

COMMITTEE REPORT

HOUSE

FURTHER:

(11)

5/13/82

Date: 5-13-82

Mr. Speaker: (Judiciary waived 5/13)

The Committee on Finance has had CSSSJR §1(R1s)

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and the retention, investment and expenditure of certain state revenues; providing for effective dates for the amendments; and superseding the amendments proposed by Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4)

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

11/13 to insert no. 1110

John Santa Do Not Pass

CHAIRMAN

Original sponsors: Dankworth and Sturgulewski

Offered: 5/4/82

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA.

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-
6 tion of the State of Alaska relating
7 to appropriations and the retention,
8 investment and expenditure of certain
9 state revenues; providing for effec-
10 tive dates for the amendments; and
11 superseding the amendments proposed
12 by Legislative Resolve No. 1, First
13 Special Session of the Twelfth Legis-
14 lature (FSS FCCS SJR 4).

15 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

16 * Section 1. Article IX, Constitution of the State of Alaska, is amended
17 by adding new sections to read:

18 SECTION 16. APPROPRIATIONS. Except as provide, in section 17 of
19 this article, the total amount of appropriations which take effect in a
20 fiscal year shall not exceed the sum of the uncommitted general fund
21 balance at the beginning of that fiscal year plus the revenues of the
22 State for that fiscal year, other than revenues from all mineral lease
23 rentals, royalties, royalty sale proceeds, federal mineral revenue
24 sharing payments and bonuses. If the governor determines that the total
25 amount of appropriations taking effect in a fiscal year will exceed the
26 amount authorized by this section, he shall reduce state spending to
27 assure that amount is not exceeded.

28 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
29 15 of this article, all mineral lease rentals, royalties, royalty sale

1 proceeds, federal mineral revenue sharing payments and bonuses received
2 by the State shall be placed in an Alaska resource fund. Up to one-
3 fifth of the balance in the Alaska resource fund may be appropriated
4 for any purpose if the appropriation is approved by the voters in a
5 general election as provided by law. The balance remaining in the
6 Alaska resource fund after deduction of appropriations approved by the
7 voters may be invested as provided by law in capital projects which are
8 owned by the State and in programs administered by the State. Projects
9 that are owned by the State shall return to the Alaska resource fund the
10 amount of the investment and, unless otherwise provided by a specific
11 law for a particular project, shall provide a rate of return on the
12 investment at least equal to the market rate for general obligation
13 bonds of similar maturity of the State at the time the investment is
14 made. Programs administered by the State must be approved by the voters
15 at a general election as prescribed by law, must return to the Alaska
16 resource fund the amount of the investment, and must be invested at a
17 rate of return equal to the market rate of return for similar invest-
18 ments but not less than the rate of return provided by obligations of
19 similar maturity of the United States government at the time the invest-
20 ment is made. The balance remaining in the Alaska resource fund that is
21 not invested in capital projects owned by the State or in programs
22 administered by the State shall be invested at a rate of return equal to
23 the market rate of return for similar investments but not less than the
24 rate of return provided by obligations of similar maturity of the United
25 States government at the time the investment is made. All income from
26 the Alaska resource fund shall be deposited in the general fund unless
27 otherwise provided by law.

28 * Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is
29 amended to read:

1 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
2 license shall not be dedicated to any special purpose, except as pro-
3 vided in sections [SECTION] 15 and 17 of this article or when required
4 by the federal government for state participation in federal programs.
5 This provision shall not prohibit the continuance of any dedication for
6 special purposes existing upon the date of ratification of this section
7 by the people of Alaska.

8 * Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is
9 amended to read:

10 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
11 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-
12 eral mineral revenue sharing payments received by the State from mineral
13 leases issued on or before December 1, 1979, and at least twenty-five
14 percent of all bonuses received by the State from mineral leases issued
15 on or before February 15, 1980, shall be placed in a permanent fund.
16 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-
17 ceeds, and federal mineral revenue sharing payments received by the State
18 from mineral leases issued after December 1, 1979, and fifty percent of
19 all bonuses received by the State from mineral leases issued after Feb-
20 ruary 15, 1980, shall be placed in the permanent fund. The principal of
21 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for
22 [THOSE] income-producing investments specifically designated by law as
23 eligible for permanent fund investments at competitive market rates of
24 return for similar investments. All income from the permanent fund
25 shall be deposited in the general fund unless otherwise provided by law.

