

HOUSE BILL NO. 75

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/16/97

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations for the operating and loan program expenses
2 of state government, for certain programs, and to capitalize funds; and
3 providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** LONG RANGE BUDGET PLAN. (a) The fiscal year 1998 state operating
6 budget is presented in the context of the following findings about Alaska's long-range
7 financial situation:

8 (1) the members of the Long Range Financial Planning Commission (LRFPC),
9 who were jointly appointed by the governor and the legislature in 1995, conducted hearings
10 across the state, raising the awareness of and educating Alaskans about the fiscal gap;

11 (2) the state has spent more than it has collected in annually recurring revenue
12 during seven of the past 10 fiscal years;

13 (3) petroleum revenue currently accounts for almost 80 percent of unrestricted
14 general fund dollars and Alaska's petroleum production is projected to decline by one-third

1 during the next 10 years;

2 (4) the state's fiscal gap between revenue and expenditures can vary widely
3 from original estimates to final amounts due to the volatility of oil revenue;

4 (5) the fiscal gap is projected to grow significantly if the state does not
5 effectively address annual recurring revenue and expenditures in the context of a long-range
6 plan;

7 (6) without changes in projected revenue and expenditures, current reserves in
8 the constitutional budget reserve fund may be depleted within the next several years;

9 (7) the LRFPC and other fiscal policy forums around the state have identified
10 various fiscal tools that can be employed in a long-range plan, including expenditure
11 reductions, revenue increases, use of reserves, and use of permanent fund earnings;

12 (8) in these fiscal policy forums, the conclusion has been that no single tool
13 is sufficient to address the fiscal gap and that several tools must be used in combination in
14 any viable plan to bring about state economic stability;

15 (9) the Alaska permanent fund is a cornerstone of the state's economic future
16 and should continue to grow as well as to provide reliable dividends to the general public.

17 (b) The legislature and governor intend to implement a 10-year plan to address the
18 state's budget gap that will

19 (1) put the state on firm fiscal ground for at least the next 10 years and strike
20 a balance between current public service needs and protection of the permanent fund for future
21 generations;

22 (2) close the fiscal gap between annually recurring revenue and expenditures
23 by the end of fiscal year 2001;

24 (3) use a combination of fiscal tools such as budget cuts, new development
25 revenue, income tax, other taxes, and use of reserves and permanent fund earnings;

26 (4) disclose and review all funding sources, not just the general fund;

27 (5) fully inflation-proof the principal of the permanent fund;

28 (6) maintain permanent fund dividends;

29 (7) consider future use of permanent fund earnings only upon a vote of the
30 people;

31 (8) cut the general fund budget not less than \$100,000,000 from the fiscal year

1 1996 amount, acknowledging the additional impact of absorbing inflation;

2 (9) use the Alaska Department of Labor's population and inflation estimates
3 and Department of Education's school enrollment projections;

4 (10) fully fund the equivalent of the current K-12 foundation formula,
5 including increases for enrollment;

6 (11) recommend streamlining measures and legislation each year as part of the
7 budget process;

8 (12) endorse a six-year capital plan that addresses schools, transportation, water
9 and sewer, prisons and other basic needs with a stable level of funding from year to year;

10 (13) plan for adequate maintenance of facilities and other infrastructure;

11 (14) use Department of Revenue mid-case projections for existing revenue
12 sources such as oil and gas revenue and corporate taxes;

13 (15) include new development revenue beginning in fiscal year 1997;

14 (16) diversify state revenue to reduce dependence on volatile oil and gas
15 revenue through measures such as increased user fees, income tax, and increased excise and
16 fuel taxes;

17 (17) maintain a balance of at least \$1,500,000,000 in the constitutional budget
18 reserve fund until the budget gap is eliminated and then conduct a policy review of the state's
19 reserve level to ensure that an appropriate amount of liquid reserves is available to deal with
20 revenue volatility and emergencies;

21 (18) include projections for new oil and gas settlements of \$1.1 billion to be
22 deposited in the constitutional budget reserve fund in fiscal years 1997 through 2000;

23 (19) manage the constitutional budget fund reserve fund with a goal of
24 achieving at least a 6.96 percent return in fiscal year 1998;

25 (20) fix the constitutional budget reserve fund's sweep and payback provisions
26 through constitutional amendment; and

27 (21) develop a cash management and reserves policy to be implemented by
28 statute in 1998.

29 (c) The legislature and governor intend to work together and with other parties and
30 the general public to implement this long-range financial plan and meet the needs of Alaskans.

