

Offered: 4/23/87
Referred: Rules

5-0985B

Original sponsors: Faiks, Halford,
Bennett, et al.

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 40 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 Proposing amendments to the Constitution
6 of the State of Alaska amending provi-
7 sions relating to the Alaska Permanent
8 Fund; establishing temporary provisions
9 relating to dedicated funds, the Alaska
10 Permanent Fund, the appropriation limit,
11 and the Budget Reserve Fund; and sus-
12 pending the operation of provisions
13 relating to dedicated funds, the Alaska
14 Permanent Fund, and the appropriation
15 limit.
16 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
17 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska,
18 is amended to read:
19 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per
20 cent of all mineral lease rentals, royalties, royalty sale proceeds,
21 federal mineral revenue sharing payments and bonuses received by the
22 State shall be placed in a permanent fund. The fund is established as
23 a trust on behalf of all the residents of the State and its principal
24 shall be invested in accordance with the prudent investor rule in [,
25 THE PRINCIPAL OF WHICH SHALL BE USED ONLY FOR THOSE] income-producing
26 investments specifically designated by law as eligible for permanent
27 fund investments. All income from the permanent fund shall be depos-
28 ited in the general fund unless otherwise provided by law.
29 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended

1 by adding new sections to read:

2 SECTION 29. DEDICATED FUNDS. (a) Unless the operation of this
3 section is suspended under Section 33 of this article, the operation
4 of Section 7 of Article IX is suspended from July 1, 1989, through
5 June 30, 1995, and this section applies in lieu of Section 7 of
6 Article IX.

7 (b) The proceeds of any state tax or license shall not be dedi-
8 cated to any special purpose, except as provided in Sections 30 and 32
9 of this article or when required by the federal government for state
10 participation in federal programs. This provision shall not prohibit
11 the continuance of any dedication for special purposes existing upon
12 the date of ratification Section 7 of Article IX by the people of
13 Alaska.

14 SECTION 30. ALASKA PERMANENT FUND. (a) Unless the operation of
15 this section is suspended under Section 33 of this article, the opera-
16 tion of Section 15 of Article IX is suspended from July 1, 1989,
17 through June 30, 1995, and this section applies in lieu of Section 15
18 of Article IX.

19 (b) At least twenty-five percent of all mineral lease rentals,
20 royalties, royalty sale proceeds, federal mineral revenue sharing
21 payments and bonuses received by the State shall be placed in a perma-
22 nent fund. The fund is established as a trust on behalf of all the
23 residents of the State and its principal shall be invested in accor-
24 dance with the prudent investor rule in income-producing investments
25 specifically designated by law as eligible for permanent fund invest-
26 ments.

27 (c) At the end of each fiscal year an amount equal to the capi-
28 tal gains that exceed capital losses from the sale of permanent fund
29 investments shall be added to the principal of the permanent fund to

1 help offset the effect of inflation and increase the principal. The
2 rest of the income of the permanent fund shall be distributed as
3 follows:

4 (1) forty percent to be used for dividends for State resi-
5 dents as provided by law;

6 (2) thirty percent to be added to the principal of the
7 permanent fund to help offset the effect of inflation and increase the
8 principal; and

9 (3) thirty percent to the budget reserve fund established
10 under Section 32 of this article.

11 SECTION 31. APPROPRIATION LIMIT. (a) The operation of Sec-
12 tion 16 of Article IX is suspended from July 1, 1989, through June 30,
13 1995, and this section applies in lieu of Section 16 of Article IX.

14 (b) Except for appropriations to the permanent fund or for
15 Alaska permanent fund dividends, appropriations to the budget reserve
16 fund, appropriations to reimburse municipalities for costs of school
17 construction that has been approved by local voters, appropriations by
18 the legislature to meet a State natural disaster declared by the
19 governor as prescribed by law, appropriations of revenue bond pro-
20 ceeds, appropriations required to pay the principal and interest on
21 general obligation bonds, and appropriations of money received from a
22 non-State source in trust for a specific purpose, including revenues
23 of a public enterprise or public corporation of the State that issues
24 revenue bonds, appropriations from the treasury made for a fiscal year
25 shall not exceed appropriations made for the preceding fiscal year by
26 more than five percent plus the change, derived as prescribed by law,
27 in population and inflation since the beginning of the preceding
28 fiscal year.

29 (c) The legislature may exceed the appropriation limit calculated

1 under (b) of this section in bills for appropriations if each bill is
2 approved by the governor, or passed by affirmative vote of three-
3 fourths of the membership of the legislature over a veto or item veto,
4 or becomes law without signature, and is also approved by the voters
5 as prescribed by law. Each bill for appropriations for capital proj-
6 ects in excess of the limit shall be confined to capital projects of
7 the same type, and the voters shall, as provided by law, be informed
8 of the cost of operations and maintenance of the capital projects.
9 Appropriations made under this subsection shall not be considered when
10 calculating the appropriation limit under (b) of this section for the
11 following fiscal year.

12 (d) Fifty percent of the money received by the State that is
13 subject to the appropriation limit under (b) of this section and that
14 exceeds that appropriation limit but is not appropriated under (c) of
15 this section shall be deposited in the permanent fund and the
16 remaining fifty percent shall be deposited in the budget reserve fund.

17 SECTION 32. BUDGET RESERVE FUND. (a) Unless the operation of
18 this section is suspended under Section 33 of this article, this
19 section applies from July 1, 1989, through June 30, 1995.

20 (b) Income of the permanent fund shall be deposited in the
21 budget reserve fund in accordance with Section 30(c) of this article.
22 Fifty percent of the money received by the State that is subject to
23 the appropriation limit under Section 31 of this article and that
24 exceeds that appropriation limit shall be deposited in the budget
25 reserve fund. Additional appropriations may be made to the budget
26 reserve fund.

27 (c) Money in the budget reserve fund shall be invested so as to
28 yield competitive market rates to the fund. Income from investment of
29 the fund shall be retained in the fund.

1 (d) If the legislature determines that the money subject to the
2 appropriation limit received by the State in a fiscal year is less
3 than the maximum amount that may be appropriated under Section 31 of
4 this article, money may be appropriated from the budget reserve fund
5 to the general fund.

6 (e) Notwithstanding the appropriation limit in Section 31 of
7 this article, additional amounts may be appropriated from the budget
8 reserve fund to meet a State disaster declared by the governor as
9 prescribed by law.

10 SECTION 33. SUSPENSION. If by January 1, the governor finds
11 that anticipated State general fund revenue for the current fiscal
12 year plus the balance in the budget reserve fund is less than eighty
13 percent of the money appropriated for the current fiscal year, the
14 governor shall notify the legislature that the State is in a fiscal
15 crisis and the legislature may suspend the operation of Sections 29,
16 30, and 32 of this article for the current fiscal year by resolution
17 concurred in by two-thirds of the members of each house.

18 SECTION 34. REPEAL. Sections 29 - 33 of Article XV are repealed
19 July 1, 1995.

20 * Sec. 3. The amendments proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
23 tion laws of the state.