

SCOMM

45:5

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.
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 estab-
7 lishing the Alaska capital investment
8 fund.

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

10 * Section 1. Article IX, Constitution of the State of Alaska is amended
11 by adding a new section to read:

12 SECTION 17. ALASKA CAPITAL INVESTMENT FUND. At least twenty-five
13 percent of all mineral lease rentals, royalties, royalty sale proceeds,
14 federal mineral revenue sharing payments and bonuses received by the
15 State shall be placed in an Alaska capital investment fund. The fund
16 may be invested in capital improvements that are owned by the State and
17 that will return [to the Alaska capital investment fund] the amount of the
18 investment and a rate of return. An investment in a capital improvement
19 owned by the State may be made only if the amount invested in the capi-
20 tal improvement and the rate of return on the investment is authorized
21 by law and ratified by a majority of the voters who vote on the ques-
22 tion. Money remaining in the Alaska capital investment fund shall be
23 invested as provided by law at a rate of return equal to the market rate
24 of return for similar investments of the same maturity. The income from
25 the Alaska capital investment fund shall be deposited in the general
26 fund.

27 * Sec. 2. The amendment proposed by this resolution shall be placed be-
28 fore the voters of the state at the next general election in conformity with
29 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws

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Law

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MAY 18, 1982

SENATOR ED DANKWORTH

AMENDMENT TO CSHJR 12(Jud)

CHANGE TITLE - "Proposing amendments to the Constitution of the State of Alaska limiting the length of regular sessions of the Legislature and establishing the Alaska Resource Fund"

(1) Line 20, Change [Section 2] to Section 3 change [Amendment] to Amendments

(2) Add: Section 2
Article IX, Constitution of the State of Alaska,
is amended by adding a new section to read:

SECTION 17. Alaska Resource Fund. Except as provided *by law*
or in Section 15 of this article, all mineral lease rentals, royalties,
royalty sale proceeds, federal mineral revenue sharing payment and
bonuses received by the State shall be placed in an Alaska Resource
Fund. Up to ^{25%} 40 percent of the funds placed in the Alaska Resource
Fund in the previous year may be appropriated for any purpose if the
appropriation is approved by the voters in ^{the general} a statewide election ~~as~~
~~provided by law~~. Money in the Alaska Resource Fund may also be invested,
~~as provided by law~~, in ^{cap projects} ~~projects or programs~~ which are owned or operated
by the State, which will return to the Alaska Resource Fund ^{at a min. the value of} ~~the amount~~ of
the investment, and which will provide a rate of return as provided by
law. ² Money remaining in the Alaska Resource Fund shall be invested
as provided by law, at a rate of return equal to the market rate of
return for similar investments at the same maturity. Earnings on

money deposited in the Alaska Resource Fund shall be deposited in the general fund as provided by law.

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for capital projects if the appropriation is approved by the voters in a general election as provided by law. All income from the Alaska resource fund shall be deposited in the general fund unless otherwise provided by law.

50% into Res F

Reinwand 5/18/82

ALASKA INVESTMENT FUND. At least 25 percent of all mineral lease rentals, royalties, royal sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in an investment fund, the principal of which may be used only for (appropriations or) investments ^{in cap improvements} approved by the voters on a project-specific basis. All income from the investment fund shall be deposited in the general fund.

As provided by law, each project ~~investor~~ shall return

STATE OF ALASKA

THE LEGISLATURE

1981

Source

FSS-FCCSSJR 4

Legislative
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

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

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made

except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS. If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

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

12-2836 ✓
Berrier
5/11/82

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

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 limiting increases in appropria-
8 tions.

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

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,
14 appropriations required to pay the principal and interest on general
15 obligation bonds, and appropriations of money received from a non-State
16 source in trust for a specific purpose, including revenues of a public
17 enterprise or public corporation of the State that issues revenue bonds,
18 appropriations from the treasury made for a fiscal year shall not exceed
19 the total appropriations made in the previous year or \$2,500,000,000,
20 whichever is less, by more than the cumulative change, derived from
21 federal indices as prescribed by law, in population and inflation since
22 July 1, 1981. The legislature may exceed this limit in bills for ap-
23 propriations if each bill is approved by the governor, or passed by
24 affirmative vote of three-fourths of the membership of the legislature
25 over a veto or item veto, or becomes law without signature, and is also
26 approved by the voters as prescribed by law. Each bill for appropria-
27 tions for capital projects in excess of the limit shall be confined to
28 capital projects of the same type, and the voters shall, as provided by
29 law, be informed of the cost of operations and maintenance of the capital

1 projects. Not more than fifty percent of the unexpended and unobligated
2 money in the state treasury that exceeds the limit established by this
3 section for a fiscal year may be expended for ^{PURPOSES} approved
4 by the voters. No other appropriation in excess of this limit may be
5 made except to meet a state of disaster declared by the governor as
6 prescribed by law. The governor shall cause any unexpended and un-
7 appropriated balance to be invested so as to yield competitive market
8 rates to the treasury.

9 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
10 adding new sections to read:

11 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
12 majority of those voting on the question at the general election in 1982
13 approve the ballot proposition for the total cost to the State of provid-
14 ing for relocation of the capital, no additional voter approval of
15 appropriations for that purpose within the cost approved by the voters
16 is required under the 1982 amendment limiting increases in appropriations
17 (art. IX, sec. 16).

18 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
19 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases
20 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the
21 ballot title and proposition for the amendment to be placed on the
22 ballot again at the general election in 1986. If the majority of those
23 voting on the proposition in 1986 rejects the amendment, it shall be
24 repealed.

25 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting
26 appropriation increases (art. IX, sec. 16) applies to appropriations
27 made for fiscal year 1984 and thereafter.

28 * Sec. 3. The amendments proposed by this resolution shall be placed
29 before the voters of the state at the next general election in conformity

1 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
2 laws of the state.

3 * Sec. 4. The amendments proposed by this resolution supersede the amend-
4 ments proposed by Legislative Resolve No. 1, First Special Session of the
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
6 section 3 of that resolution that the amendments proposed by that resolution
7 be placed before the voters of the state.

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Official Business

Alaska State Legislature

House of Representatives

Office of The Majority Leader

Handwritten initials and signature:
P. H.
Helford

Pouch V
State Capitol
Juneau, Alaska 99811

SJR 61

The resolution is complex but can be broken into three main components plus necessary technical changes and 3 year phase in provisions.

Article IX Section 16 states that only revenue from taxes, program receipts and federal funding may be appropriated in the traditional manner, and that the Governor can stop projects if these sources of revenue decline during the year. This section substantially increases the power of the Executive to pick and choose what projects continue even after legislative approval and passage into law. It also provides incentive to increase taxes as the only means to fund the capital and operating budgets even in a revenue emergency.

Article IX Section 17 creates the Alaska Resources Fund, 20% of which may be appropriated for operating or capital programs with voter approval. The remainder of the fund may be invested in programs approved by the voters or state-owned revenue producing projects chosen by a board or authority appointed by the Governor, these projects must return the investment to the fund. State owned pipelines, toll roads, ferries, dams or the railroad might fall into this category, but traditional public roads, schools, airports and capital projects would be excluded. This section also increases the power of the Governor through his appointment of the controlling board, decreases local controls and encourages state ownership and operation of traditional private or local government functions.

Article IX Section 15 as amended doubles constitutionally mandated permanent fund contributions and locks into the Constitution current statutory language which requires most of the Permanent Fund to be invested outside of Alaska.

