

SENATE JOURNAL

ALASKA STATE LEGISLATURE

FOURTEENTH LEGISLATURE - SECOND SESSION

JUNEAU, ALASKA

FRIDAY

January 24, 1986

Twelfth Day

Pursuant to adjournment, the Senate was called to order by President Bennett at 11:08 a.m.

The roll showed nineteen members present. Senator Zharoff was excused from a call of the Senate.

The prayer was offered by the Chaplain, Pastor Kenneth Yates of the Church of God. Senator Ray moved and asked unanimous consent that the prayer be spread in the journal. Without objection, it was so ordered.

"Father, I thank You again for another opportunity to stand before this Senate to ask that You lead and guide them. Lord, You have given talents and gifts to each of them, let them use them to Thy glory.

Thanks to Your love for us You have led these Senators to do the best job this week they could possibly do. Because we read in Ecclesiastes 2:26: For God giveth to a man that is good in His sight, wisdom and knowledge, and joy.

Truly today our prayer is that we be found good in His sight.

Amen"

The Pledge of Allegiance was recited.

Senator Halford moved and asked unanimous consent that the journal for the eleventh legislative day and Senate Supplement No. 44 be approved as certified by the Secretary. Without objection, it was so ordered.

COMMUNICATIONS

The Secretary announced receipt of:

ALASKA POWER AUTHORITY'S 1986 ANNUAL PROJECT
STATUS REPORT, January 23, 1986
in accordance with AS 44.83.210(b)

Distributed to all Senators

STATE OFFICE OF ALCOHOLISM AND DRUG ABUSE
(SOADA) 1985 ANNUAL REPORT, January 21, 1986
Department of Health and Social Services
in accordance with AS 47.37

ALASKA REPORT OF PERFORMANCE FY 85 SEVENTH
ANNUAL REPORT, Office of the Governor, Office
of Management and Budget, January 22, 1986

Copies are on file in the Office of the Secretary of the
Senate.

STANDING COMMITTEE REPORTS

SB 197

The Judiciary Committee considered SENATE BILL NO. 197
(filing and recording and to recordable documents; efd) and
recommends it be replaced with

CS FOR SENATE BILL NO. 197 JUD

with a majority do pass. The report was signed by Senator
Rodey, Chairman and concurred in by Senators Faiks, Halford
and Ziegler.

Fiscal Note appears in Senate Supplement No. 45.

SENATE BILL NO. 197 was referred to the Rules Committee.

HB 155

New title for SENATE CS FOR CS FOR HOUSE BILL NO. 155 FIN
page 1616 of the journal:

"An Act relating to limitations on a mobile
home park operator's right to terminate
tenancy within the mobile home park and
granting a tenant in property being con-
verted to a common interest ownership under
AS 34.08 a right of first refusal."

INTRODUCTION AND REFERENCE OF SENATE RESOLUTIONS

SJR 33

SENATE JOINT RESOLUTION NO. 33 by Senator Vic Fischer,

Supporting National Friendship Week,

was read the first time and referred to the State Affairs Committee.

SJR 34

SENATE JOINT RESOLUTION NO. 34 by the Rules Committee by request of the Governor,

Proposing an amendment to the Constitution of the State of Alaska relating to the use and expenditure of state money,

was read the first time and referred to the Judiciary Committee and the Finance Committee.

Governor's transmittal letter of January 24 pertaining to SENATE JOINT RESOLUTION NO. 34 and SENATE BILL NO. 362:

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing amendments to the Alaska Constitution relating to a budget reserve fund and an appropriation limit, and a bill to implement the joint resolution.

I am placing the bill implementing the proposed constitutional amendments before the legislature during this session to ensure that legislators and voters facing that proposal in the 1986 general election understand the scope, details, and implications of the amendments.

