

**CS FOR HOUSE BILL NO. 231(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 5/15/99**

**Referred: Today's Calendar**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to deposits to the Alaska permanent fund from mineral lease  
2 rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f)  
3 and (g), federal mineral revenue sharing payments received by the state from  
4 mineral leases, and bonuses received by the state from mineral leases, and  
5 limiting deposits from those sources to the 25 percent required under art. IX,  
6 sec. 15, Constitution of the State of Alaska; relating to income of the Alaska  
7 permanent fund, to the Alaska Income Account, and to permanent fund dividends;  
8 authorizing an advisory vote on the Healthy Alaska Plan, a long term financial  
9 plan for the state; and providing for an effective date."

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

11 \* **Section 1.** AS 37.05.550(b) is amended to read:

12 (b) The legislature may appropriate to the fund money received by the state

1 as Alaska marine highway system program receipts or from a settlement or final  
 2 judicial determination of the Dinkum Sands case (United States v. Alaska) and the  
 3 North Slope royalty case (State v. Amerada Hess, et al.) and not deposited into the  
 4 Alaska permanent fund under **AS 37.13.010(a)(1)** [AS 37.13.010(a)(1) or (2)] or into  
 5 the public school trust fund under AS 37.14.150.

6 \* **Sec. 2.** AS 37.13.010(a) is amended to read:

7 (a) Under art. IX, sec. 15, of the state constitution, there is established as a  
 8 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

9 (1) 25 percent of all mineral lease rentals, royalties, royalty sale  
 10 proceeds, net profit shares under AS 38.05.180(f) and (g), **25 percent of** [AND]  
 11 federal mineral revenue sharing payments received by the state from mineral leases  
 12 [ISSUED ON OR BEFORE DECEMBER 1, 1979], and 25 percent of all bonuses  
 13 received by the state from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15,  
 14 1980]; **and**

15 (2) [50 PERCENT OF ALL MINERAL LEASE RENTALS,  
 16 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER  
 17 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING  
 18 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED  
 19 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED  
 20 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,  
 21 1980;

22 (3)] any other money appropriated to or otherwise allocated by law **or**  
 23 **former law** to the Alaska permanent fund.

24 \* **Sec. 3.** AS 37.13.140 is repealed and reenacted to read:

25 **Sec. 37.13.140. Income.** All income of the fund shall be deposited in the  
 26 Alaska Income Account established under AS 37.13.145. The balance of the Alaska  
 27 Income Account shall be determined according to generally accepted accounting  
 28 principles. Income of the fund includes income of the Alaska Income Account.

29 \* **Sec. 4.** AS 37.13.145 is repealed and reenacted to read:

30 **Sec. 37.13.145. Disposition of income.** (a) The Alaska Income Account is  
 31 established as a separate account in the fund. Subject to (c) of this section, following

1 the end of each fiscal year, an amount shall be transferred from the account to the  
 2 general fund that is equal to 5.25 percent of the average of the quarter-end market  
 3 value of the last 20 fiscal year quarters before the fiscal year just ended of

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

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

7 (b) After the transfer under (a) of this section, the commissioner of revenue  
 8 shall transfer from the general fund to the dividend fund, (AS 43.23.045) 42 percent  
 9 of the amount transferred to the general fund under (a) of this section.

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

16 \* **Sec. 5.** AS 37.13.300(c) is amended to read:

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

20 \* **Sec. 6.** AS 37.17.020(b) is amended to read:

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

26 \* **Sec. 7.** AS 37.17.440(b) is amended to read:

27 (b) The principal and income of the endowment shall be held and invested by  
 28 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net income  
 29 from the endowment and subsequent income earned on net income from the  
 30 endowment shall be held in a separate account until appropriated by the legislature.  
 31 Net income from the endowment may not be included in the [COMPUTATION OF

1 NET] income **of the Alaska permanent fund** [AVAILABLE FOR DISTRIBUTION]  
2 under AS 37.13.140.

3 \* **Sec. 8.** 1999 PERMANENT FUND DIVIDENDS. Notwithstanding AS 37.13.145(b) and  
4 AS 43.23.025, the amount of each permanent fund dividend for 1999 is \$1,000.