The original basis of the proposal, that we should not spend our resource wealth on the operation of government, is a good one; as is the concept that the majority of our resource revenues should be saved or invested in projects providing long term benefits and economic diversification.

But the concepts have been so embellished by opposing interests that SJR 61 without considerable modification is totally unworkable. A spending limit should provide a means of projecting, leveling and limiting funds available for appropriation to control the volatility of spending state revenues based on fast changing oil prices.

As drafted, SJR 61 provides no limit on spending in any category. If oil prices returned to last year's levels, over four billion dollars could be spent in any way desired. It also provides no limit on taxes to be imposed on any segment of the population and if oil prices do not increase, it will force tax increases, possibly to the extent of returning to the personal income tax.

I agree that Governor Hammond's spending limit of last year is far from perfect, but it is a definite limit, not a taxing spending plan. If changes are proposed for it, the spending limit should be strengthened.

Handwritten signature:
Pitt

CS SS SJR 61 (Finance)

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	23.1	3086.2	1772.4	769.3		4171.4	73.4	1641.1
1985	3509.1	69.0	3578.1	2044.5	1530.8	153.9	5017.7	88.4	1752.8
1986	4012.4	123.8	4136.2	2376.7	2595.2		6015.7	106.1	1886.7
1987	4634.7	177.7	4812.4	2773.6	3326.5	519.0	7197.2	127.0	2038.7
1988	4777.8	240.9	5018.7	2790.1	4703.5		8544.1	151.4	1898.9
1989	5258.7	301.2	5559.9	3125.4	5335.4	940.7	10020.5	178.5	1969.5
1990	4627.1	367.3	4994.4	2795.3	6909.5		11382.5	205.8	1631.0
1991	4186.3	415.3	4601.6	2650.0	6934.1	1381.9	12794.1	232.5	1431.7
1992	4119.8	457.5	4577.3	2658.6	8315.8		14336.4	260.8	1330.0
1993	3763.2	486.6	4249.8	2495.4	7904.7	1663.2	15972.7	291.4	1155.9
1994	3615.5	510.2	4125.7	2441.5	9101.5		17730.6	324.1	1047.1
1995	3475.4	525.8	4001.2	2386.4	8425.7	1820.3	19614.2	359.1	947.7
1996	3184.9	536.5	3721.4	2241.9	9459.1		21624.9	396.5	824.3
1997	3348.5	543.2	3891.7	2334.6	8647.4	1891.8	23833.5	437.1	794.8
1998	3474.5	552.2	4026.7	2414.4	9759.8		26245.2	481.5	761.1

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 balance available for voter approval every two years;
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10).

PREPARED BY:

Legislative Finance
 Mitt Barker
 5-13-82

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	60.7	4082.1	2579.7	1410.0		6015.7	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 SJR 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	1679.0	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:

Milt Barker
Legislative Finance
5-10-82

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 provided 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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12-2836
Berrier
5/5/82.

51

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

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 limiting increases in appropria-
8 tions.

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

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,
14 appropriations required to pay the principal and interest on general
15 obligation bonds, and appropriations of money received from a non-State
16 source in trust for a specific purpose, including revenues of a public
17 enterprise or public corporation of the State that issues revenue bonds,
18 appropriations from the treasury made for a fiscal year shall not exceed
19 \$2,500,000,000 by more than the cumulative change, derived from federal
20 indices as prescribed by law, in population and inflation since July 1,
21 1981. The legislature may exceed this limit, ^{by appropriating up to 50% of the} in bills for appropriations
22 ^{to the Alaska permanent fund} to the Alaska permanent fund and in bills for appropriations for capital
23 projects, whether of bond proceeds or otherwise, if each bill is approved
24 by the governor, or passed by affirmative vote of three-fourths of the
25 membership of the legislature over a veto or item veto, or becomes law
26 without signature, and is also approved by the voters as prescribed by
27 law. Each bill for appropriations for capital projects in excess of the
28 limit shall be confined to capital projects of the same type, and the
29 voters shall, as provided by law, be informed of the cost of operations

1 and maintenance of the capital projects. No other appropriation in
2 excess of this limit may be made except to meet a state of disaster
3 declared by the governor as prescribed by law. The governor shall cause
4 any unexpended and unappropriated balance to be invested so as to yield
5 competitive market rates to the treasury.

6 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
7 adding a new section to read:

8 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty
9 percent of the unexpended and unobligated money in the state treasury
10 that exceeds the limit established by section 16 of this article for a
11 fiscal year may be expended for capital projects approved by the voters.

12 * Sec. 3. Article XV, Constitution of the State of Alaska, is amended by
13 adding new sections to read:

14 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
15 majority of those voting on the question at the general election in 1982
16 approve the ballot proposition for the total cost to the State of provid-
17 ing for relocation of the capital, no additional voter approval of
18 appropriations for that purpose within the cost approved by the voters
19 is required under the 1982 amendment limiting increases in appropriations
20 (art. IX, sec. 16).

21 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
22 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases
23 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the
24 ballot title and proposition for the amendment to be placed on the
25 ballot again at the general election in 1986. If the majority of those
26 voting on the proposition in 1986 rejects the amendment, it shall be
27 repealed.

28 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting
29 appropriation increases (art. IX, sec. 16) applies to appropriations

1 made for fiscal year 1984 and thereafter.

2 * Sec. 4. The amendments proposed by this resolution shall be placed
3 before the voters of the state at the next general election in conformity
4 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
5 laws of the state.

6 * Sec. 5. The amendments proposed by this resolution supersede the amend-
7 ments proposed by Legislative Resolve No. 1, First Special Session of the
8 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
9 section 3 of that resolution that the amendments proposed by that resolution
10 be placed before the voters of the state.

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1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

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 limiting increases in appropria-
8 tions.

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

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read: *Previous yr adjustment*

12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,
14 appropriations required to pay the principal and interest on general
15 obligation bonds, and appropriations of money received from a non-State
16 source in trust for a specific purpose, including revenues of a public
17 enterprise or public corporation of the State that issues revenue bonds,
18 appropriations from the treasury made for a fiscal year shall not exceed
19 *total appropriations made in the previous fiscal year or*
20 *whatsoever is less* \$2,500,000,000 by more than the cumulative change, derived from federal
21 indices as prescribed by law, in population and inflation since July 1,
22 1981. The legislature may exceed this limit, *by appropriating to the SOB of 46* in bills for appropriations
23 to the Alaska permanent fund and in bills for appropriations for capital
24 projects, whether of bond proceeds or otherwise, if each bill is approved
25 by the governor, or passed by affirmative vote of three-fourths of the
26 membership of the legislature over a veto or item veto, or becomes law
27 without signature, and is also approved by the voters as prescribed by
28 law. Each bill for appropriations for capital projects in excess of the
29 limit, *whenever* shall be confined to capital projects of the same type, and the
voters shall, as provided by law, be informed of the cost of operations

1 and maintenance of the capital projects. No other appropriation in
2 excess of this limit may be made except to meet a state of disaster
3 declared by the governor as prescribed by law. The governor shall cause
4 any unexpended and unappropriated balance to be invested so as to yield
5 competitive market rates to the treasury.

6 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
7 adding a new section to read:

8 *Balance* SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty
9 percent of the unexpended and unobligated money in the state treasury
10 that exceeds the limit established by section 16 of this article for a
11 fiscal year may be expended for capital projects approved by the voters.

