

**CS FOR HOUSE BILL NO. 1001(FIN) am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/23/99

Offered: 5/23/99

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to income of the Alaska permanent fund and authorizing an**  
2 **advisory vote on a long-term financial plan for the state; and providing for an**  
3 **effective date."**

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

5 \* **Section 1.** AS 37.13.140 is repealed and reenacted to read:

6 **Sec. 37.13.140. Income.** All income of the fund shall be deposited in the  
7 Alaska Income Account established under AS 37.13.145. The balance of the Alaska  
8 Income Account shall be determined according to generally accepted accounting  
9 principles. Income of the fund includes income of the Alaska Income Account.

10 \* **Sec. 2.** AS 37.13.145 is repealed and reenacted to read:

11 **Sec. 37.13.145. Disposition of income.** (a) The Alaska Income Account is  
12 established as a separate account in the fund. Subject to (c) of this section, following  
13 the end of each fiscal year, an amount shall be transferred from the account to the  
14 general fund that is equal to 5.88 percent of the average of the quarter-end market

1 value of the last 20 fiscal year quarters before the fiscal year just ended of

2 (1) the fund, including the Alaska Income Account; and

3 (2) the budget reserve fund (art. IX, sec. 17, Constitution of the State  
4 of Alaska).

5 (b) The commissioner of revenue shall transfer from the general fund to the  
6 dividend fund (AS 43.23.045) 50 percent of the total amount authorized for transfer  
7 to the general fund under (a) of this section.

8 (c) A transfer following the end of a fiscal year that is required under (a) of  
9 this section shall be made during the next fiscal year and may consist of separate  
10 installments transferred on different days; however, all installments must be transferred  
11 during the same fiscal year. A transfer following the end of a fiscal year that is  
12 required under (a) of this section may not exceed the entire balance that is in the  
13 Alaska Income Account during the fiscal year in which the installments are transferred.

14 \* **Sec. 3.** AS 37.13.300(c) is amended to read:

15 (c) Net income from the mental health trust fund may not be included in the  
16 [COMPUTATION OF NET] income **of the Alaska permanent fund** [AVAILABLE  
17 FOR DISTRIBUTION] under AS 37.13.140.

18 \* **Sec. 4.** AS 37.14.031(c) is amended to read:

19 (c) The net income of the fund shall be determined by the Alaska Permanent  
20 Fund Corporation **as of the last day of the fiscal year in accordance with generally**  
21 **accepted accounting principles, excluding any unrealized gains or losses** [IN THE  
22 SAME MANNER THE CORPORATION DETERMINES THE NET INCOME OF  
23 THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

24 \* **Sec. 5.** AS 37.17.020(b) is amended to read:

25 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
26 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
27 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Net income from the  
28 endowment may not be included in the [COMPUTATION OF NET] income **of the**  
29 **Alaska permanent fund** [AVAILABLE FOR DISTRIBUTION] under AS 37.13.140.

30 \* **Sec. 6.** AS 37.17.440(b) is amended to read:

31 (b) The principal and income of the endowment shall be held and invested by

1 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net income  
 2 from the endowment and subsequent income earned on net income from the  
 3 endowment shall be held in a separate account until appropriated by the legislature.  
 4 Net income from the endowment may not be included in the [COMPUTATION OF  
 5 NET] income **of the Alaska permanent fund** [AVAILABLE FOR DISTRIBUTION]  
 6 under AS 37.13.140.

7 \* **Sec. 7.** 2000 PERMANENT FUND DIVIDENDS. Notwithstanding AS 37.13.145(b),  
 8 as repealed and reenacted in sec. 2 of this Act, and AS 43.23.025, the amount of each  
 9 permanent fund dividend for 2000 is the amount of the 1999 dividend.

10 \* **Sec. 8.** TRANSITION. (a) The Alaska Income Account established in AS 37.13.145(a),  
 11 as repealed and reenacted in sec. 2 of this Act, is the successor to the earnings reserve  
 12 account, and the balance in the earnings reserve account on the effective date of this section  
 13 shall be retained in the Alaska Income Account until distributed in accordance with  
 14 AS 37.13.145, as repealed and reenacted in sec. 2 of this Act.