31 (d) The legislature and governor urge all Alaskans to become knowledgeable about

1 Alaska's fiscal situation and to support actions necessary to close the fiscal gap.

2 (e) All members of the Long Range Financial Planning Commission are thanked for
 3 their hard work and efforts to address the state's fiscal future and assist the legislature and
 4 governor in addressing the economic challenges we face as a state.

5 * **Sec. 2. ALASKA CLEAN WATER FUND.** The sum of \$8,815,400 is appropriated to
 6 the Alaska clean water fund (AS 46.03.032) for the Alaska clean water loan program from the
 7 following sources:

8	General fund	\$1,469,200
9	Federal receipts	7,346,200

10 * **Sec. 3. ALASKA HOUSING FINANCE CORPORATION.** (a) The sum of \$50,000,000
 11 from the available unrestricted cash in the general account of the Alaska housing finance
 12 revolving fund (AS 18.56.082) is anticipated to be transferred to the general fund during the
 13 fiscal year 1998 by the direction of the Alaska Housing Finance Corporation board.

14 (b) All unrestricted mortgage loan interest payments, mortgage loan commitment fees,
 15 and all other unrestricted receipts, received by or accrued to the Alaska Housing Finance
 16 Corporation during fiscal year 1998, and all income earned on assets of the corporation during
 17 that period, are appropriated to the Alaska Housing Finance Corporation to hold as corporate
 18 receipts for the purposes described in AS 18.56. The corporation shall allocate its corporate
 19 receipts among the Alaska housing finance revolving fund (AS 18.56.082), housing assistance
 20 loan fund (AS 18.56.420), and senior housing revolving fund (AS 18.56.710) in accordance
 21 with procedures adopted by the board of directors.

22 (c) The following amounts are appropriated to the Alaska Housing Finance
 23 Corporation (AHFC) from the sources indicated and for the following purposes:

24	PURPOSE	AMOUNT	SOURCE
25	Housing loan programs	\$350,000,000	Corporate receipts
26	not subsidized by AHFC		
27	Housing loan programs	50,000,000	Corporatereceipts
28	and projects subsidized		derived from arbitrage
29	by AHFC		earnings

30 * **Sec. 4. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY.** The
 31 sum of \$16,000,000 from the available unrestricted cash in the Alaska Industrial Development

1 and Export Authority revolving fund (AS 44.88.060) is anticipated to be transferred to the
2 general fund as directed by the Alaska Industrial Development and Export Authority Board.
3 The transferred money shall be deposited in the general fund when received during fiscal year
4 1998.

5 * **Sec. 5.** ALASKA PERMANENT FUND CORPORATION. (a) The amount authorized
6 for transfer by the Alaska Permanent Fund Corporation under AS 37.13.145(b) is appropriated
7 from the earnings reserve account (AS 37.13.145) to the dividend fund (AS 43.23.045(a)) for
8 the payment of permanent fund dividends and administrative and associated costs.

9 (b) After money is transferred to the dividend fund under (a) of this section, the amount
10 calculated under AS 37.13.145 to offset the effect of inflation on the principal of the Alaska
11 permanent fund is appropriated from the earnings reserve account (AS 37.13.145) to the
12 principal of the Alaska permanent fund.

13 (c) The amount required to be deposited under AS 37.13.010(a)(1) and (2) during fiscal
14 year 1998 is appropriated to the principal of the Alaska permanent fund in satisfaction of that
15 requirement.

16 (d) The interest earned during fiscal year 1998 on revenue from the sources set out in
17 AS 37.13.010 while the revenue is held in trust, escrow, or otherwise before receipt by the
18 state is appropriated to the principal of the Alaska permanent fund.

19 * **Sec. 6.** ALASKA PUBLIC UTILITIES COMMISSION. The unexpended and
20 unobligated balance on June 30, 1997 of the Alaska Public Utilities Commission program
21 receipts account for regulatory cost charges under AS 42.05.254 and AS 42.06.286 for fiscal
22 year 1997 is appropriated to the Alaska Public Utilities Commission for fiscal year 1998
23 expenditures.

24 * **Sec. 7.** ALASKA SEAFOOD MARKETING INSTITUTE. An amount equal to the
25 unexpended and unobligated balance on June 30, 1997 of the fiscal year 1997 general fund
26 receipts from the salmon marketing tax (AS 43.76.110), from the fiscal year 1997 receipts of
27 the seafood marketing assessment (AS 16.51.120), and from the fisheries resource landing tax
28 (AS 43.77.050), is appropriated from the general fund to the Alaska Seafood Marketing
29 Institute for marketing Alaska seafood products during fiscal year 1998.