12 * Sec. 3. Article XV, Constitution of the State of Alaska, is amended by
13 adding new sections to read:

14 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
15 majority of those voting on the question at the general election in 1982
16 approve the ballot proposition for the total cost to the State of provid-
17 ing for relocation of the capital, no additional voter approval of
18 appropriations for that purpose within the cost approved by the voters
19 is required under the 1982 amendment limiting increases in appropriations
20 (art. IX, sec. 16).

21 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
22 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases
23 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the
24 ballot title and proposition for the amendment to be placed on the
25 ballot again at the general election in 1986. If the majority of those
26 voting on the proposition in 1986 rejects the amendment, it shall be
27 repealed.

28 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting
29 appropriation increases (art. IX, sec. 16) applies to appropriations

1 made for fiscal year 1984 and thereafter.

2 * Sec. 4. The amendments proposed by this resolution shall be placed
3 before the voters of the state at the next general election in conformity
4 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
5 laws of the state.

6 * Sec. 5. The amendments proposed by this resolution supersede the amend-
7 ments proposed by Legislative Resolve No. 1, First Special Session of the
8 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
9 section 3 of that resolution that the amendments proposed by that resolution
10 be placed before the voters of the state.

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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	60.7	4082.1	2579.7	1410.0		6015.7	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 SJR 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	1679.0	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:

Milt Barker
Legislative Finance
5-10-82

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Dankworth
FROM: Pete Jeans *PJ*
DATE: March 24, 1982
RE: SJR 61

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.
- (2) Money in the fund shall be invested at a rate of return equal to the market rate of return for similar investments, but not less than the rate of return provided by obligations of the United States Government. (For a 90 day investment the bottom line would be 90 day treasury bills, today 12.82%, 10 year maturity 13.79%.) or;
- (3) Money in the fund may be invested in capital projects which are owned by the state that will return the investment to the fund and provide a rate of return equal to the market rate for general obligation bonds of the state at the time the investment is made. (Approximately 10%).
- (4) Earnings on the fund are deposited in the general fund.

SECTION 26. Will eliminate the possibility of a second vote on the appropriation for relocation of the capital.

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)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
<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>41,600</u>	<u>47,200</u>
<u>Miscellaneous Revenues</u>	<u>5,900</u>	<u>6,000</u>
Total	2,797,500	3,385,500

SJR-61

YEAR	REVENUE PROJECTIONS	SECTION 16 REVENUE	RESOURCE FUND BALANCE	INTEREST RESOURCE FUND	SECTION 17 VOTER APPROVAL
1983	3308.4	2989.62	0.0	0.00	0.00
1984	5241.7	3101.91	1306.3	0.00	326.59
1985	6518.6	3696.82	3672.1	143.70	0.00
1986	7611.7	4304.35	5138.8	367.21	1284.70
1987	8762.2	4907.82	8325.2	462.49	0.00
1988	9275.2	5051.11	9443.9	749.27	2360.97
1989	10300.3	5624.25	13280.8	849.95	0.00
1990	10468.6	5926.71	13613.4	1195.27	3403.34
1991	10107.8	5814.31	17159.0	1225.20	0.00
1992	10437.1	6185.93	16538.6	1544.31	4134.66
1993	10547.9	6236.29	20102.3	1488.48	0.00
1994	10971.4	6658.49	18935.5	1809.21	4733.87
1995	10236.5	6307.10	22204.5	1704.19	0.00
1996	10298.7	6532.60	20278.4	1998.41	5069.61
1997	10729.1	6658.43	23663.7	1825.06	0.00
1998	11291.7	7100.27	21716.6	2129.73	5429.16

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

RESOURCE FUND

YEAR	RESOURCE FUND BALANCE	RESOURCE FUND INTEREST	RESOURCE FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	0.0	0.00	0.0%
1984	1306.3	0.00	0.0%
1985	3672.1	143.70	3.9%
1986	5138.8	367.21	8.5%
1987	8325.2	462.49	9.4%
1988	9443.9	749.27	14.8%
1989	13280.8	849.95	15.1%
1990	13613.4	1195.27	20.2%
1991	17159.0	1225.20	21.1%
1992	16538.6	1544.31	25.0%
1993	20102.3	1488.48	23.9%
1994	18935.5	1809.21	27.2%
1995	22204.5	1704.19	27.0%
1996	20278.4	1998.41	30.6%
1997	23663.7	1825.06	27.4%
1998	21716.6	2129.73	30.0%

