

SENATE JOINT RESOLUTION NO. 18

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY SENATORS GREEN, Leman, Halford

Introduced: 2/26/97

Referred: State Affairs, Judiciary, Finance

A RESOLUTION

1 **Proposing amendments to the Constitution of the State of Alaska to guarantee the**
2 **permanent fund dividend, to provide for inflation-proofing, and to require a vote**
3 **of the people before spending undistributed income from the earnings reserve of**
4 **the permanent fund; and relating to the permanent fund.**

5 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** This resolution shall be known as an amendment to protect the permanent
7 fund dividend, to provide for inflation-proofing, and to require a vote of the people before
8 spending the undistributed income from the earnings reserve of the permanent fund.

9 * **Sec. 2.** Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

10 **Section 15. Alaska Permanent Fund. (a)** At least twenty-five per cent of all
11 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing
12 payments and bonuses received by the State shall be placed in a permanent fund, the
13 principal of which shall be used only for those income-producing investments
14 specifically designated by law as eligible for permanent fund investments. [ALL
15 INCOME FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE
16 GENERAL FUND UNLESS OTHERWISE PROVIDED BY LAW.]

1 * **Sec. 3.** Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding
2 new subsections to read:

3 (b) Income from the permanent fund shall be deposited into a separate account
4 in the fund, the earnings reserve account, as soon as it is received. Money in the
5 account shall be invested in investments designated by law under (a) of this section,
6 and income from the investments shall also be deposited into the account.

7 (c) Net income of the permanent fund includes income of the earnings reserve
8 account. Net income of the fund shall be computed annually as of the last day of the
9 fiscal year in accordance with generally accepted accounting principles, excluding any
10 unrealized gains or losses. At the end of each fiscal year, an amount of income
11 available for distribution shall be calculated. The income available for distribution is
12 equal to twenty-one percent of the net income of the fund for the last five fiscal years,
13 including the fiscal year just ended, but may not exceed the net income of the fund for
14 the fiscal year just ended plus the balance in the earnings reserve account. At the end
15 of each fiscal year, fifty percent of the income available for distribution shall be
16 transferred from the earnings reserve account and distributed as dividends to State
17 residents as provided by law. Income distributed as dividends is not subject to
18 appropriation; however, the amount necessary to pay the costs of administering the
19 dividend program may be appropriated for that purpose from the income transferred
20 under this subsection.

21 (d) After the transfer under (c) of this section, income shall be transferred
22 from the earnings reserve account to the principal of the permanent fund in an amount
23 sufficient to offset the effect of inflation on the principal of the fund during the fiscal
24 year just ended. The amount transferred to the principal may not exceed the balance
25 in the account and shall be calculated by

26 (1) computing the average of the monthly United States Consumer
27 Price Index for all urban consumers for each of the two previous calendar years;

28 (2) computing the percentage change between the first and second
29 calendar year averages; and

30 (3) applying that rate to the value of the principal of the fund on the
31 last day of the fiscal year just ended.

1 (e) Appropriations may be made from the earnings reserve account to the
2 principal of the permanent fund and for costs of administering the permanent fund.
3 Appropriations from the account for other purposes become effective only if referred
4 to a vote at a general election and approved by the majority of those voting.

5 * **Sec. 4.** The amendments proposed by this resolution shall be placed before the voters of
6 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
7 State of Alaska, and the election laws of the state.