26 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended by
27 adding a new section to read:

28 SECTION 26. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
29 article IX of this constitution adding sections 16 and 17 relating to

1 appropriations and the Alaska resource fund, amending section 7 relating
2 to dedicated funds, and amending section 15 relating to the permanent
3 fund, take effect July 1, 1983. However, the provision of section 17 of
4 article IX of this constitution relating to placing mineral lease
5 rentals, royalties, royalty sale proceeds, federal mineral revenue
6 sharing payments and bonuses received by the State into the Alaska
7 resource fund shall be implemented as follows:

8 (1) for the period July 1, 1983 through June 30, 1984, one-
9 quarter of the receipts otherwise payable into the Alaska resource fund
10 for that period under section 17 shall be placed in the Alaska resource
11 fund and three-quarters shall be deposited in the general fund;

12 (2) for the period July 1, 1984 through June 30, 1985, one-
13 half of the receipts otherwise payable into the Alaska resource fund for
14 that period under section 17 shall be placed in the Alaska resource fund
15 and one-half shall be deposited in the general fund;

16 (3) for the period July 1, 1985 through June 30, 1986, three-
17 quarters of the receipts otherwise payable into the Alaska resource fund
18 for that period under section 17 shall be placed in the Alaska resource
19 fund and one-quarter shall be deposited in the general fund;

20 (4) after June 30, 1986, the provisions of section 17 shall be
21 fully in force.

22 * Sec. 5. The amendments proposed by this resolution shall be placed be-
23 fore the voters of the state at the next general election in conformity with
24 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
25 of the state.

26 * Sec. 6. The amendments proposed by this resolution supersede the amend-
27 ments proposed by Legislative Resolve No. 1, First Special Session of the
28 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
29 section 3 of that resolution that the amendments proposed by that resolution

1 be placed before the voters of the state.

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: CSSSSJR 61 (Rules)

Title: Constitutional amendment relating to Alaska Resource Fund.

Requested by: _____ Date: 05/05/82

II. FISCAL DETAIL

Agency Affected:

Program Category Affected:

BRU, Program, or Subprogram(s) Affected:

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	-	669,600	528,450	309,200	--
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)						
AK. Resource Fund	-	-	223,200	528,450	927,600	1,450,300
AK. Permanent Fund	-	-	297,600	352,300	412,300	483,500

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The projected figures (based on Department of Revenue March 1982 estimates) represent contributions of all state and federal mineral revenues to the Alaska Permanent Fund, Resource Fund, and General Fund. It should be noted that bonus and royalty sale proceeds are not included in the projections since bids are impossible to anticipate prior to sales. Furthermore, investment earnings from the Resource and Permanent Funds were not determined.

Robert W. Elliott

IV. DATE: 05/05/82

PREPARED BY: Robert W. Elliott

AGENCY: Revenue

PHONE: 465-2173

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

Original sponsors: Dankworth and Sturgulewski

Offered: 5/4/82

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BY THE RULES COMMITTEE

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8 owned by the State and in programs administered by the State. Projects
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11 law for a particular project, shall provide a rate of return on the
12 investment at least equal to the market rate for general obligation
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TO: All Legislators
FROM: Senator Ed Dankworth
RE: CSSSSJR 61
DATE: May 11, 1982

Attached for your review:

- (1) Sectional Analysis of SJR 61
- (2) Comparison of SJR-4 - SJR 61
- (3) Source of Funds Available for Section 16, SJR 61
- (4) Copies SJR 4 and SJR 61

ED/ial

SECTIONAL ANALYSIS FOR CSSSSJR 61 (Jud)

* Section 1. Adds two new sections to Article IX of the Constitution of the State of Alaska.

