

Introduced by Committee on Finance and Taxation

ARTICLE ON FINANCE AND TAXATION

RESOLVED, that the following be agreed upon as part of the Alaska State Constitution:

Section 1. The power of taxation shall never be surrendered; and shall never be suspended or contracted away, except as provided herein.

Section 2. The lands and other property belonging to citizens of the United States residing without the State shall never be taxed at a higher rate than the lands and other property belonging to the residents of the State.

Section 3. The legislature shall establish the standards for assessment of all property assessed locally or by the State.

Section 4. The real and personal property of the State and of its political subdivisions shall be exempt from taxation under such conditions and with such exceptions as the legislature may direct. All or any portion of property used exclusively for
1 non-profit religious, charitable, cemetery, or educational purposes as defined by law, is exempt from taxation.

2 Other exemptions of like or different kind may be granted by general law; and until otherwise provided by law, all exemptions from taxation validly granted are retained.

3 Section 5. No tax shall be imposed upon any lands or other property owned or acquired by the United States, except as allowed by Federal law. Immunity to taxation extends to all property owned by natives which is held in trust by the United States, or over which the United States has complete jurisdiction. Immunity to taxation does not apply to property of individual natives when held in fee without restrictions on alienation.

4 Section 6. Private leaseholds, contracts, or other interests in land or property owned or held by the United States shall be taxable to the extent of the interests.

5 Section 7. No tax shall be levied or appropriation of public money made or public property transferred, nor shall the public credit be used, except for a public purpose.

6 Section 8. All revenues shall be deposited in the State treasury without allocation for special purposes,
except where state participation in Federal programs
will thereby be denied. This provision shall not pro-
hibit the continuance of any allocation for special
purposes existing upon the date of ratification of this
Constitution by the people of Alaska.

Section 9. No debt shall be contracted by or in
behalf of the State, or any political subdivision
thereof, unless the debt shall be authorized by law
for capital improvements specified therein and be
approved by a majority of the qualified voters of the
State or of the respective political subdivision voting
on the question, provided that the State may by law
contract debt for the purpose of repelling invasion,
suppressing insurrection, defending the State in war,
meeting national catastrophies, or redeeming outstand-
ing indebtedness of the State at the time this
Constitution becomes effective.

Section 10. The State may by law borrow money to
meet appropriations for any fiscal year in anticipation
of the collection of the revenues of that year, but all
debt so contracted shall be paid within one year.

Section 11. The restrictions in this Constitution
on the contraction of debt do not apply to refunding
indebtedness of the State or any political subdivision
thereof; to indebtedness incurred under revenue bond
statutes by a public enterprise of the state or politi-
cal subdivision, or by a public corporation, when the
only security for such indebtedness is the revenues of
the enterprise or public corporation; or to indebted-
ness incurred under special improvement statutes when
the only security for such indebtedness is the pro-
properties benefited or improved or the assessments
thereon.

Section 12. At such time as may be prescribed by
law, the governor shall submit to the legislature a
budget setting forth a complete plan of proposed ex-
penditures and anticipated income of all departments,
offices and agencies of the State for the next fiscal
year. At the time of submitting the budget to the
legislature, the governor shall also submit a general
appropriation bill to authorize all proposed expendi-
tures set forth in the budget. At the same time he
shall submit to the legislature a bill or bills cover-
ing all recommendations in the budget for new or
additional revenues.

Section 13. No money shall be withdrawn from the
treasury except in accordance with appropriations
made by law, nor shall any obligation for the payment
of money be incurred except as authorized by law. All
appropriated funds unexpended at the end of a period of
time specified by law shall be returned to the state treasury.

Section 14. The legislature shall appoint an auditor who is a certified public accountant and who shall serve during its pleasure. It is the duty of the auditor to conduct such post-audits as may be prescribed by law and to report to the governor and the legislature.