30 * **Sec. 8.** BUDGET PROPOSALS REQUIRING LEGISLATION. If bills to implement
31 income limits for longevity bonus eligibility and to reduce geographic pay differentials for

1 certain state employees are passed by the First Regular Session of the Twentieth Alaska State
 2 Legislature and are enacted into law, the corresponding operating budget appropriations for
 3 the fiscal year ending June 30, 1998, in other sections of this Act are reduced by the amounts
 4 listed below.

5	APPROPRIATION	GENERAL
6	ITEMS	
7	FUND	
8	Longevity Bonus Grants	(\$6,000,000)
9	Old Age Assistance - ALB	
10	hold harmless	(2,000,000)
11	Geographic Pay Differential	(100,000)

12 * **Sec. 9. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) Amounts equal to the
 13 deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for
 14 fiscal year 1997 that were made by operation of art. IX, sec. 17(d) to repay appropriations
 15 from the budget reserve fund are appropriated from the budget reserve fund to the funds and
 16 accounts from which they were transferred.

17 (b) If the unrestricted state revenue available for appropriation in fiscal year 1998 is
 18 insufficient to cover the general fund appropriations made for fiscal year 1998, the amount
 19 necessary to balance revenue and general fund appropriations is appropriated to the general
 20 fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

21 (c) The appropriations in (a) and (b) of this section are made under art. IX, sec. 17(c),
 22 Constitution of the State of Alaska.

23 * **Sec. 10. DISASTER RELIEF AND FIRE SUPPRESSION.** (a) Federal receipts received
 24 for disaster relief are appropriated to the disaster relief fund (AS 26.23.300).

25 (b) It is the intent of the legislature that funding necessary to meet the disaster relief
 26 responsibilities of the Department of Military and Veterans' Affairs and the fire suppression
 27 responsibilities of the Department of Natural Resources will continue to be made available
 28 through the disaster declaration process. If fiscal year 1998 disaster relief and fire suppression
 29 costs are not adequately funded by this Act, the Department of Military and Veterans' Affairs
 30 or the Department of Natural Resources, respectively, shall submit a supplemental
 31 appropriation request during the 1998 legislative session.

1 * **Sec. 11.** **EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL.** The operating
2 appropriations to implement Trustee Council restoration projects for the federal fiscal years
3 1997 and 1998, which were set out in revised program 1870055, lapse into the funds from
4 which they were appropriated on June 30, 1998.

5 * **Sec. 12.** **FEDERAL AND OTHER PROGRAM RECEIPTS.** (a) Federal or other
6 program receipts as defined in AS 37.05.146 that exceed the amounts appropriated by this Act
7 are appropriated conditioned upon compliance with the program review provisions of
8 AS 37.07.080(h).

9 (b) If federal or other program receipts as defined in AS 37.05.146 exceed the estimates
10 appropriated by this Act, the appropriations from state funds for the affected program may be
11 reduced by the excess if the reductions are consistent with applicable federal statutes.

12 (c) Except as provided in (d) of this section, if federal or other program receipts as
13 defined in AS 37.05.146 fall short of the estimates appropriated by this Act, the affected
14 appropriation is from the general fund.

15 (d) If the federal receipts under 42 U.S.C. 1397-1397f (Title XX of the Social Security
16 Act) fall short of the estimate, the amount of the shortfall, not to exceed \$5,410,800 is
17 appropriated from the general fund.

18 * **Sec. 13.** **FISH AND GAME ENFORCEMENT.** (a) To increase enforcement of the fish
19 and game laws of the state, the amount deposited in the general fund during the fiscal year
20 ending June 30, 1998, from criminal fines, penalties, and forfeitures imposed for violation of
21 AS 16 and its implementing regulations and from the sale of forfeited property or alternative
22 damages collected under AS 16.05.195 is appropriated to the fish and game fund
23 (AS 16.05.100).

24 (b) Appropriations totaling the estimated amount of the deposits described in (a) of this
25 section are made in sec. 32 of this Act to the Departments of Public Safety and Law for
26 increased enforcement, investigation, and prosecution of state fish and game laws. If the
27 receipts appropriated to the fish and game fund (AS 16.05.100) from the sources described in
28 (a) of this section during fiscal year 1998 fall short of the estimates appropriated by this Act,
29 each department's appropriation set out in sec. 32 of this Act is reduced proportionately.

