

**CS FOR SENATE BILL NO. 1001(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/22/99

Referred: Rules

Sponsor(s): SENATE FINANCE COMMITTEE

**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:

5 Balanced Budget Plan: This will preserve the permanent fund dividend,  
 6 inflation-proof the permanent fund, support public services, and establish a  
 7 Citizens' Spending Reduction Task Force and a Citizens' Revenue Task Force.

8 The plan will

9 (1) Protect the Permanent Fund: The principal of the Alaska permanent  
 10 fund will remain untouched and inflation-proofed to protect the value  
 11 of the fund for current and future generations.

12 (2) Preserve the Dividend: Dividend payments to qualified Alaskans are  
 13 continued, and the dividend will grow over time. Dividends will be  
 14 paid based on the market value of the Alaska permanent fund. The  
 15 dividends payable are projected to be as follows: \$1,740 in 1999;  
 16 \$1,700 in 2000; and thereafter approximately \$1,394 and higher.

17 (3) Reduce Spending: Reduce state general fund spending at least  
 18 \$60,000,000 over the next two fiscal years, 2000 and 2001. Submit a  
 19 proposed constitutional amendment to the voters that would reduce the  
 20 base amount of annual appropriations in art. IX, sec. 16, Constitution  
 21 of the State of Alaska, and make other changes to establish a  
 22 meaningful appropriation limit.

23 (4) Accountability: All permanent fund expenditures will be disclosed to  
 24 each Alaskan who receives a permanent fund dividend check.

25 (5) Explore Spending Reduction and Revenue Options: Establish a  
 26 Citizens' Spending Reduction Task Force and a Citizens' Revenue Task  
 27 Force to present options to identify spending reductions and revenue  
 28 sources.

29 (6) No Income Tax: No personal income tax will be enacted as part of this  
 30 plan.

31 Plan A Yes [ ]

Plan A No [ ]

1 "Plan B" Description

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

- 5 (1) Spending Reductions: No further reductions to state spending.
- 6 (2) Permanent Fund: Guarantee the Alaska permanent fund is inflation-  
7 proofed to protect the value of the principal of the fund for all  
8 Alaskans, including future generations.
- 9 (3) Permanent Fund Dividends: Dividends will not be changed from the  
10 current formula and method of calculation.
- 11 (4) Permanent Fund Earnings Reserve: Immediately transfer  
12 \$4,000,000,000 from the permanent fund earnings to the constitutional  
13 budget reserve fund, with an additional \$4,000,000,000 in 2010, and  
14 \$4,000,000,000 in 2020. Spend the constitutional budget reserve fund  
15 earnings for state government services.
- 16 (5) Income Tax: Impose a personal income tax on certain wage earners  
17 projected to be 31 percent of a person's federal income tax, collecting  
18 \$350,000,000.

19 Plan B Yes [ ] Plan B No [ ]

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