Section 15. The debts and liabilities of the Territory of Alaska shall be assumed and paid by the State of Alaska, and debts owed to the Territory of Alaska shall be collected by the State. Assets of the Territory of Alaska shall become assets of the State.
Constitutional Convention
Committee Proposal/9
December 16, 1955

ALASKA CONSTITUTIONAL CONVENTION

Commentary on the Article on Finance and Taxation

(Sec. 1 Taxing Power)

The power to tax is never to be surrendered, but under terms that may be established by the legislature, it may be suspended or temporarily contracted away. This could include industrial incentives, for example.

(Sec. 2 Taxation of Non-residents)

This section and its wording is required by the latest proposed enabling act, H.R. 2535.

(Sec. 3 Uniform Standards for Assessment)

The legislature is authorized to set up, notwithstanding home rule or any system for the selection of assessors, uniform standards of assessment.

(Sec. 4 Exemptions from Taxation)

All property owned by the state and its subdivisions is exempt from taxation unless the legislature directs otherwise. An exception from tax immunity might be appropriate if a government engaged in what is normally a private business, such as operating a ski resort, a moving picture theater, or a swimming pool.

The second sentence of this section is intended to exempt from taxation that part of the property of religious, charitable, cemetery, or educational organizations which is actually used for these purposes, as the legislature may direct. But their property used for other
purposes would be taxable, for example, an office building owned by a college as part of its endowment.

The legislature is authorized to make further tax exemptions to encourage, among other purposes, new industry, and all valid current exemptions are continued.

(Sec. 5 Taxation of United States Property)

This section is required by the latest proposed enabling act, H.R. 2535. Even if it were not included, the state could not, under a long line of U.S. Supreme Court cases, tax federal property.

(Sec. 6 Taxation of Private Interests in U.S. Property)

Taxation is permitted of private interests in land or property owned or held by the United States.

(Sec. 7 Public Purpose Clause)

Public purpose clauses are common to most constitutions, and are included to prevent appropriation of public funds for private purposes.

(Sec. 8 Earmarking of Revenues Restricted)

The allocation of certain revenues to special purposes is prohibited, with two exceptions: (1) if required in order to participate in a federal program or (2) if the earmarking is in existence at the time of ratification of the constitution. Even those persons or interests who seek the dedication of revenues for their own projects will admit that the earmarking of taxes or fees for other interests is a fiscal evil. But if allocation is permitted for one interest the denial of it to another is difficult, and the more special funds are set up the more difficult it becomes to deny other requests until the point is reached where neither the governor nor the legislature has any real control over the finances of the state. In one Rocky Mountain state the legislature
is free to appropriate only 17 per cent of the tax collections; the rest are dedicated. In Alaska at present, 27% of territorial funds are earmarked, primarily for school construction and roads.

(Sec. 9 Debt Contraction)

This section forbids state or local debt except in special emergencies or for the purpose of making capital improvements, the proposals for which must be approved by the voters.

(Sec. 10 Tax Anticipation Notes)

This section permits the state to borrow in anticipation of taxes in any fiscal year money to meet appropriations.

(Sec. 11 Refunding and Revenue Debt)

In a period when interest rates fall, a government may save large amounts of money if it can pay off its old high-rate obligations with new funds borrowed at lower rates. This process, here permitted, is called refunding, and the restrictions on the contraction of original debt are unnecessary; they are here made inapplicable. When the state or its subdivisions can contract debts for special purposes (for example, to build a toll bridge) without pledging more than the improvement or the revenues from the enterprise, such debt is permitted without referendum. This provision is sometimes necessary if a state is to take advantage of federal loans at particularly favorable rates.

(Sec. 12 Budget)

This section requires the governor to submit a complete budget and an appropriation bill to authorize the expenditures he proposes. This process is now standard.
(Sec. 13 Expenditures)

The requirement of appropriation before expenditure is also standard. The second sentence requires the recapture of unexpended balances.

(Sec. 14 Auditor)

The auditor is commonly regarded as a legislative officer, and his appointment is here vested in the legislature.

(Sec. 15 Debts and Assets)

This section provides for the state to take over the debts to and of the Territory of Alaska, as well as its assets.