

**HOUSE BILL NO. 1001**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST

Introduced: 5/22/99

Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act authorizing an advisory vote on a long term financial plan for the  
2 state; and providing for an effective date."

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

4 \* **Section 1.** ADVISORY VOTE. At a special election to be held on September 14, 1999,  
5 in substantial compliance with the election laws of the state, including absentee voting, the  
6 lieutenant governor shall place before the qualified voters of the state a question advisory to  
7 the legislature and the governor. The question shall appear on the ballot in the following  
8 form:

9 Q U E S T I O N

10 Preamble: The state treasury's reliance upon declining Alaska oil production  
11 and volatile oil prices constitutes an unsustainable state budget system. The  
12 legislature and governor seek the public's input in choosing a long-term budget  
13 plan. Please mark "yes" beside one or both plans that you believe the  
14 legislature and governor should proceed to implement as a balanced budget

1 plan or "no" beside one or both plans that you believe the legislature and  
2 governor should not implement as a balanced budget plan.

3 "Plan A" Description

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

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

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

13 (3) Permanent Fund Dividends: Guarantee a dividend is paid to qualified  
14 Alaska residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000.  
15 Thereafter, the annual dividend is based on a rate of 2.75 percent of the  
16 combined market value of the Alaska permanent fund, including the  
17 Alaska permanent fund earnings reserve account, and the constitutional  
18 budget reserve fund.

19 (4) Permanent Fund Earnings Reserve: Guarantee inflation-proofing the  
20 Alaska permanent fund and payment of permanent fund dividends, then  
21 prioritize remaining funds in the Alaska permanent fund earnings  
22 reserve account for education, public safety, and transportation.

23 (5) No Income Tax: Use at least \$100,000,000 in new revenues instead of  
24 implementing new broad-based taxes.

25 Plan A Yes [ ]

Plan A No [ ]

26 "Plan B" Description

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

30 (1) Spending Reductions: No further reductions to state spending.

31 (2) Permanent Fund: Guarantee the Alaska permanent fund is inflation-

1           proofed to protect the value of the principal of the fund for all  
2           Alaskans, including future generations.

3           (3) Permanent Fund Dividends: Dividends will not be changed from the  
4           current formula and method of calculation.

5           (4) Permanent Fund Earnings Reserve: Immediately transfer  
6           \$4,000,000,000 from the permanent fund earnings to the constitutional  
7           budget reserve fund, with an additional \$4,000,000,000 in 2010, and  
8           \$4,000,000,000 in 2020. Spend the constitutional budget reserve fund  
9           earnings for state government services.

10          (5) Income Tax: Impose a personal income tax on certain wage earners  
11          projected to be 31 percent of a person's federal income tax, collecting  
12          \$350,000,000.

13                           Plan B Yes [ ]                           Plan B No [ ]

14          \* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).