

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/18/99

Referred: Rules

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
8 dividends; authorizing an advisory vote on a long term financial plan for the
9 state; and providing for an effective date."

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

11 * **Section 1.** AS 37.05.540 is amended to read:

12 **Sec. 37.05.540. Alaska Income Account [BUDGET RESERVE FUND];**

1 **appropriation limit.** (a) There is established as a separate fund in the state treasury
2 the **Alaska Income Account** [BUDGET RESERVE FUND]. The **Alaska Income**
3 **Account** [BUDGET RESERVE FUND] consists of appropriations to the fund. Money
4 received by the state that is subject to the appropriation limit under (b) of this section
5 and that exceeds that limit, may be appropriated to the **Alaska Income Account**
6 [BUDGET RESERVE FUND].

7 (b) Except for appropriations to the permanent fund or for Alaska permanent
8 fund dividends, appropriations to the **Alaska Income Account** [BUDGET RESERVE
9 FUND], appropriations of revenue bond proceeds, appropriations required to pay the
10 principal and interest on general obligation bonds, and appropriations of money
11 received from a nonstate source in trust for a specific purpose, including revenue of
12 a public enterprise or public corporation of the state that issues revenue bonds,
13 appropriations from the mental health trust settlement income account (AS 37.14.036),
14 and appropriations made to the mental health trust fund (AS 37.14.031), appropriations
15 from the treasury made in a fiscal year may not exceed appropriations made in the
16 preceding fiscal year by more than five percent plus the change in population and
17 inflation since the beginning of the preceding fiscal year. For purposes of applying
18 this limit an appropriation is considered to be made in the fiscal year in which it is
19 enacted and a reappropriation remains attributed to the fiscal year in which the original
20 appropriation is enacted. The determination of the change in population for purposes
21 of this subsection shall be based on an annual estimate of population by the
22 Department of Labor. The determination of the change in inflation for purposes of this
23 subsection shall be based on the Consumer Price Index for all urban consumers for
24 Anchorage prepared by the United States Bureau of Labor Statistics. The amount of
25 money received by the state that is subject to the appropriation limit includes the
26 balance in the general fund carried forward from the preceding fiscal year.

27 (c) If the legislature determines that the money subject to the appropriation
28 limit received by the state in a fiscal year is less than the maximum permitted to be
29 appropriated under (b) of this section, up to 25 percent of the balance of the **Alaska**
30 **Income Account** [BUDGET RESERVE FUND] may be appropriated to the general
31 fund.

1 (d) The Department of Revenue shall manage and invest assets of the **Alaska**
 2 **Income Account** [BUDGET RESERVE FUND] in the manner set out for the
 3 management and investment of the assets of the general fund under AS 37.10.070.
 4 Income from investment of the **Alaska Income Account** [BUDGET RESERVE
 5 FUND] may be appropriated to the fund each year by law.

6 (e) Notwithstanding other provisions of this section, appropriations may be
 7 made from the **Alaska Income Account** [BUDGET RESERVE FUND] needed by the
 8 governor to meet a disaster. In this subsection, "disaster" has the meaning given in
 9 AS 26.23.900.

10 * **Sec. 2.** AS 37.10.420(a) is amended to read:

11 (a) For purposes of applying art. IX, sec. 17(b), Constitution of the State of
 12 Alaska,

13 (1) "the amount available for appropriation" or "funds available for
 14 appropriation" means

15 (A) the unrestricted revenue accruing to the general fund during
 16 the fiscal year;

17 (B) general fund program receipts as defined in AS 37.05.146;

18 (C) the unreserved, undesignated general fund balance carried
 19 forward from the preceding fiscal year that is not subject to the repayment
 20 obligation imposed by art. IX, sec. 17(d), Constitution of the State of Alaska;
 21 and

22 (D) the balance in the **Alaska Income Account** [STATUTORY
 23 BUDGET RESERVE FUND] established in AS 37.05.540;

24 (2) "the amount appropriated for the previous fiscal year" means the
 25 amount appropriated from the

26 (A) constitutional budget reserve fund under the authority
 27 granted in art. IX, sec. 17, Constitution of the State of Alaska; and

28 (B) same revenue sources used to calculate the money available
 29 for appropriation for the current fiscal year; and

30 (3) "the amount of appropriations made in the previous calendar year
 31 for the previous fiscal year" means appropriations made from sources identified in (2)

1 of this subsection for a fiscal year that were enacted during the calendar year that ends
2 on December 31 of that same fiscal year.