The bill would take effect following voter approval of the constitutional amendments. At that time, AS 37.05.159, establishing what is commonly known as the "rainy day fund," would be repealed and replaced by a new statute establishing the budget reserve fund. The balance of the money in the rainy day fund would follow the constitutional and statutory change and would be transferred to the budget reserve fund at that time. The budget reserve fund is designed to meet revenue contingencies contemplated by the rainy day fund as well as broader revenue stability needs.

SJR 34 cont'd

At the outset, it must be emphasized that the budget reserve fund is very different in purpose and function from forward funding and cash-based budgeting proposals. We have carefully evaluated all these options, and we believe that the budget reserve fund is the fiscal management tool that is best suited to the State's situation. This fund seeks to dampen annual budget swings. Neither forward funding nor cash-based budgeting protect us from annual budget fluctuations caused by volatility in world oil markets.

The budget reserve fund works in the following manner. In years of rising revenues, as specified in the constitutional amendments, appropriations are limited to 115 percent of appropriations made during the preceding calendar year. Any surplus money above the 115 percent limit is used first to replenish the budget reserve fund; any remaining surplus is then divided between deposits to the permanent fund and to the general fund. In years of revenue decline, as specified in the constitutional amendments and proposed statute, money is made available from the budget reserve fund in an amount that brings appropriations up to 95 percent of the appropriations in the preceding calendar year, or an amount that equals no more than 25 percent of the fund's balance, whichever is less.

These two operations of the budget reserve fund will provide a smoother expenditure pattern over the years than would result from the fluctuations of petroleum revenue alone. This is because, in high revenue years, revenue increases will flow into the budget reserve fund for subsequent appropriation during years of revenue decline, buffering fluctuations in the state's revenue stream caused by petroleum price variations. The upper limit to appropriations (the 115 percent level) will provide an effective appropriation limit, in contrast with the ineffective limit now in our constitution. We will therefore have a meaningful constitutional spending limit as desired by the people of Alaska.

Both the joint resolution and the bill specify that the appropriation limit applies only to unrestricted general fund money and to expenditures from the undistributed income account of the permanent fund (except for a deposit of that money to the permanent fund made in 1986). In turn, "money received" by the state includes only money in the undistributed income account and unrestricted general fund money. Excluded from both, for example, are federal receipts. The joint resolution and bill also specify that appropriations for a fiscal year are limited to 115 percent of appropriations made during the preceding calendar year. The calendar-year basis is used to ensure certainty in the determination of allowable appropriation levels for the coming fiscal year. It also avoids problems caused by supplemental appropriations late in a fiscal year.

SJR 34 cont'd

New AS 37.05.156(c), in sec. 1 of the bill, addresses the question of how reappropriations should be treated for purposes of the appropriation limit. The intent of that provision is to distinguish between "old" and "new" money. This distinction is needed because it is sometimes difficult to determine whether a reappropriation consists entirely of money appropriated in a prior year, or exceeds the amount of money actually available from those prior appropriations, thereby entailing an appropriation of new money. Any reappropriation not clearly identifiable is also considered a new appropriation.

The maximum balance of the budget reserve fund in any fiscal year equals the amount of general fund appropriations enacted during the preceding calendar year. Money in excess of the 115 percent limit is used to bring the fund balance up to the fund's capacity. A portion of the money in excess of the budget reserve fund capacity must then be deposited in the permanent fund as savings. The bill specifies that that portion is 75 percent. The remaining excess (25 percent) must be deposited in the general fund, and is available for appropriation (effectively increasing the 115 percent limit). Any of that excess money subsequently appropriated from the general fund becomes part of the calculation of the base for the next fiscal year.

The bill specifies that if general fund revenue in a fiscal year falls to a level below 95 percent of appropriations made during the preceding calendar year, an amount may be transferred from the budget reserve fund into the general fund. That transferrable amount is limited to the lesser of (1) the amount needed to bring appropriations up to the 95 percent level, or (2) the maximum amount of the fund that may be spent in a fiscal year, which is 25 percent of the budget reserve fund balance.