SECTION 16. This section places a limit on the revenue available for appropriation by the legislature. Revenue received from any source other than revenues from all mineral lease rentals, royalty sale proceeds, federal mineral revenue sharing payments and bonuses are available. This includes, but is not limited to revenue received from taxes, licenses and permit fees, federal shared revenues, investment earnings, airport and ferry system charges, court system charges and other miscellaneous revenues.

The legislature determines the percentage it will appropriate for operating, capital or loans.

The governor is responsible to reduce spending if actual revenues are below that appropriated by the legislature. This will prevent deficit spending and allow the legislature to "balance the books" at the beginning of each session.

SECTION 17. This section establishes the Alaska Resource Fund. All revenue received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses, that are not required by law to be deposited in the permanent fund, are placed in the Alaska Resource Fund. This fund is used in the following ways:

(1) The legislature may appropriate one-fifth (20%) of the balance in the fund for any purpose if the appropriation is approved by the voters in the general election.

(2) Money remaining in the fund may be invested in projects which are owned by the State, as in programs administered by the State. Projects that are owned by the State shall return to the Alaska Resource Fund the amount of the investment and a rate of return equal to the market rate for general obligation bonds unless otherwise provided by a specific law for a particular project. Programs administered by the State must be approved by the voters and return a market rate to the fund.

(3) Money remaining in the fund shall be invested at a rate of return equal to the market rate for similar investments.

(4) Earnings on the fund are deposited in the general fund.

* Sec. 2. Amends Article IX, Section 7, of the Constitution of the State of Alaska. This section exempts the permanent fund and the resource fund from the dedicated fund section of the constitution.

* Sec. 3. Amends Article IX, Section 15, of the Constitution of the State of Alaska. This section places the existing law regarding permanent fund contributions in the constitution to eliminate any conflicts on the percentage of funds to be placed in the permanent fund and the resource fund.

* Sec. 4. This section is the effective date amendments that allow Section 17 to phase in over a four year period.

* Sec. 5. Places this resolution on the ballot in the next general election.

* Sec. 6. Voids FSSFCCSSJR 4 if the resolution is passed by the legislature and placed on the ballot.

A COMPARISON OF FCCSSJR 4 AND SJR 61

Both of these resolutions are proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations. They are two entirely different concepts.

FCCSSJR 4

This concept utilizes a base of \$2.5 billion available for appropriations with increases based on population and inflation since July 1, 1981. One-third of this amount is reserved for capital projects and loans.

Exempt from this limitation are:

- (1) Alaska Permanent Fund Dividends.
- (2) Revenue Bond Proceeds.
- (3) Principle and Interest on General Obligation Bonds.
- (4) Money received from a non-state source in trust for a specific purpose.
- (5) Permanent Fund Contributions required by Law.
- (6) Appropriations necessary to meet a state of disaster declared by the Governor.

The Legislature may exceed this limit in bills for appropriations to the Alaska Permanent Fund or Capital Projects if approved by the voters as prescribed by law.

SJR 61 (Sponsor Substitute)

This proposed amendment has two major sections. Section 16, which is a limitation on state spending and Section 17 which establishes the Alaska Resource Fund.

SECTION 16 - This section limits spending for the operation of state government to those funds received from taxes, license fees, permits, interest income and other miscellaneous revenue received by the state. Revenue received from the lease or disposal of state lands or interest in state lands cannot be used for this purpose except as provided in Section 17. The governor has the responsibility to reduce spending during a fiscal year if revenue projections fall below those levels anticipated by the legislature in preparing that year's budget.

SECTION 17 - All revenue received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses except for that portion that is required to be deposited in the Permanent Fund shall be deposited in the Alaska Resource Fund. Money in this fund may be used as follows:

- (1) Up to one-fifth of the balance may be appropriated for any purpose if approved by the voters in a general election.
- (2) The balance remaining after deduction of appropriations approved by the voters may be used for:
 - (a) Capital projects which are owned by the state and shall return to the fund the amount of the investment and a market rate of return unless otherwise provided by a specific law for a particular project,
or:
 - (b) Programs administered by the state and approved by the voters, that will return the investment plus a return equal to market rates of federal government obligations.
- (3) Any remaining balance will be invested at market rates.
- (4) Earnings on the fund are deposited in the general fund.