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

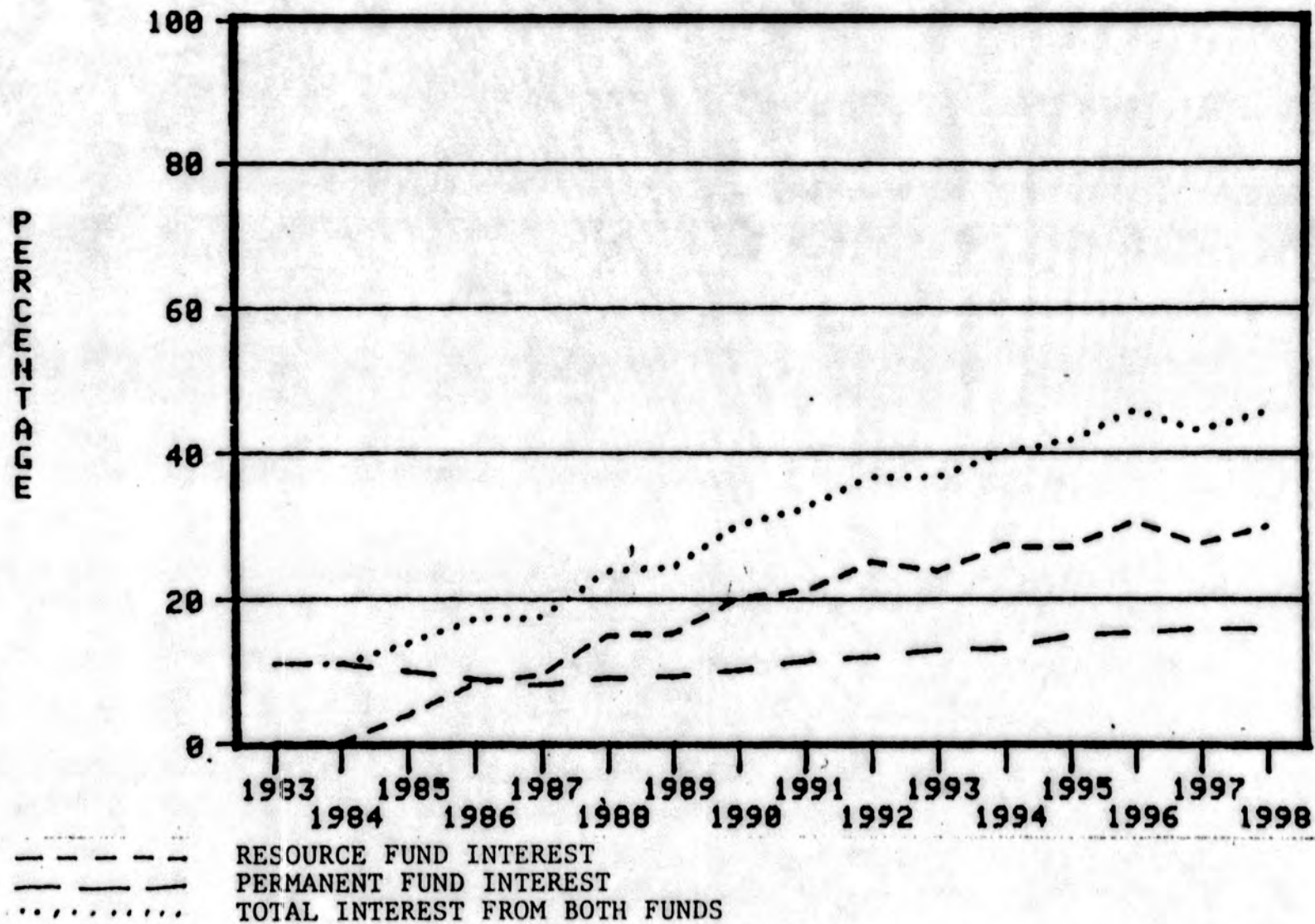
PERMANENT FUND

YEAR	PERMANENT FUND BALANCE	INTEREST	PERMANENT FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	2818.8	325.00	10.9%
1984	3325.6	338.26	10.9%
1985	3781.6	365.82	9.9%
1986	4337.5	378.16	8.8%
1987	5005.5	390.38	8.0%
1988	5749.9	450.49	8.9%
1989	6589.1	517.49	9.2%
1990	7395.1	593.02	10.0%
1991	8142.9	665.56	11.4%
1992	8879.7	732.86	11.8%
1993	9627.7	799.18	12.8%
1994	10373.5	866.49	13.0%
1995	11033.9	933.61	14.8%
1996	11656.5	993.05	15.2%
1997	12341.9	1049.08	15.8%
1998	13051.2	1110.77	15.6%

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

TOTAL INTEREST FROM THE RESOURCE AND PERMANENT FUNDS AS A PERCENTAGE OF FUNDS
AVAILABLE FOR APPROPRIATION



-7-

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

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; and superseding the
10 amendments proposed by Legislative
11 Resolve No. 1, First Special Session
12 of the Twelfth Legislature (FSS FCCS
13 SJR 4).

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

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

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

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
28 15 of this article, all mineral lease rentals, royalties, royalty sale
29 proceeds, federal mineral revenue sharing payments and bonuses received

1 by the State shall be placed in an Alaska resource fund. Up to one-
2 fifth of the balance in the Alaska resource fund may be appropriated for
3 any purpose if the appropriation is approved by the voters in a general
4 election as provided by law. Money in the Alaska resource fund shall be
5 invested as provided by law at a rate of return equal to the market rate
6 of return for similar investments but not less than the rate of return
7 provided by obligations of similar maturity of the United States govern-
8 ment at the time the investment is made. Money in the Alaska resource
9 fund may also be invested in capital projects which are owned by the
10 State, which will return to the Alaska resource fund the amount of the
11 investment, and which will provide a rate of return on the investment at
12 least equal to the market rate for general obligation bonds of similar
13 maturity of the State at the time the investment is made. Earnings on
14 money deposited in the Alaska resource fund shall be deposited in the
15 general fund.

16 * Sec. 2. Article IX, section 15, Constitution of the State of Alaska is
17 amended to read:

18 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
19 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-
20 eral mineral revenue sharing payments received by the State from mineral
21 leases issued on or before December 1, 1979, and at least twenty-five
22 percent of all bonuses received by the State from mineral leases issued
23 on or before February 15, 1980, shall be placed in a permanent fund.
24 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-
25 ceeds, and federal mineral revenue sharing payments received by the
26 State from mineral leases issued after December 1, 1979, and fifty per-
27 cent of all bonuses received by the State from mineral leases issued af-
28 ter February 15, 1980, shall be placed in the permanent fund. The prin-
29 cipal of the permanent fund [, THE PRINCIPAL OF WHICH] shall be used

1 only for [THOSE] income-producing investments specifically designated by
2 law as eligible for permanent fund investments at the market rate of re-
3 turn for similar investments. All income from the permanent fund shall
4 be deposited in the general fund unless otherwise provided by law.

5 * Sec. 3. Article XV, Constitution of the State of Alaska, is amended by
6 adding new sections to read:

7 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
8 majority of those voting on the question at the general election in 1982
9 approve the ballot proposition for the total cost of the State of pro-
10 viding for relocation of the capital, no additional voter approval of
11 appropriations for that purpose within the cost approved by the voters
12 is required under section 17 of article IX of this constitution.

13 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
14 article IX of this constitution adding sections 16 and 17, relating to
15 appropriations and the Alaska resources fund, and amending section 15,
16 relating to the permanent fund, take effect July 1, 1983.

17 * Sec. 4. The amendments proposed by this resolution shall be placed be-
18 fore the voters of the state at the next general election in conformity with
19 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
20 of the state.

21 * Sec. 5. The amendments proposed by this resolution supersede the amend-
22 ments proposed by the Legislative Resolve No. 1, First Special Session of the
23 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
24 section 3 of that resolution that the amendments proposed by that resolution
25 be placed before the voters of the state.
26
27
28
29

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Base Case

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2678.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3862.5	3364.9	2902.8	131.3	462.1	525.1
86	4432.2	3854.1	3049.0	0.0	805.2	1330.3
87	5152.7	4474.6	3215.3	517.9	1259.3	2071.7
88	5400.7	4654.3	3268.2	0.0	1386.1	3457.8
89	6025.8	5203.6	3676.8	996.9	1526.9	3937.7
90	5803.0	4758.6	3376.0	0.0	1382.6	5320.3
91	5205.1	4730.4	3303.6	1359.4	1426.9	5437.7
92	5190.5	4716.8	3295.5	0.0	1421.3	6859.0
93	4952.5	4518.2	3215.3	1632.4	1302.9	6529.5
94	4831.9	4413.6	3158.8	0.0	1254.8	7784.4
95	4796.4	4394.8	3189.9	1797.9	1204.9	7191.4
96	4516.7	4148.4	3043.7	0.0	1104.8	8296.2
97	4772.4	4383.5	3216.8	1892.6	1166.7	7570.3
98	4901.3	4498.0	3288.0	0.0	1209.9	8780.2

ASSUMPTIONS:

30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%
INFLATION RATE = 7%
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE-CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

CAL YR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 15 APPROPRIATION
3	2833.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
4	3301.3	418.6	2457.7	2296.9	1874.7	0.0	10.5
5	3799.4	497.6	2587.7	2260.2	2116.0	0.3	11.4
6	4377.4	573.1	2709.0	2211.4	2414.4	0.9	12.5
7	5055.5	678.1	2846.4	2171.5	2779.9	2.1	13.6
8	5801.9	746.4	2865.5	2043.0	2761.9	3.2	15.5
9	6624.0	822.2	3236.7	2156.7	3063.8	4.7	15.8
0	7368.5	744.5	2894.3	1802.7	2695.4	5.9	19.6
1	7844.1	475.6	2785.2	1621.0	2516.6	8.1	22.3
2	8317.9	473.8	2753.3	1497.6	2481.4	8.2	23.8
3	8752.2	434.5	2649.4	1346.8	2306.5	10.7	25.9
4	9170.5	418.3	2571.2	1221.6	2244.7	10.3	27.7
5	9572.1	401.6	2581.3	1146.1	2192.1	12.2	28.7
6	9940.4	368.3	2415.1	1002.2	2055.5	11.8	31.4
7	10329.3	388.9	2569.8	796.6	2155.0	12.9	30.9
8	10732.6	403.3	2621.6	950.2	2243.1	11.5	31.4