As specified in the joint resolution, the budget reserve fund retains its income earnings to help ensure an adequate level of capitalization to meet appropriation demand in years of revenue decline.

The constitutional amendments permit expenditures from the fund beyond the 115 percent appropriation limit and the 25 percent fund expenditure limit to meet declared states of emergency. The bill cites existing statutory language to provide further clarification of "emergencies."

The constitutional amendments proposed in the joint resolution and the implementing statutory provisions together can provide elected officials with the tools of sound fiscal management, and promise to the citizens of the state a means of avoiding the social and economic shocks that may result from extreme volatility in our revenue stream.

SJR 34 cont'd

Article XV, sec. 27, of the Alaska Constitution now requires the lieutenant governor to place on the ballot in 1986 the proposition for the existing appropriation limitation, which was approved by the voters in 1982. Since that vote will occur at the same election as the vote on the attached proposal, there is the possibility that both constitutional provisions would be approved -- resulting in a direct conflict between them. To avoid confusion and to preclude legal questions arising as to this later amendment, while still having the lieutenant governor comply with art. XV, sec. 27, the attached bill (see sec. 2) requires the lieutenant governor to include an appropriate explanation on the ballot. It is expected that this explanation will be brief, with some amplification in the voter pamphlet.

Sincerely,

/s/ Bill Sheffield

Bill Sheffield
Governor

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 244

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 244 by Senator Coghill, entitled:

"An Act relating to the use of funds from the undistributed income account in the Alaska permanent fund for certain municipal aid programs, establishing a two-year funding cycle; and providing for an effective date."

was read the first time and referred to the Community and Regional Affairs Committee and the Finance Committee.

SB 361

SENATE BILL NO. 361 by the Judiciary Committee, entitled:

"An Act relating to powers of magistrates in the extradition of fugitives."

was read the first time and referred to the Judiciary Committee.

SB 362

SENATE BILL NO. 362 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the constitutional appropriation limitation and budget reserve fund; and providing for an effective date."

was read the first time and referred to the Judiciary Committee and the Finance Committee.

Governor's transmittal letter pertaining to SENATE BILL NO. 362 and SENATE JOINT RESOLUTION NO. 34 appears on page 1625 of the journal.

The President stated the Senate would revert to Reports of Standing Committees.

STANDING COMMITTEE REPORTS

SB 244

The Community and Regional Affairs Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 244 (use of funds from the undistributed income account in the Alaska permanent fund for certain municipal aid programs, establishing a two-year funding cycle; efd). Senator DeVries, Chairman and Senator Coghill signed "do pass". Senator Sturgulewski signed "no recommendation". Senator Vic Fischer signed "no recommendation (sounds good, but is it?)".

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 244 was referred to the Finance Committee.

CONSIDERATION OF THE CALENDAR

CITATIONS

Honoring - Roxy Pomeroy (As amended by the House)
by Senators Vic Fischer, Sturgulewski and Halford
Representatives Pearce and Gruenberg

Honoring - Linda Hull
by Senators Bennett and Fahrenkamp

Honoring - Dr. Peter Powers
by Senators Rodey and Sturgulewski

Senator Halford moved and asked unanimous consent that the citation calendar be adopted. Without objection, the citations were adopted and referred to the Secretary for transmittal.

Senator Halford moved and asked unanimous consent that the rules be suspended and the notice and publication requirements be waived and that the following citation be made a special order of business. Without objection, it was so ordered.

SPECIAL ORDER OF BUSINESS

Senator Kerttula moved and asked unanimous consent that the Jack Werner citation be co-sponsored by All Other Members of the Senate. Without objection, it was so ordered.

Senator Halford moved and asked unanimous consent that the following citation be adopted.