15 (b) Notwithstanding AS 37.13.145(a), as repealed and reenacted in sec. 2 of this Act,  
 16 the amount transferred from the Alaska Income Account to the general fund following the end  
 17 of

18 (1) fiscal year 2000 is equal to 5.88 percent of the average of the quarter-end  
 19 market value for the last eight fiscal year quarters before the fiscal year just ended of

20 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the  
 21 State of Alaska), including the Alaska Income Account; and

22 (B) the budget reserve fund (art. IX, sec. 17, Constitution of the State  
 23 of Alaska);

24 (2) fiscal year 2001 is equal to 5.88 percent of the average of the quarter-end  
 25 market value for the last 12 fiscal year quarters before the fiscal year just ended of

26 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the  
 27 State of Alaska), including the Alaska Income Account; and

28 (B) the budget reserve fund (art. IX, sec. 17, Constitution of the State  
 29 of Alaska);

30 (3) fiscal year 2002 is equal to 5.88 percent of the average of the quarter-end  
 31 market value for the last 16 fiscal year quarters before the fiscal year just ended of

1 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the  
2 State of Alaska), including the Alaska Income Account; and

3 (B) the budget reserve fund (art. IX, sec. 17, Constitution of the State  
4 of Alaska).

5 \* **Sec. 9.** ADVISORY VOTE. At a special election to be held on September 14, 1999, in  
6 substantial compliance with the election laws of the state including absentee voting, the  
7 lieutenant governor shall place before the qualified voters of the state a question advisory to  
8 the legislature and the governor. Notwithstanding AS 15.60.005 and other laws relating to  
9 preparation of the ballot proposition, the question shall appear on the ballot in the following  
10 form:

#### 11 PREAMBLE

12 The people of Alaska created the permanent fund to save a portion of  
13 Alaska's petroleum revenue for the future. After investing those  
14 savings, the original intent and purpose was to then use the earnings  
15 from those investments when Alaska's revenue from its petroleum  
16 resources declined. Alaska's revenue from its petroleum resources has  
17 now declined substantially and is forecast to continue to decline. Our  
18 reliance on declining petroleum resources and volatile oil prices  
19 constitutes an unstable and unsustainable state budget system. The  
20 governor and legislature seek the public's input in adopting a stable and  
21 sustainable long-term budget plan.

#### 22 PLAN DESCRIPTION

- 23 (1) Spending Reductions: Continue state general fund budget reductions to  
24 a combined total of at least \$60,000,000 for fiscal years 2000 and 2001.
- 25 (2) Permanent Fund Protection: Guarantee the Alaska permanent fund  
26 principal is untouched. The principal of the fund is inflation proofed  
27 to protect its value for all Alaskans, including future generations.
- 28 (3) Permanent Fund Dividends: Does not change the amount of dividend  
29 paid to qualified Alaska residents in 1999 and guarantees the same  
30 amount in 2000. Beginning in 2000, the constitutional budget reserve  
31 and the permanent fund earnings reserve will be combined to form the

1 Alaska Income Account. In determining the market value for the  
 2 calculation of the dividend, this new account will be joined with the  
 3 principal of the permanent fund. After accounting for inflation, the  
 4 dividend will be based on 50 percent of the annual earnings payment  
 5 of these combined accounts.

6 (4) Earnings Usage for Public Purposes: After payment of permanent fund  
 7 dividends and accounting for inflation, the remaining annual earnings  
 8 payment will be prioritized for usage for Alaska education, public  
 9 safety, and transportation purposes.

10 (5) Public Accountability: Expenditures from the Alaska Income Account  
 11 will be fully disclosed to the public in the annual permanent fund  
 12 dividend application.

13 (6) Income Tax: No income tax will be required as part of this plan.

14 (7) Balanced Budget Task Force: Establish a citizen's Balanced Budget  
 15 Task Force to explore and present options to further reduce and limit  
 16 state spending, as well as identify appropriate future revenue sources.

#### 17 QUESTION

18 Should a portion of permanent fund investment earnings be used to help  
 19 balance the state budget after first paying annual dividends to residents  
 20 and inflation proofing?

21 Yes [  ] No [  ]

22 \* **Sec. 10.** Sections 1 - 8 of this Act take effect January 31, 2000.

23 \* **Sec. 11.** Section 9 of this Act takes effect immediately under AS 01.10.070(c).