FCCSSJR 4

- Couples government spending to population and inflation.
- No consideration given to available revenue. .
- Funds available for voter approved capital projects would not exist after FY 92 based on revenue projections.
- Based on revenue projections there would be a shortfall or deficit in excess of \$18 billion in FY 98.

SJR 61

- Spending cannot exceed revenue.
- Operating budget is based on revenue received from taxes, license fees, permits and other miscellaneous income.
- Voters decide how to spend a portion of the revenue received from the sale or lease of our natural resources.

CS SS SJR 61 (Rules)
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Resource Fund Interest	(3) Total Revenue	(4) Section 16 Revenue less Debt Service	(5) Resource Fund Balance	(6) Section 17 20% Voter Approval	(7) Permanent Fund Balance	(8) Permanent Fund Distributable Income	(9) Section 16 Revenue Less Debt Service FY. 83 \$
1984	3063.1	5.8	3068.9	2332.1	192.4		4171.4	73.4	2159.4
1985	3509.1	24.1	3533.2	2457.2	611.7	38.4	5017.7	88.4	2106.7
1986	4012.4	50.7	4082.1	2579.7	1410.0		6016.7	106.1	2047.8
1987	4634.7	113.7	4748.4	2709.6	2378.4	282.0	7197.2	127.0	1991.6
1988	4777.8	184.0	4961.8	2733.2	3755.4		8544.1	151.4	1860.2
1989	5258.7	250.0	5508.7	3074.2	4576.9	751.1	10020.5	178.5	1937.3
1990	4627.1	321.8	4948.9	2749.8	6151.0		11382.5	205.8	1604.5
1991	4186.3	374.3	4560.6	2609.0	6327.3	1230.2	12794.1	232.5	1409.6
1992	4119.8	421.1	4540.9	2622.2	7709.1		14336.4	260.8	1311.8
1993	3763.2	453.9	4217.1	2462.7	7419.3	1541.8	15972.7	291.4	1140.7
1994	3615.5	481.1	4096.6	2412.4	8616.1		17730.6	324.1	1034.6
1995	3475.4	499.6	3975.0	2360.2	8037.4	1723.2	19614.2	359.1	937.3
1996	3184.9	513.2	3698.1	2218.6	9070.8		21624.9	396.5	815.8
1997	3348.5	522.2	3870.7	2313.6	8336.7	1814.2	23833.5	437.1	787.7
1998	3474.5	533.6	4008.1	2395.8	9449.1		26245.2	481.5	755.3

ASSUMPTIONS:

1. Resource fund earns 6%, permanent fund 10%, of which 8% is inflation and 2% is distributable income; inflation component of permanent fund earnings added to principal per CS SS SB 684 (Fin) am;
2. Permanent fund contribution increased to 35% until \$1 billion accumulated per 2d CS SB 885 (Rules);
3. March 1982 Department of Revenue estimates at 30th percentile;
4. Resource fund contributions phased in;
5. 20% of resource fund available for voter approval at general elections;
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10):