STATE OF ALASKA
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DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL EAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4141.0	3595.5	3089.1	143.9	506.5	575.6
86	4782.3	4144.3	3255.6	0.0	888.7	1464.3
87	5583.7	4833.5	3440.1	571.5	1393.3	2286.1
88	5915.2	5079.5	3527.5	0.0	1552.0	3838.0
89	6700.3	5760.3	4014.4	1116.8	1745.8	4467.1
90	6862.1	6173.9	4109.0	0.0	2064.8	6531.9
91	6782.7	6112.9	4103.5	1708.3	2009.4	6833.1
92	6866.3	6184.5	4139.2	0.0	2045.3	8878.3
93	7097.7	6398.3	4300.0	2195.3	2098.3	8731.3
94	7285.8	6562.5	4392.9	0.0	2169.7	10951.0
95	7102.4	6419.5	4370.7	2599.9	2048.7	10399.8
96	6960.6	6288.3	4271.2	0.0	2017.0	12416.8
97	7478.9	6762.3	4612.3	2913.4	2150.0	11653.4
98	7728.9	6978.4	4726.7	0.0	2251.7	13905.1

ASSUMPTIONS:

MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
 RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
 RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
 RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%
 INFLATION RATE = 7%
 PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION-16 APPROPRIATION	REAL NET SECTION-16 APPROPRIATION	NET SECTION 16 NET-OF-R-F- INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
984	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
985	3357.4	545.4	2772.0	2421.2	2254.9	0.3	10.8
986	4525.5	638.0	2911.2	2376.4	2586.2	0.9	11.9
987	5275.7	750.3	3063.8	2337.4	2990.6	2.1	13.2
988	6111.4	835.7	3113.8	2220.1	2999.5	3.2	15.0
989	7051.5	940.1	3558.9	2371.4	3366.9	4.8	15.2
990	7739.7	688.3	3606.5	2245.9	3383.1	5.4	17.2
991	5409.5	669.8	3566.5	2075.7	3239.9	8.0	18.9
992	9091.3	681.8	3568.8	1941.2	3227.1	8.3	20.3
993	9790.7	699.4	3695.4	1878.6	3251.5	10.3	21.1
994	10513.9	723.2	3753.3	1783.2	3314.3	10.0	22.3
995	11196.9	682.9	3695.0	1640.6	3147.5	12.5	24.0
996	11369.2	672.3	3561.4	1477.9	3041.4	12.2	26.2
997	12585.9	716.7	3868.8	1500.4	3248.0	13.5	25.7
998	13336.4	750.6	3947.4	1430.7	3364.7	12.3	26.6

RF = 25%
exp

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

ISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3862.5	3364.9	2902.8	164.1	462.1	492.3
86	4430.5	3852.5	3047.5	0.0	805.2	1297.5
87	5151.0	4472.9	3213.6	639.2	1259.3	1917.6
88	5393.0	4646.6	3260.5	0.0	1336.1	3303.7
89	6018.1	5195.9	3669.1	1207.6	1526.9	3622.9
90	5484.8	4740.3	3357.8	0.0	1332.6	5005.5
91	5187.8	4712.2	3285.3	1608.1	1426.9	4824.3
92	5159.9	4686.1	3264.8	0.0	1421.3	6245.5
93	4921.8	4487.6	3184.7	1887.1	1302.9	5661.3
94	4788.5	4370.2	3115.4	0.0	1254.8	6916.2
95	4753.0	4351.4	3146.5	2030.3	1204.9	6090.8
96	4461.7	4093.4	2988.7	0.0	1104.8	7195.6
97	4717.4	4328.5	3161.8	2090.6	1166.7	6271.7
98	4836.4	4433.0	3223.1	0.0	1209.9	7481.6

- ASSUMPTIONS:
- 1: 50TH PERCENTILE REVENUE PROJECTION; DEPARTMENT OF REVENUE
 - 2: RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
 - 3: 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
 - 4: RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
 - 5: RATES OF RETURN: PERMANENT FUND 10%; RESOURCE FUND 5%
 - 6: INFLATION RATE = 7%
 - 7: PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

ISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2833.2	333.2	2423.7	2423.7	2423.7	0.0	9.3
984	3301.8	413.6	2457.7	2296.9	1874.7	0.0	10.5
985	3799.4	497.6	2587.7	2260.2	2116.0	0.3	11.4
986	4377.4	578.1	2707.4	2210.0	2414.4	0.3	12.5
987	5055.5	678.1	2844.7	2170.2	2779.9	2.0	13.6
988	5801.9	746.4	2357.8	2037.5	2761.9	2.9	15.5
989	6624.0	822.2	3229.0	2151.6	3063.8	4.5	15.8
990	7368.5	744.5	2876.5	1791.4	2695.4	5.4	19.7
991	7344.1	475.6	2766.9	1610.4	2516.6	7.6	22.4
992	8317.9	473.8	2722.6	1480.9	2481.4	7.4	24.0
993	8752.2	434.3	2618.8	1331.3	2396.5	9.8	26.1
994	9170.5	413.3	2527.8	1200.9	2244.7	9.1	28.1
995	9572.1	401.6	2537.9	1126.9	2192.1	11.0	29.1
996	9940.4	368.3	2360.0	979.3	2055.5	10.2	32.0
997	10329.3	383.9	2514.8	975.3	2155.0	11.4	31.4
998	10732.6	403.3	2556.6	926.6	2243.1	9.7	32.0

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

CAL YR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
3	3081.9	2698.7	2698.7	0.0	0.0	0.0
4	3622.5	3163.6	2950.6	0.0	213.0	213.0
5	4141.0	3595.5	3089.1	179.9	506.5	539.6
6	4780.5	4142.5	3253.8	0.0	888.7	1428.3
7	5581.9	4831.7	3438.3	705.4	1393.3	2116.2
8	5906.7	5071.0	3519.1	0.0	1552.0	3668.2
9	6691.8	5751.8	4005.9	1353.5	1745.8	4060.5
0	6341.3	6153.5	4088.7	0.0	2064.8	6125.4
1	6762.3	6092.5	4083.2	2033.7	2009.4	6101.1
2	6829.7	6147.9	4102.6	0.0	2045.3	8146.3
3	7061.1	6361.7	4263.4	2561.2	2098.3	7633.5
4	7230.9	6507.7	4338.0	0.0	2169.7	9853.1
5	7047.5	6364.6	4315.8	2975.5	2048.7	8926.4
6	6886.9	6214.6	4197.6	0.0	2017.0	10943.4
7	7405.3	6688.6	4538.6	3273.4	2150.0	9820.1
8	7637.2	6886.7	4635.0	0.0	2251.7	12071.7

ASSUMPTIONS:

MEAN PETROLEUM REVENUE PROJECTION; DEPARTMENT OF REVENUE
RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%
INFLATION RATE = 7%
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
85	3837.4	545.4	2772.0	2421.2	2254.9	0.3	10.8
86	4525.5	638.0	2909.4	2375.0	2586.2	0.8	11.9
87	5275.7	750.3	3062.0	2336.0	2990.6	2.1	13.2
88	6111.4	835.7	3105.3	2214.0	2999.5	3.0	15.0
89	7051.5	940.1	3550.4	2365.8	3366.9	4.6	15.3
90	7739.7	688.3	3586.1	2233.3	3383.1	5.0	17.2
91	8409.5	669.8	3546.2	2063.9	3239.9	7.5	19.0
92	9091.3	681.8	3532.2	1921.3	3227.1	7.4	20.5
93	9790.7	699.4	3658.8	1860.0	3251.5	9.6	21.3
94	10513.9	723.2	3698.4	1757.1	3314.3	8.9	22.6
95	11196.9	682.9	3640.1	1616.3	3147.5	11.4	24.4
96	11869.2	672.3	3487.7	1447.3	3041.4	10.6	26.7
97	12585.9	716.7	3795.2	1471.8	3248.0	12.1	26.1
98	13336.4	750.6	3855.7	1397.5	3364.7	10.6	27.1