Honoring - Jack Werner
by Senators Kerttula, Bennett, Paul Fischer,
Ziegler, Sturgulewski, DeVries, Ray,
Halford, Rodey, Vic Fischer, Josephson
and All Other Members of the Senate
Representatives Cato, Szymanski,
Navarre and Hurley

Without objection, the citation was adopted and referred to the Secretary for transmittal.

UNFINISHED BUSINESS

SB 339

Senator Fahrenkamp moved and asked unanimous consent that she be added as a co-sponsor to SENATE BILL NO. 339 (mercury classics). Without objection, it was so ordered.

ANNOUNCEMENTS

Senator Faiks, Co-Chairman, moved and asked unanimous consent that the five-day notice and publication rule be waived for the Finance Committee meeting on January 28 to consider SENATE BILL NO. 8 (personal safety curriculum in public schools). Without objection, it was so ordered.

Announcements appear at the end of the journal.

SPECIAL ORDERS

Senator Sackett moved and asked unanimous consent that he be excused from a call of the Senate on January 27. Without objection, Senator Sackett was excused.

Senator Kerttula moved and asked unanimous consent that he be excused from a call of the Senate January 27-28. Without objection, Senator Kerttula was excused.

ADJOURNMENT

Senator Halford moved and asked unanimous consent that the Senate adjourn until 11:00 a.m., January 27, 1986. Without objection, the Senate adjourned at 11:29 a.m.

Peggy Mulligan
Secretary of the Senate

January 1986

ANNOUNCEMENTS

Committee meetings in the Capital

* Change in time or place*

COMMUNITY & REGIONAL AFFAIRS - BELTZ ROOM 211 - 3:30 PM

Jan 28 TUESDAY
BRIEFING AUDIT & GRANT REGS BY DEPT ED, OMB & ADMIN

FINANCE - FINANCE ROOM 518 - 8:30 AM

Jan 28 TUESDAY
SB 8 PERSONAL SAFETY CURRICULUM IN PUBLIC SCHOOLS
SB 201 PUBLIC ACCESS FUND
SB 204 ARCHIT, ENGINEERING, SURVEYING CONTRACT RQMTS
SB 227 LICENSING SOCIAL WORKERS
SB 275 MOTOR VEHICLE RECORDS

Jan 30 THURSDAY
DISCUSSION ON LEGISLATION RELATING TO THE
PERMANENT FUND WITH GOV. HAMMOND

HEALTH, EDUCATION & SOCIAL SERVICES - BELTZ RM 211 - 1:30 PM

Jan 28 TUESDAY
OVERVIEW STATE'S STUDENT LOAN PROGRAM
SCR 29 FEBRUARY COMMUNITY COLLEGE MONTH

Jan 30 THURSDAY
PRESENTATION BY GOVERNOR'S COUNCIL FOR THE
HANDICAPPED AND GIFTED
BRIEFING BY THE DEPT OF HEALTH & SOCIAL - AIDS

JUDICIARY - BUTROVICH ROOM 205 - 1:30 PM

Jan 28 TUESDAY
SB 69 REGULATING SALE OF ALCOHOLIC BEVERAGES
SB 194 CERTIFICATION OF WATER SYSTEM OPERATORS
SB 95 SAFETY OF DAMS AND RESERVOIRS

Feb 1 SATURDAY *10:00 AM ANCHORAGE LIO OFFICE
SJR 9 ELECTION OF THE ATTORNEY GENERAL

RESOURCES - BUTROVICH ROOM 205 - 1:30 PM

Jan 24 FRIDAY NO MEETING

Jan 27 MONDAY
BRIEFING COOK INLET ROYALTY GAS - POSTPONED TO 2/10
SB 150 WATER RIGHTS UNDER THE AK WATER USE ACT
SB 164 FISH PROCESSOR BUYER SURETY BOND
**2:30 ADJOURN TO SENATE FINANCE RM JOINTLY WITH
HOUSE RESOURCES OVERVIEW ON FORESTRY