3 * **Sec. 3.** AS 37.05.550(b) is amended to read:

4 (b) The legislature may appropriate to the fund money received by the state
5 as Alaska marine highway system program receipts or from a settlement or final
6 judicial determination of the Dinkum Sands case (United States v. Alaska) and the
7 North Slope royalty case (State v. Amerada Hess, et al.) and not deposited into the
8 Alaska permanent fund under **AS 37.13.010(a)(1)** [AS 37.13.010(a)(1) or (2)] or into
9 the public school trust fund under AS 37.14.150.

10 * **Sec. 4.** AS 37.13.010(a) is amended to read:

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

13 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
14 proceeds, net profit shares under AS 38.05.180(f) and (g), **25 percent of** [AND]
15 federal mineral revenue sharing payments received by the state from mineral leases
16 [ISSUED ON OR BEFORE DECEMBER 1, 1979], and 25 percent of all bonuses
17 received by the state from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15,
18 1980]; **and**

19 (2) [50 PERCENT OF ALL MINERAL LEASE RENTALS,
20 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
21 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
22 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
23 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
24 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
25 1980;

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

28 * **Sec. 5.** AS 37.13.140 is repealed and reenacted to read:

29 **Sec. 37.13.140. Income.** All income of the fund shall be deposited in the
30 earnings reserve account established under AS 37.13.145. The balance of the earnings
31 reserve account shall be determined according to generally accepted accounting

1 principles. Income of the fund includes income of the earnings reserve account.

2 * **Sec. 6.** AS 37.13.145 is repealed and reenacted to read:

3 **Sec. 37.13.145. Disposition of income.** (a) The earnings reserve account is
4 established as a separate account in the fund. Subject to (c) of this section, following
5 the end of each fiscal year, an amount shall be transferred from the earnings reserve
6 account to the general fund that is equal to 2.5 percent of the average of the quarter-
7 end market value of the last 20 fiscal year quarters before the fiscal year just ended
8 of

9 (1) the fund, including the earnings reserve account; and

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

12 (b) After the transfer under (a) of this section, an amount shall be transferred
13 from the earnings reserve account to the dividend fund (AS 43.23.045) that is equal
14 to 2.75 percent of the average of the quarter-end market value of the last 20 fiscal year
15 quarters before the fiscal year just ended of

16 (1) the fund, including the earnings reserve account; and

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

19 (c) Transfers following the end of a fiscal year that are required under this
20 section shall be made during the next fiscal year and may consist of separate
21 installments transferred on different days; however, all installments must be transferred
22 during the same fiscal year. Transfers following the end of a fiscal year that are
23 required under this section may not exceed the entire balance that is in the earnings
24 reserve account during the fiscal year in which the installments are transferred.

25 * **Sec. 7.** AS 37.13.300(c) is amended to read:

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

29 * **Sec. 8.** AS 37.17.020(b) is amended to read:

30 (b) The endowment shall be held and invested by the Alaska Permanent Fund
31 Corporation subject to AS 37.13.120; however, net income from the endowment shall

1 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Net income from the
 2 endowment may not be included in the [COMPUTATION OF NET] income of the
 3 Alaska permanent fund [AVAILABLE FOR DISTRIBUTION] under AS 37.13.140.

4 * **Sec. 9.** AS 37.17.440(b) is amended to read:

5 (b) The principal and income of the endowment shall be held and invested by
 6 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net income
 7 from the endowment and subsequent income earned on net income from the
 8 endowment shall be held in a separate account until appropriated by the legislature.
 9 Net income from the endowment may not be included in the [COMPUTATION OF
 10 NET] income of the Alaska permanent fund [AVAILABLE FOR DISTRIBUTION]
 11 under AS 37.13.140.