30 * **Sec. 14.** **FOUR DAM POOL TRANSFER FUND.** The amount available in the four dam
31 pool transfer fund (AS 42.45.050) during fiscal year 1998 is appropriated to the following

1 funds in the following percentages for the purposes set out in AS 42.45.050:

2	Power cost equalization and rural electric	40 percent
3	capitalization fund (AS 42.45.100)	
4	Southeast energy fund (AS 42.45.040)	40 percent
5	Power project fund (AS 42.45.010)	20 percent

6 * **Sec. 15. INFORMATION SERVICES FUND.** The sum of \$55,000 is appropriated to
7 the information services fund (AS 44.21.045) for the Department of Administration, division
8 of information services programs, from designated program receipts.

9 * **Sec. 16. INSURANCE AND BOND CLAIMS.** (a) The amount necessary to fund the
10 uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is
11 appropriated from that account to the Department of Administration.

12 (b) Amounts received in settlement of insurance claims for losses and recovery for losses
13 are appropriated from the general fund to the state insurance catastrophe reserve account
14 established by AS 37.05.289.

15 (c) Amounts received in settlement of claims against bonds guaranteeing the reclamation
16 of state land are appropriated from the general fund to the agency secured by the bond for the
17 purpose covered by the bond.

18 (d) The appropriations made by (b) and (c) of this section are contingent upon compliance
19 with the program review provisions of AS 37.07.080(h).

20 * **Sec. 17. MARINE HIGHWAY SYSTEM FUND.** The sum of \$28,624,100 is
21 appropriated from the general fund to the Alaska marine highway system fund (AS 19.65.060).

22 * **Sec. 18. MOTOR FUEL TAX.** The following estimated amounts from the unreserved
23 special accounts in the general fund are included within the general fund amounts appropriated
24 by this Act:

25	Highway fuel tax account (AS 43.40.010(g))	\$21,300,000
26	Aviation fuel tax account (AS 43.40.010(e))	8,200,000

27 * **Sec. 19. OCCUPATIONAL LICENSING.** The unexpended and unobligated balance on
28 June 30, 1997, of the Department of Commerce and Economic Development, division of
29 occupational licensing, general fund program receipts from occupational licensing fees under
30 AS 08.01.065 is appropriated to the division of occupational licensing for operating costs for
31 the fiscal year ending June 30, 1998.

1 * **Sec. 20.** OIL AND HAZARDOUS SUBSTANCE RELEASE PREVENTION
2 ACCOUNT. (a) The following amounts are appropriated to the oil and hazardous substance
3 release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release
4 prevention and response fund (AS 46.08.010) from the sources indicated:

5 (1) the balance of the oil and hazardous substance release prevention mitigation
6 account (AS 46.08.020(b)) in the general fund on July 1, 1997, not otherwise appropriated by
7 this Act;

8 (2) the amount collected for the fiscal year ending June 30, 1997, estimated to be
9 \$13,300,000, from the surcharge levied under AS 43.55.300.

10 * **Sec. 21.** OIL AND HAZARDOUS SUBSTANCE RELEASE RESPONSE ACCOUNT.
11 The following amounts are appropriated to the oil and hazardous substance release response
12 account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and
13 response fund (AS 46.08.010) from the following sources:

14 (1) the balance of the oil and hazardous substance release response mitigation
15 account (AS 46.08.025(b)) in the general fund on July 1, 1997, not otherwise appropriated by
16 this Act;

17 (2) the amount collected for the fiscal year ending June 30, 1997, from the
18 surcharge levied under AS 43.55.201.

19 * **Sec. 22.** RETAINED FEES. The amount retained to compensate the collector or trustee
20 of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending
21 June 30, 1998, is appropriated for that purpose to the agency authorized by law to generate
22 the revenue.

23 * **Sec. 23.** SAFETY ADVISORY COUNCIL. The amount appropriated for the 1997
24 annual governor's safety conference (sec. 21, ch. 117, SLA 1996), plus the fiscal year 1997
25 program receipts of the Alaska Safety Advisory Council (AS 18.60.830), less the amount
26 expended or obligated for the 1997 annual governor's safety conference, is appropriated from
27 the designated program receipts to the Alaska Safety Advisory Council for costs of the 1998
28 annual governor's safety conference.

