

HOUSE CONCURRENT RESOLUTION NO. 23
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

**BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL
PLANNING COMMISSION**

Introduced: 1/22/96

Referred: State Affairs, Judiciary, Finance

A RESOLUTION

1 Relating to long range financial planning.

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

3 WHEREAS the state has spent more than it has collected in revenue during six of the
4 past nine fiscal years; and

5 WHEREAS the state's fiscal year 1996 fiscal gap between revenue and expenditures
6 is estimated to be \$429,000,000; and

7 WHEREAS petroleum revenue currently accounts for about 80 percent of unrestricted
8 general funds and Alaska's petroleum production is projected to decline by one-third during
9 the next 10 years; and

10 WHEREAS the fiscal gap is projected to grow steadily to \$1,650,000,000 by fiscal
11 year 2005 if the state does nothing in terms of reducing expenditures or raising revenue; and

12 WHEREAS, without changes in projected revenue and expenditures, current reserves
13 in the constitutional budget reserve fund will be depleted by fiscal year 2000; and

14 WHEREAS, in fiscal policy forums held during the past five years, the identified
15 fiscal tools needed to address the fiscal gap include spending reductions, use of liquid
16 reserves, tax and fee increases, and use of permanent fund income; and

17 WHEREAS, in fiscal policy forums held to date, the conclusion has been that neither

1 budget cuts alone nor any single fiscal tool is sufficient to address the fiscal gap, and that all
2 tools must be used in combination to bring about state economic stability; and

3 **WHEREAS** the members of the Long Range Financial Planning Commission (LRFPC)
4 were jointly appointed by the governor and legislature to build upon the work of previous
5 fiscal policy studies and the findings of public forums, and were charged with developing 3-,
6 5-, and 10-year financial plans for balancing revenue and expenditures; and

7 **WHEREAS** the financial plan developed by the LRFPC makes the permanent fund
8 the cornerstone of the state's fiscal future through a constitutional amendment establishing the
9 permanent fund as an endowment that will continue to grow with additional deposits and
10 retained earnings as well as provide a reliable annual payout to the general fund in order to
11 replace declining future oil revenue; and

12 **WHEREAS** the financial plan recommended by the LRFPC contains a combination
13 of spending reductions including reductions in permanent fund dividends, use of permanent
14 fund earnings, and revenue increases that will close the fiscal gap by fiscal year 2000 and
15 balance revenue with expenditures through fiscal year 2005; and

16 **WHEREAS** the LRFPC's plan proposes a constitutional amendment that resolves
17 problems with the existing constitutional budget reserve fund and maintains a \$1,500,000,000
18 continuing balance to cushion oil price volatility; and

19 **WHEREAS** the combination of fiscal policies recommended by the LRFPC puts the
20 state on firm fiscal ground and strikes a balance between current needs and providing a legacy
21 of petroleum wealth to the next generation; and

22 **WHEREAS** the LRFPC recommended fiscal year 1997 actions to narrow the fiscal
23 gap to \$387,000,000 that includes general fund spending reductions and increased taxes and
24 user fees;

25 **BE IT RESOLVED** that the Nineteenth Alaska State Legislature intends to use the
26 recommendations of the Long Range Financial Planning Commission as a starting point in
27 developing the Legislature's fiscal year 1997 budget and long range financial plan; and be it

28 **FURTHER RESOLVED** that the Nineteenth Alaska State Legislature adopts the
29 recommendation of the LRFPC to narrow the fiscal gap in fiscal year 1997 to \$387,000,000,
30 except that the Legislature reserves the right to change the mix of spending reductions and
31 revenue increases; and be it

1 **FURTHER RESOLVED** that the Nineteenth Alaska State Legislature adopts the
2 recommendation of the LRFPC to close the fiscal gap by fiscal year 2000; and be it

3 **FURTHER RESOLVED** that the Nineteenth Alaska State Legislature adopts the
4 recommendation of the LRFPC to annually balance state revenue with expenditures from fiscal
5 year 2000 through fiscal year 2005, and urges subsequent Alaska State Legislatures to follow
6 this recommendation; and be it

7 **FURTHER RESOLVED** that the Nineteenth Alaska State Legislature adopts the
8 recommendation of the LRFPC that the Legislature and the Governor should report annually
9 to the people of the state on actions taken to close the fiscal gap and the effects of those
10 actions on the LRFPC's base case projections; and be it

11 **FURTHER RESOLVED** that the Nineteenth Alaska State Legislature urges all
12 Alaskans to learn about Alaska's fiscal situation and to support the actions necessary to close
13 the fiscal gap; and be it

14 **FURTHER RESOLVED** that the Twentieth Alaska State Legislature is urged to create
15 and appoint a successor Long Range Financial Planning Commission in 1998 to assess
16 progress in closing the fiscal gap and to recommend further actions to close the fiscal gap and
17 maintain a balanced state budget.

18 **COPIES** of this resolution shall be sent to the Honorable Tony Knowles, Governor
19 of Alaska; the Honorable Drue Pearce, President of the Senate; the Honorable Gail Phillips,
20 Speaker of the House of Representatives; and to the members of the Long Range Financial
21 Planning Commission.