Jan 29 WEDNESDAY
RAILBELT OVERVIEW BY APA
SB 338 REAPPROPRIATING SUSITNA BRADLEY POWER MONEY
SB 123 POWER DEVELOPMENT FUND & APA REPORT

Jan 31 FRIDAY
SB 349 REORGANIZATION OF DELTA PROJECT DEBT
2:00 ARCTIC RESEARCH COMMISSION OVERVIEW

RULES - BELTZ ROOM 211 - 12:30 PM

Jan 24 FRIDAY *1:00 PM
CALENDAR BILLS

STATE AFFAIRS - BUTROVICH ROOM 205 - 9:00 AM

Jan 28 TUESDAY *TELECONFERENCE
SCR 12 STATE TREASURER ESTABLISHED
SB 148 ESTABLISHING OFFICE STATE TREASURER

Jan 29 WEDNESDAY *TELECONFERENCE
WORK SESSION - CAMPAIGN FINANCING

Jan 30 THURSDAY
CONFIRMATION HEARINGS
COMMISSIONER WUNNICKE AND COMMISSIONER ANDREWS

Jan 31 FRIDAY
SJR 31 SUMMIT MEETING IN ALASKA
WORK SESSION - CAMPAIGN FINANCING

TRANSPORTATION - BUTROVICH ROOM 205 - 3:30 PM

Jan 24 FRIDAY NO MEETING

Jan 27 MONDAY
PRESENTATION FEDERAL MONEY DOT

Jan 29 WEDNESDAY
SJR 30 KOREAN AIRLINES PASSENGER SERVICE
HB 111 LOCAL SERVICE ROADS AND TRAILS

Jan 31 FRIDAY NO MEETING

JOINT SPECIAL COMMITTEE ON LOCAL OPTION LAWS

Jan 30 WORK SESSION 2:30 HOUSE FINANCE RM

FINANCE SUBCOMMITTEE

*Joint with House subcommittee unless otherwise noted

DEPARTMENT OF ADMINISTRATION - HOUSE FINANCE RM - 1:00 PM

Feb 6 THURSDAY
COMMISSIONER'S OFF; ADMIN SV; TELECOMMUNICATIONS;
INFOR RES MNGMT; PUBLIC BROADCASTING COMM

Feb 11 TUESDAY
RISK MANAGEMENT

Feb 13 THURSDAY
ADMIN MNGMT; FINANCE; GEN SV & SUPPLY;
CIP DIRECT; PUBLIC DEFENDER; PUBLIC ADVOCATE;
PUBLIC OFFICES COMM

Feb 25 TUESDAY
HUMAN RES - PERSONNEL; RETIREMENT & BENEFITS;
LABOR RELATIONS AGENCY; PIONEER BENEFITS

Mar 6 THURSDAY
OLDER ALASKANS COMMISSION; LABOR RELATIONS DIV

Mar 11 TUESDAY
WORK SESSION (IF NEEDED)

DEPARTMENT OF CORRECTIONS - SENATE FINANCE RM - 3:30 PM

Jan 28 TUESDAY *SENATE ONLY
FACILITIES AND CAPITAL IMPROVEMENTS;
ADMIN AND SUPPORT

Jan 30 THURSDAY *SENATE ONLY
STATEWIDE PROGRAMS

Feb 4 TUESDAY *SENATE ONLY
NORTHERN, SOUTH CENTRAL AND SE REGIONS

DEPARTMENT OF FISH AND GAME - HOUSE FINANCE RM - 1:00 PM

Feb 4 TUESDAY
ADMINISTRATION AND SUPPORT; SUBSISTENCE DIV

Feb 18 TUESDAY
COMMERCIAL FISHERIES; VESSELS; SPORT FISH

Feb 20 THURSDAY
FRED

Feb 27 THURSDAY
GAME; HABITAT

Mar 4 THURSDAY
BOARDS OF FISH AND GAME;
COMMERCIAL FISHERIES ENTRY COMM