29 * **Sec. 24.** SALMON ENHANCEMENT TAX. The salmon enhancement tax collected
30 under AS 43.76.010 - 43.76.030 in calendar year 1996 and deposited in the general fund under
31 AS 43.76.025(c) is appropriated from the general fund to the Department of Commerce and

1 Economic Development for payment in fiscal year 1998 to qualified regional associations
2 operating within a region designated under AS 16.10.375.

3 * **Sec. 25. SHARED TAXES AND FEES.** The amount necessary to refund to local
4 governments their share of taxes and fees collected in the listed fiscal years under the
5 following programs is appropriated to the Department of Revenue from the general fund for
6 payment in fiscal year 1998:

7 REVENUE SOURCE	FISCAL YEAR COLLECTED
8 fisheries taxes (AS 43.75)	1997
9 fishery resource landing tax (AS 43.77)	1997
10 amusement and gaming taxes (AS 43.35)	1998
11 aviation fuel tax (AS 43.40.010)	1998
12 electric and telephone cooperative tax (AS 10.25.570)	1998
13 liquor license fee (AS 04.11)	1998

14 * **Sec. 26. STATE DEBT AND OTHER OBLIGATIONS.** (a) The amount required to pay
15 interest on revenue anticipation notes issued by the commissioner of revenue under AS 43.08
16 is appropriated from the general fund to the Department of Revenue for payment of the
17 interest on those notes.

18 (b) The amount required to be paid by the state for principal and interest on all issued and
19 outstanding state-guaranteed bonds is appropriated from the general fund to the state bond
20 committee for payment of principal and interest on those bonds.

21 (c) The sum of \$80,970,700 is appropriated from the general fund to the Alaska debt
22 retirement fund (AS 37.15.011).

23 (d) The sum of \$10,342,390 is appropriated from the Alaska debt retirement fund
24 (AS 37.15.011) to the state bond committee for lease payments to the City of Seward, City
25 of Kenai, Department of Natural Resources, and the Alaska Court System.

26 (e) The sum of \$14,251,658 is appropriated from the Alaska debt retirement fund
27 (AS 37.15.011) to the state bond committee for payment of debt service and trustee fees on
28 state general obligation bonds.

29 (f) The sum of \$5,837,534 is appropriated from the International Airports Revenue Fund
30 (AS 37.15.430) to the state bond committee for payment of debt service and trustee fees on
31 outstanding international airports revenue bonds.

1 (g) The sum of \$62,288,400 is appropriated from the Alaska debt retirement fund
2 (AS 37.15.011) to the Department of Education for state aid for costs of school construction
3 under AS 14.11.100.

4 * **Sec. 27.** STATE TRAINING AND EMPLOYMENT PROGRAM. The lapsing balance
5 of the employment assistance and training program account (AS 23.15.625) on June 30, 1997,
6 is appropriated to the unemployment compensation fund (AS 23.20.130).

7 * **Sec. 28.** STATUTORY BUDGET RESERVE FUND. If the unrestricted state revenue
8 available for appropriation in fiscal year 1998 is insufficient to cover the general fund
9 appropriations made for fiscal year 1998, the amount necessary to balance revenue and general
10 fund appropriations is appropriated to the general fund from the budget reserve fund
11 (AS 37.05.540).

12 * **Sec. 29.** STORAGE TANK ASSISTANCE FUND. (a) The fiscal year 1998 general
13 fund receipts of the tank registration fee program under AS 46.03.385 are appropriated to the
14 storage tank assistance fund (AS 46.03.410).

15 (b) The sum of \$2,910,600 is appropriated from the oil and hazardous substance release
16 prevention account (AS 46.08.010(a)(1)) to the storage tank assistance fund (AS 46.03.410)
17 for the fiscal year ending June 30, 1998.

18 * **Sec. 30.** STUDENT LOAN PROGRAM. The amount from student loan borrowers of
19 the Alaska Commission on Postsecondary Education that is assessed for loan origination fees
20 for the fiscal year ending June 30, 1998, is appropriated to the origination fee account
21 (AS 14.43.120(u)) within the student loan fund of the Alaska Student Loan Corporation for
22 the purposes specified in AS 14.43.120(u).

23 * **Sec. 31.** NONLAPSE OF APPROPRIATIONS. The appropriations made by secs. 2, 3,
24 10, 13, 14, 15, 16(b), 17, 20, 21, 27, 29(a) and 30 of this Act are for the capitalization of
25 funds and do not lapse under AS 37.25.010.

26 (SECTION 32 OF THIS ACT BEGINS ON PAGE 14)