

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: 5  
 Bill Version: CSHJR 28(FIN)  
 (H) Publish Date: 3/10/08

Identifier (file name): CSHJR28(FIN)-DOR-TRE-3-6-08 Dept. Affected: Revenue 04  
 Title Const. Am: Production Tax Revenue Fund RDU Taxation and Treasury  
 Component Taxation and Treasury  
 Sponsor Reps. Samuels, Hawker, Ramras  
 Requester Rules Component Number 121

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual	4,287.0		4,822.0	4,914.0	5,001.0	5,131.0	5,254.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>4,287.0</b>	<b>0.0</b>	<b>4,822.0</b>	<b>4,914.0</b>	<b>5,001.0</b>	<b>5,131.0</b>	<b>5,254.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>	<b>206,100.0</b>		<b>231,800.0</b>	<b>258,600.0</b>	<b>263,200.0</b>	<b>270,000.0</b>	<b>276,500.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Constitutionally Dedicated Fund	4,287.0		4,822.0	4,914.0	5,001.0	5,131.0	5,254.0
<b>TOTAL</b>	<b>4,287.0</b>	<b>0.0</b>	<b>4,822.0</b>	<b>4,914.0</b>	<b>5,001.0</b>	<b>5,131.0</b>	<b>5,254.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** HJR No. 28 calls for a constitutional change to the Constitutional Budget Reserve Fund converting it to an endowment that would receive revenues from the progressive surcharge portion of the oil production tax (AS 43.55.011(g)) and applying a 5% spend thrift plan. This fiscal note is a best estimate cost applicable for management oversight, accounting, performance measurement, financial advisory and internal and external portfolio investment management services. For an investment portfolio with an asset allocation structured to accommodate a moderate risk/reward profile at an initial funding level of approximately 4.3 billion, an estimated cost of 10 basis points or 4.3 million would be a reasonable estimate. This would be an investment portfolio where the Commissioner of Revenue would be the fiduciary and a large emphasis would be placed on internal and passive investment management. As a comparison, the investment management cost of the State's retirement portfolios is 21 basis points annually. The permanent fund costs about 19 basis points a year to manage. Costs are directly related to the complexity of the types of asset classes of securities.

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