No

Phase in of
RF cont. (rollin)

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2168.8	0.0	777.4	777.4
85	3891.7	3394.1	2469.9	340.3	924.1	1361.2
86	4474.0	3895.9	2822.4	0.0	1073.5	2434.7
87	5207.9	4529.8	3270.5	738.8	1259.3	2955.2
88	5444.9	4698.5	3312.4	0.0	1386.1	4341.4
89	6070.0	5247.8	3721.0	1173.6	1526.9	4694.6
90	5538.4	4793.9	3411.3	0.0	1382.6	6077.2
91	5241.4	4765.8	3338.9	1500.8	1426.9	6003.2
92	5213.8	4745.0	3323.8	0.0	1421.3	7424.5
93	4930.3	4546.5	3243.6	1745.5	1302.9	6931.9
94	4854.5	4436.3	3181.4	0.0	1254.8	8236.7
95	4819.1	4417.4	3212.5	1888.3	1204.7	7553.3
96	4534.8	4166.5	3061.8	0.0	1104.8	8658.1
97	4790.5	4401.6	3234.9	1965.0	1166.7	7859.8
98	4915.8	4512.5	3302.5	0.0	1209.9	9069.8

ASSUMPTIONS:

30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
 RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
 RENEWABLE RESOURCE FUND STARTING IN FISCAL YEAR 84
 RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%
 INFLATION RATE = 7%
 PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN * *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.3	413.6	1874.7	1752.0	1874.7	0.0	13.3
85	3799.4	497.6	2154.8	1882.1	2116.0	1.6	13.4
86	4377.4	578.1	2482.4	2026.4	2414.4	2.4	13.5
87	5055.5	678.1	2901.6	2213.6	2779.9	3.7	13.4
88	5801.9	746.4	2909.6	2074.5	2761.9	4.5	15.3
89	6624.0	822.2	3230.9	2186.2	3063.8	5.8	15.6
90	7368.5	744.5	2930.1	1824.7	2695.4	6.9	19.4
91	7844.1	475.6	2820.5	1641.6	2516.6	9.1	22.1
92	8317.9	473.8	2781.6	1513.0	2481.4	9.0	23.6
93	8752.2	434.3	2677.7	1361.2	2306.5	11.4	25.6
94	9170.5	418.3	2593.8	1232.3	2244.7	11.0	27.5
95	9572.1	401.6	2604.0	1156.2	2192.1	12.8	28.5
96	9940.4	368.3	2433.2	1009.7	2055.5	12.3	31.3
97	10329.3	358.9	2587.9	1003.6	2155.0	13.4	30.7
98	10732.6	403.3	2636.1	955.4	2243.1	11.9	31.3

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
1983	3081.9	2698.7	2698.7	0.0	0.0	0.0
1984	3622.5	3163.6	2311.5	0.0	852.1	852.1
1985	4172.9	3627.5	2614.6	373.0	1012.9	1492.1
1986	4823.1	4190.1	3005.2	0.0	1184.9	2676.9
1987	5644.4	4894.1	3500.8	814.1	1393.3	3256.2
1988	5953.7	5128.0	3576.1	0.0	1552.0	4808.2
1989	6748.8	5808.8	4062.9	1310.8	1745.8	5243.2
1990	6900.9	6212.7	4147.8	0.0	2064.8	7308.1
1991	6821.5	6151.7	4142.3	1863.5	2009.4	7454.0
1992	6897.3	6215.5	4170.3	0.0	2045.3	9499.2
1993	7128.3	6429.3	4331.0	2319.5	2098.3	9278.0
1994	7310.6	6587.4	4417.7	0.0	2169.7	11447.7
1995	7127.2	6444.3	4395.6	2699.3	2043.7	10797.1
1996	6930.5	6308.1	4291.1	0.0	2017.0	12814.2
1997	7498.3	6782.1	4632.1	2992.8	2150.0	11971.3
1998	7744.8	6994.2	4742.6	0.0	2251.7	14223.0

ASSUMPTIONS:

- : MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- : RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- : 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- : RENEWABLE RESOURCE FUND STARTING IN FISCAL YEAR 84
- : RATES OF RETURN: PERMANENT FUND 10%; RESOURCE FUND 5%
- : INFLATION RATE = 7%
- : PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 25, 1982

STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 DIVISION OF BUDGET AND MANAGEMENT
 SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
1983	2683.2	333.2	2423.7	2423.7	2423.7	0.0	9.3
1984	3342.0	458.8	2017.3	1885.3	2017.3	0.0	12.5
1985	3887.4	545.4	2297.5	2006.7	2254.9	1.6	12.8
1986	4325.5	638.0	2660.8	2172.0	2536.2	2.5	12.9
1987	5275.7	750.3	3124.5	2383.7	2990.6	3.8	12.9
1988	6111.4	835.7	3162.3	2254.7	2999.5	4.6	14.7
1989	7051.5	910.1	3607.4	2403.7	3366.9	5.9	15.0
1990	7739.7	688.3	3645.3	2270.1	3383.1	6.3	17.0
1991	8409.5	669.8	3605.3	2098.3	3239.9	8.8	18.7
1992	9091.3	681.8	3599.8	1958.1	3227.1	8.9	20.2
1993	9790.7	699.4	3726.5	1894.4	3251.5	11.0	21.0
1994	10513.9	723.2	3778.2	1795.0	3314.3	10.5	22.2
1995	11196.9	682.9	3719.9	1651.7	3147.5	13.0	23.9
1996	11669.2	672.3	3581.3	1486.1	3041.4	12.6	26.1
1997	12585.9	716.7	3888.7	1508.1	3248.0	13.8	25.6
1998	13336.4	750.6	3963.3	1436.5	3364.7	12.6	26.5

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

BUDGET YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3352.8	3355.2	2893.1	131.3	462.1	525.1
86	4405.9	3827.9	3022.7	0.0	805.2	1330.3
87	5086.2	4408.1	3148.7	517.9	1259.3	2071.7
88	5297.1	4550.8	3164.7	0.0	1386.1	3457.8
89	5852.9	5030.7	3503.9	996.9	1526.9	3987.7
90	5303.7	4559.2	3176.6	0.0	1382.6	5370.3
91	4937.6	4461.9	3035.1	1359.4	1426.9	5437.7
92	4918.6	4444.9	3023.6	0.0	1421.3	6859.0
93	4609.6	4175.3	2872.4	1632.4	1302.9	6529.5
94	4505.4	4037.2	2832.3	0.0	1254.8	7784.4
95	4407.2	4005.6	2800.6	1797.9	1204.9	7191.4
96	4157.1	3788.9	2684.1	0.0	1104.8	8296.2
97	4357.6	3968.7	2802.0	1892.6	1166.7	7570.3
98	4522.8	4119.5	2909.5	0.0	1209.9	8780.2

ASSUMPTIONS:

- 30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2863.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.8	418.6	2457.7	2296.9	1874.7	0.0	10.5
85	3799.4	497.6	2578.0	2251.8	2116.0	0.0	11.4
86	4377.4	578.1	2682.8	2189.9	2414.4	0.0	12.6
87	5055.5	678.1	2779.9	2120.8	2779.9	0.0	13.9
88	5801.9	746.4	2761.9	1969.2	2761.9	0.0	16.0
89	6624.0	822.2	3063.8	2041.5	3063.8	0.0	16.6
90	7363.5	744.5	2695.4	1678.6	2695.4	0.0	20.8
91	7844.1	475.6	2516.6	1464.7	2516.6	0.0	24.3
92	8317.9	473.8	2481.4	1349.7	2481.4	0.0	25.9
93	8752.2	454.3	2306.5	1172.5	2306.5	0.0	28.9
94	9170.5	418.3	2244.7	1066.4	2244.7	0.0	30.9
95	9572.1	401.6	2192.1	973.3	2192.1	0.0	32.7
96	9740.4	368.3	2055.5	853.0	2055.5	0.0	35.6
97	10329.3	388.9	2155.0	835.8	2155.0	0.0	35.5
98	10732.6	405.3	2243.1	813.0	2243.1	0.0	35.5

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4130.3	3584.9	3078.4	143.9	506.5	575.6
86	4753.5	4115.5	3226.8	0.0	888.7	1464.3
87	5510.5	4760.3	3366.9	571.5	1393.3	2286.1
88	5800.9	4965.2	3413.2	0.0	1552.0	3838.0
89	6503.4	5568.4	3822.5	1116.8	1745.8	4467.1
90	6638.8	5950.5	3885.7	0.0	2064.8	6531.7
91	6456.1	5786.3	3776.9	1708.3	2009.4	6833.1
92	6524.6	5842.8	3797.6	0.0	2045.3	8878.3
93	6653.8	5954.4	3856.1	2195.3	2098.3	8781.3
94	6846.7	6123.5	3953.8	0.0	2169.7	10951.0
95	6554.8	5871.9	3823.2	2599.9	2048.7	10399.8
96	6440.6	5768.3	3751.2	0.0	2017.0	12416.8
97	6858.1	6141.4	3991.4	2913.4	2150.0	11653.4
98	7146.2	6395.7	4144.0	0.0	2251.7	13905.1

ASSUMPTIONS:

- MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN X

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
85	3587.4	545.4	2761.3	2411.9	2254.9	0.0	10.9
86	4525.5	638.0	2882.5	2352.9	2586.2	0.0	12.0
87	5275.7	750.3	2990.6	2281.5	2990.6	0.0	13.4
88	6111.4	835.7	2999.5	2138.6	2999.5	0.0	15.5
89	7051.5	940.1	3366.9	2243.5	3366.9	0.0	16.0
90	7739.7	688.3	3383.1	2106.8	3383.1	0.0	18.1
91	8409.5	669.8	3239.9	1885.6	3239.9	0.0	20.5
92	9091.3	681.8	3227.1	1755.3	3227.1	0.0	22.1
93	9790.7	699.4	3251.5	1652.9	3251.5	0.0	23.6
94	10513.9	723.2	3314.3	1574.6	3314.3	0.0	24.8
95	11196.9	682.9	3147.5	1397.5	3147.5	0.0	27.5
96	11869.2	672.3	3041.4	1262.1	3041.4	0.0	29.8
97	12555.9	716.7	3248.0	1259.6	3248.0	0.0	29.7
98	13336.4	750.6	3364.7	1219.5	3364.7	0.0	30.4

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3352.8	3355.2	2893.1	164.1	462.1	492.3
86	4405.9	3827.9	3022.7	0.0	805.2	1297.5
87	5036.2	4408.1	3148.7	639.2	1259.3	1917.6
88	5297.1	4550.8	3164.7	0.0	1386.1	3303.7
89	5352.9	5030.7	3503.9	1207.6	1526.9	3622.9
90	5303.7	4559.2	3176.6	0.0	1382.6	5005.5
91	4937.6	4461.9	3035.1	1608.1	1426.9	4824.3
92	4918.6	4444.9	3023.6	0.0	1421.3	6245.5
93	4609.6	4175.3	2872.4	1887.1	1302.9	5661.3
94	4505.4	4087.2	2832.3	0.0	1254.8	6916.2
95	4407.2	4005.6	2800.6	2030.3	1204.9	6090.8
96	4157.1	3788.9	2684.1	0.0	1104.8	7195.6
97	4357.6	3968.7	2802.0	2090.6	1166.7	6271.7
98	4522.8	4119.5	2909.5	0.0	1209.9	7481.6

ASSUMPTIONS:

- 30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN *

APRIL 28, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

ISCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF P.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.8	418.6	2457.7	2296.9	1874.7	0.0	10.5
85	3799.4	497.6	2578.0	2251.8	2116.0	0.0	11.4
86	4377.4	578.1	2682.8	2189.9	2414.4	0.0	12.6
87	5055.5	678.1	2779.9	2120.8	2779.9	0.0	13.9
88	5801.9	746.4	2761.9	1969.2	2761.9	0.0	16.0
89	6624.0	822.2	3063.8	2041.5	3063.8	0.0	16.6
90	7368.5	744.5	2695.4	1678.6	2695.4	0.0	20.8
91	7844.1	475.6	2516.6	1464.7	2516.6	0.0	24.3
92	8317.9	473.8	2481.4	1349.7	2481.4	0.0	25.9
93	8752.2	434.3	2306.5	1172.5	2306.5	0.0	28.9
94	9170.5	418.3	2244.7	1066.4	2244.7	0.0	30.9
95	9572.1	401.6	2192.1	973.3	2192.1	0.0	32.7
96	9940.4	368.3	2055.5	853.0	2055.5	0.0	35.6
97	10329.3	383.9	2155.0	835.8	2155.0	0.0	35.5
98	10732.6	403.3	2243.1	813.0	2243.1	0.0	35.5

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

CAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4130.3	3584.9	3078.4	179.9	506.5	539.6
86	4753.5	4115.5	3226.8	0.0	888.7	1428.3
87	5510.5	4760.3	3366.9	705.4	1393.3	2116.2
88	5800.9	4965.2	3413.2	0.0	1552.0	3668.2
89	6508.4	5568.4	3822.5	1353.5	1745.8	4060.5
90	6638.8	5950.5	3885.7	0.0	2064.8	6125.4
91	6456.1	5786.3	3776.9	2033.7	2009.4	6101.1
92	6524.6	5842.8	3797.6	0.0	2045.3	8146.3
93	6653.8	5954.4	3856.1	2561.2	2098.3	7683.5
94	6846.7	6123.5	3953.8	0.0	2169.7	9353.1
95	6554.8	5871.9	3823.2	2975.5	2048.7	8926.4
96	6440.6	5768.3	3751.2	0.0	2017.0	10943.4
97	6858.1	6141.4	3991.4	3273.4	2150.0	9820.1
98	7146.2	6395.7	4144.0	0.0	2251.7	12071.7

ASSUMPTIONS:

- MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN X

APRIL 23, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
SJR61

ISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2383.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
984	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
985	3887.4	545.4	2761.3	2411.9	2254.9	0.0	10.2
986	4525.5	638.0	2882.5	2352.9	2586.2	0.0	12.0
987	5275.7	750.3	2990.6	2281.5	2990.6	0.0	13.4
988	6111.4	835.7	2999.5	2138.6	2999.5	0.0	15.5
989	7051.5	940.1	3366.9	2243.5	3366.9	0.0	16.0
990	7739.7	688.3	3383.1	2106.8	3383.1	0.0	18.1
991	8409.5	669.8	3239.9	1885.6	3239.9	0.0	20.5
992	9091.3	681.8	3227.1	1755.3	3227.1	0.0	22.1
993	9790.7	699.4	3251.5	1652.9	3251.5	0.0	23.6
994	10513.9	723.2	3314.3	1574.6	3314.3	0.0	24.8
995	11196.9	682.9	3147.5	1397.5	3147.5	0.0	27.5
996	11869.2	672.3	3041.4	1262.1	3041.4	0.0	29.8
997	12585.9	716.7	3248.0	1259.6	3248.0	0.0	29.7
998	13336.4	750.6	3364.7	1219.5	3364.7	0.0	30.4

Defn.