5 \* **Sec. 9.** TRANSITION. (a) The Alaska Income Account established in AS 37.13.145(a),  
6 as repealed and reenacted in sec. 4 of this Act, is the successor to the earnings reserve  
7 account, and the balance in the earnings reserve account on the effective date of this section  
8 shall be retained in the Alaska Income Account until distributed in accordance with  
9 AS 37.13.145, as repealed and reenacted in sec. 4 of this Act.

10 (b) Notwithstanding AS 37.13.145(b), as repealed and reenacted in sec. 4 of this Act,  
11 and AS 43.23.025, the amount of each permanent fund dividend for 2000 and each permanent  
12 fund dividend for 2001 is \$1,000.

13 (c) Notwithstanding AS 37.13.145(a), as repealed and reenacted in sec. 4 of this Act,  
14 a transfer from the Alaska Income Account to the general fund is not required following the  
15 end of fiscal year 1999 and the amount transferred from the Alaska Income Account to the  
16 general fund following the end of

17 (1) fiscal year 2000 is equal to 5.25 percent of the average of the quarter-end  
18 market value for the last eight fiscal year quarters before the fiscal year just ended of

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

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

23 (2) fiscal year 2001 is equal to 5.25 percent of the average of the quarter-end  
24 market value for the last 12 fiscal year quarters before the fiscal year just ended of

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

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

29 (3) fiscal year 2002 is equal to 5.25 percent of the average of the quarter-end  
30 market value for the last 16 quarters before the fiscal year just ended of

31 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the

1 State of Alaska), including the Alaska Income Account; and

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

4 \* **Sec. 10.** At a special election to be held on September 14, 1999, in substantial  
5 compliance with the election laws of the state including absentee voting, the lieutenant  
6 governor shall place before the qualified voters of the state a question advisory to the  
7 legislature and the governor. The question shall appear on the ballot in the following form:

8 Q U E S T I O N

9 Summary of the Healthy Alaska Plan: This long-range plan requires further  
10 limitations and reductions on state spending. In addition, dividends will be  
11 guaranteed at a particular rate. The plan also has no personal income tax or  
12 sales tax. In more detail, the plan would provide as follows:

- 13 (1) Spending Reductions: State general fund spending would be reduced  
14 at least \$100,000,000 over fiscal years 2000 and 2001;
- 15 (2) Alaska Income Account: The constitutional budget reserve and the  
16 permanent fund earnings reserve will be transferred to the Alaska  
17 Income Account;
- 18 (3) Permanent Fund: The corpus of the permanent fund remains  
19 untouched; the entire Alaska permanent fund is inflation-proofed to  
20 protect the value of the fund for all Alaskans, including future  
21 generations;
- 22 (4) Permanent Fund Dividends: A guaranteed dividend is paid to qualified  
23 Alaska residents of \$1,000 for annual distribution in 1999, 2000, and  
24 2001, and thereafter at a rate not lower than 42 percent of the amount  
25 transferred from the fund's investments after inflation-proofing;
- 26 (5) Operations of State Government: After inflation-proofing the  
27 permanent fund and paying dividends, additional earnings of the Alaska  
28 Income Account would be used to fund education, public safety, and  
29 transportation functions of state government; other functions of state  
30 government would be funded at a flat level unless changed by the  
31 legislature;

1 (6) New Revenues: No new statewide taxes are enacted as part of this  
2 plan;

3 (7) Accountability: Expenditures from the Alaska Income Account will be  
4 fully disclosed for public review in the annual permanent fund dividend  
5 application.

6 SHOULD THE STATE IMPLEMENT THE HEALTHY ALASKA PLAN?

7 Yes [ ]

No [ ]

8 \* **Sec. 11.** Sections 3 - 7 and 9 of this Act take effect July 2, 1999.

9 \* **Sec. 12.** Sections 1, 2, 8, and 10 of this Act take effect immediately under  
10 AS 01.10.070(c).