LEGISLATIVE RESOLVE 1, FSSLA 81
(FCCS FJR 4)
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Permanent Fund Contribution	(3) Unrestricted Revenue	(4) Operating Budget Ceiling	(5) Capital Budget Ceiling	(6) Unrestricted Revenue less Debt Service	(7) Operating Budget	(8) Capital Budget	(9) Operating Budget FY 83 \$
1984	3063.1	413.3	2649.8	2053.5	1026.8	2518.6	1079.0	839.5	1554.6
1985	3509.1	492.9	3016.2	2279.4	1139.7	2890.9	1927.3	963.6	1652.3
1986	4012.4	573.6	3438.8	2530.1	1265.1	3317.3	2211.5	1105.8	1755.6
1987	4634.7	673.3	3961.4	2808.4	1404.2	3846.3	2564.2	1282.1	1884.8
1988	4777.8	741.5	4036.3	3117.4	1558.7	3926.3	2617.5	1308.8	1781.4
1989	5258.7	762.4	4496.3	3460.3	1730.1	4396.8	2931.2	1465.6	1847.2
1990	4627.1	538.8	4088.3	3840.9	1920.4	4002.1	2668.0	1334.0	1556.8
1991	4186.3	481.7	3704.6	4263.4	2131.7	3641.2	2427.5	1213.7	1311.5
1992	4119.8	498.8	3621.0	4732.4	2366.2	3582.9	2388.6	1194.3	1194.9
1993	3763.2	470.6	3292.6	5252.9	2626.5	3260.8	2173.9	1086.9	1006.9
1994	3615.5	461.6	3153.9	5830.8	2915.4	3128.1	2085.4	1042.7	894.4
1995	3475.4	447.2	3028.2	6472.1	3236.1	3005.1	2003.4	1001.7	795.6
1996	3184.9	424.6	2760.3	7184.7	3592.0	2738.8	1825.7	912.9	671.3
1997	3348.5	460.3	2888.2	7974.3	3987.2	2871.5	1914.3	957.2	651.7
1998	3474.5	485.6	2988.9	8851.5	4425.7	2974.5	1983.0	991.5	625.1

Assumptions

1. Permanent fund contribution increased to 35% until \$1 billion accumulated per CS SS SB 684 (Fin) am;
2. March 1982 Department of Revenue estimates at 30th percentile;
3. 8% annual inflation assumed in revenue projections, budget ceilings, and operating budget in FY 83\$;
3% annual population growth assumed for budget ceilings;
4. Col. 7 = 2/3 of Col. 6; Col. 8 = 1/3 of Col. 6.
5. Permanent fund same as SJR 61.

PREPARED BY:

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Legislative Finance
5-10-82

FUNDS AVAILABLE FOR OPERATING & CAPITAL BUDGETS

SJR-61

IN THOUSAND OF CURRENT DOLLARS

	<u>FY 1983</u> <u>Estimate</u> <u>January</u>	<u>FY 1984</u> <u>Estimate</u> <u>January</u>
<u>Taxes</u>		
<u>Income</u>		
Corporate-General (1)	35,000	39,000
Corporate-Petroleum (2)	304,000	360,000
<u>Gross Receipts</u>		
Alaska Business License	5,500	5,500
Fish-Canned Salmon	6,000	6,000
Fish-Shorebased	11,000	11,000
Fish-Floating	4,000	4,000
Salmon Enhancement	2,400	2,400
Insurance Companies	11,500	11,500
Other	1,400	1,400
<u>Severance</u>		
Gravel, Timber, Etc.	2,500	2,500
Oil & Gas Production (3)(4)	1,819,000	2,213,400
Oil & Gas Conservation	700	700
<u>Property</u>		
Oil & Gas (5)	157,700	225,000
Vehicle Registration	200	200
<u>Sale/Use</u>		
Alcoholic Beverages	9,000	9,000
Fuel Taxes-Aviation	4,500	4,700
Fuel Taxes-Highway	18,500	19,000
Fuel Taxes-Marine	3,800	4,000
Tabacco Products	1,900	1,900
<u>Other</u>		
Estate	500	500
Total Taxes	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses & Permits</u>		
<u>Business</u>	11,000	12,100
<u>Non-Business</u>	13,000	13,500
Total Licenses & Permits	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>		
Federal Shared Revenues (6)(7)	9,900	10,000
Investment Earnings	315,000	375,000
<u>Facilities Related Charges</u>		
Airports	1,200	1,200
Ferry System-Southeast	26,300	28,900
Ferry System-Southwest	3,800	4,100
Other	4,500	4,700
<u>Service Related Charges</u>		
Court System	3,300	3,500
Other	4,500	4,800
	<u>43,600</u>	<u>47,200</u>
<u>Miscellaneous Revenues</u>	5,900	6,000
Total	2,797,500	3,385,500