12 * **Sec. 10.** TRANSITION. (a) Notwithstanding AS 37.13.145(a), as repealed and
 13 reenacted in sec. 6 of this Act, a transfer from the earnings reserve account to the general fund
 14 following the end of

15 (1) fiscal year 2001 is equal to 2.5 percent of the average of the quarter-end
 16 market value for the last 12 fiscal year quarters before the fiscal year just ended of

17 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the
 18 State of Alaska), including the earnings reserve account; and

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

21 (2) fiscal year 2002 is equal to 2.5 percent of the average of the quarter-end
 22 market value for the last 16 fiscal year quarters before the fiscal year just ended of

23 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the
 24 State of Alaska), including the earnings reserve account; and

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

27 (b) Notwithstanding AS 37.13.145(b), as repealed and reenacted in sec. 4 of this Act,
 28 a transfer from the earnings reserve account to the dividend fund following the end of

29 (1) fiscal year 2001 is equal to 2.75 percent of the average of the quarter-end
 30 market value for the last 12 fiscal year 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 earnings reserve account; and

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

4 (2) fiscal year 2002 is equal to 2.75 percent of the average of the quarter-end
5 market value for the last 16 fiscal year quarters before the fiscal year just ended of

6 (A) the Alaska permanent fund (art. IX, sec. 15, Constitution of the
7 State of Alaska), including the earnings reserve account; and

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

10 * **Sec. 11. ADVISORY VOTE.** At a special election to be held on September 14, 1999,
11 in substantial compliance with the election laws of the state, including absentee voting, the
12 lieutenant governor shall place before the qualified voters of the state a question advisory to
13 the legislature and the governor. The question shall appear on the ballot in the following
14 form:

15 Q U E S T I O N

16 Preamble: The state treasury's reliance upon declining Alaska oil production
17 and volatile oil prices constitutes an unsustainable state budget system. The
18 legislature and governor seek the public's input in choosing a long-term budget
19 plan. Please mark "yes" or "no" beside one or both plans that you believe the
20 legislature and governor should proceed to implement as a balanced budget
21 plan.

22 "Plan A" Description

23 Summary of Plan A: Plan A has further spending reductions. Dividends are
24 a percentage of the value of the Alaska permanent fund. This plan has no
25 personal income tax.

26 (1) Spending Reductions/Spending Limits: Continue state general fund
27 budget reductions of at least \$70,000,000 over the next two fiscal
28 years.

29 (2) Permanent Fund: Guarantee the Alaska permanent fund is inflation-
30 proofed to protect the value of the principal of the fund for all
31 Alaskans, including future generations.

- 1 (3) Permanent Fund Dividends: Guarantee a dividend is paid to qualified
2 Alaska residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000.
3 Thereafter, the annual dividend is based on a rate of 2.75 percent of the
4 combined market value of the Alaska permanent fund, including the
5 Alaska permanent fund earnings reserve account, and the constitutional
6 budget reserve fund.
- 7 (4) Permanent Fund Earnings Reserve: Guarantee inflation-proofing the
8 Alaska permanent fund and payment of permanent fund dividends, then
9 prioritize remaining funds in the Alaska permanent fund earnings
10 reserve account for education, public safety, and transportation.
- 11 (5) No Income Tax: Use at least \$100,000,000 in new revenues instead of
12 implementing new broad-based taxes.

13 Plan A Yes []

 Plan A No []

14 "Plan B" Description

15 Summary of Plan: Plan B has no further state spending reductions. Dividends
16 from the Alaska permanent fund are calculated under the current method. This
17 plan includes a personal income tax.

- 18 (1) Spending Reductions: No further reductions to state spending.
- 19 (2) Permanent Fund: Guarantee the Alaska permanent fund is inflation-
20 proofed to protect the value of the principal of the fund for all
21 Alaskans, including future generations.
- 22 (3) Permanent Fund Dividends: Dividends will not be changed from the
23 current formula and method of calculation.
- 24 (4) Permanent Fund Earnings Reserve: Immediately transfer
25 \$4,000,000,000 from the permanent fund earnings to the constitutional
26 budget reserve fund, with an additional \$4,000,000,000 in 2010, and
27 \$4,000,000,000 in 2020. Spend the constitutional budget reserve fund
28 earnings for state government services.
- 29 (5) Income Tax: Impose a personal income tax on certain wage earners
30 projected to be 31 percent of a person's federal income tax, collecting
31 \$350,000,000.