DEFINITIONS

TOTAL REVENUE:

THE SUM OF THE FOLLOWING COMPONENTS:

SEVERENCE TAX ON OIL AND GAS,
 ROYALTIES ON OIL AND GAS,
 CORPORATE INCOME TAX - PETROLEUM,
 PROPERTY TAX ON OIL AND GAS,
 OIL AND GAS BONUSES,
 FEDERAL TRANSFERS,
 MISCELLANEOUS PETROLEUM TAXES,
 INTEREST INCOME AND
 OTHER INCOME.

TOTAL REVENUE NET OF PERMANENT FUND DIVIDENDS:

TOTAL REVENUE LESS ONE HALF OF THE INTEREST INCOME EARNED ON THE
 PERMANENT FUND.

SECTION 16 APPROPRIATION:

THE MAXIMUM LEVEL OF SECTION 16 APPROPRIATION THAT IS FUNDABLE
 WITH PROJECTED REVENUES. IT IS EQUAL TO THE SUM OF

SEVERENCE TAX ON OIL AND GAS,
 ALL INTEREST INCOME FROM THE PERMANENT, RESOURCE AND
 GENERAL FUNDS,
 PROPERTY TAX ON OIL AND GAS,
 CORPORATE INCOME TAX - PETROLEUM AND
 OTHER NON PETROLEUM REVENUE.

IN ADDITION IN FY 84-86 THE FOLLOWING FUNDS ARE ADDED TO THE
 GENERAL FUND:

FY	SECTION 16 INCOME FROM RESOURCE FUND ROLLIN
84	.75 * MAXIMUM RESOURCE FUND DEPOSIT
85	.50 * MAXIMUM RESOURCE FUND DEPOSIT
86	.25 * MAXIMUM RESOURCE FUND DEPOSIT

SECTION 17 APPROPRIATION:

20 OR 25%, DEPENDING UPON THE STATED ASSUMPTION, OF THE RESOURCE
 FUND. THIS APPROPRIATION IS MADE IN ODD NUMBERED FISCAL YEARS
 STARTING WITH FISCAL YEAR 1985.

RESOURCE FUND DEPOSIT:

INCOME FROM MINERAL LEASE RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS
 PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND BONUSES
 WHICH DO NOT GO INTO THE PERMANENT FUND.

RESOURCE FUND BALANCE:

RESOURCE FUND DEPOSITS LESS SECTION 17 APPROPRIATIONS.

PERMANENT FUND BALANCE:

IS THE SUM OF CONSTITUTIONALLY MANDATED PERMANENT FUND CONTRIBUTIONS.

PERMANENT FUND DEPOSIT:

CONSTITUTIONALLY MANDATED CONTRIBUTIONS TO THE PERMANENT FUND. CONTRIBUTIONS TO THE FUND CONSIST OF AT LEAST 25% OF MINERAL LEAST RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND BONUSES RECEIVED BY THE STATE. RECENTLY ENACTED LEGISLATION HAS RAISED THE CONTRIBUTION RATE TO 50%.

NET SECTION 16 APPROPRIATION:

SECTION 16 APPROPRIATIONS LESS PERMANENT FUND DIVIDEND PAYMENTS AND DEBT SERVICE.

TOTAL NET SECTION 16 APPROPRIATION:

NET SECTION 16 APPROPRIATION EXPRESSED IN 1983 DOLLARS.

TOTAL SECTION 16 NET OF R.F. INT AND R.F. ROLLIN:

NET SECTION 16 LESS RESOURCE FUND INTEREST AND RESOURCE FUND APPROPRIATIONS MADE TO THE GENERAL FUND IN FISCAL YEARS 84-86. THIS PRODUCES A NET SECTION 16 WHICH IS EQUIVALENT TO THE CASE WHERE THERE IS NO ROLLIN OF THE RESOURCE FUND AND NO INTEREST IS EARNED ON THE RESOURCE FUND.

RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION:

THE PERCENT OF SECTION 16 APPROPRIATIONS WHICH ARE FUNDED BY INTEREST EARNED OFF THE RESOURCE FUND.

PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION:

THE PERCENT OF SECTION 16 APPROPRIATIONS WHICH ARE FUNDED BY INTEREST EARNED OFF THE PERMANENT FUND.

Margo

OBSERVATIONS ON SJR 61 (RULES) AND COMPARISONS WITH EARLIER
VERSIONS AND FCCS SJR 4

Points to consider

1. SJR 61 is not a spending limit, but a spending plan. It would not limit state spending, only direct it. The operating budget would be limited only by the portion of the Section 16 funding it could garner, the extent to which taxes could be raised, and the ability to gain voter approval for expenditures from the resource fund (to the max of 1/5 of its balance every two years.) Capital spending would be limited only by the portion of Section 16 funding it could garner, the extent to which taxes could be raised, the ability to gain voter approval for expenditures from the resource fund (to the 1/5 max), and the extent to which "investments" (at interest rates from 0% to that earned by state g. o. bonds) would be made from the balance of the resource fund. Except for that necessary to keep a portion of the resource fund liquid and for that deposited into the permanent fund, all of the state's revenues would be available for "spending" one way or another-- most of it as "loans" for capital projects.

2. SJR 61 is a transparent attempt to ensure that enough state money is available to fund large capital projects, specifically the Susitna dams. The provision for pouring large amounts of money into the resource fund to then be divided among voter-approved appropriations and "investments" in state-operated programs and state-owned projects (which can be exempted, on a project-by-project basis, from making any real return) clearly identifies popular hydroelectric projects as the anticipated recipients. (What other projects would likely find their way onto the ballot and win voter approval? What other projects are state-owned? What other projects could conceivably return the principal through revenue earnings? What other projects require billions of dollars?) By 1994, the year that the Watana phase could come on-line, the resource fund balance would be roughly \$8 billion, with another \$5 billion having already been made available for voter-approved spending.)

3. SJR 61 would have some interesting effects on the operating budget and other areas of state spending. By limiting state spending (except for that from the resource fund) to taxes, the money available under Sec. 16 actually shrinks over time. According to Milt Barker's figures, the buying power steadily declines by more than 50% by 1996. Even if the 20% of the resource fund was spent entirely on operating items, there would still be a real decline in what was available for the operating budget. Assuming that there would be some level of capital spending, there would be a corresponding need for increased operation and maintenance funds. Two conclusions: Spending-- traditional capital spending, loan programs, permanent fund dividends, etc.-- other than that required for operating expenses would gradually get squeezed out of the Section 16 spending. And, taxes would before long be raised to supply more money.

4. Curiously, the effective date section allows for a phase-in of the requirement that the full royalty amount be deposited into the resource fund. This clearly fattens the state budget for the first three years, which is precisely the time, according to current revenue projections, when the budget would be least in need of "enhancement." After 1986, as the costs of government necessarily increase and the ratio of taxes to royalties incidentally swing more in favor of royalties, is when the real shortfalls appear. Apparently, none of the politically-motivated architects of this legislation are interested in what happens to traditional state spending after 1986.

5. SJR 61 would discourage and likely eliminate any bonding--either revenue or g. o. Since projects or programs that could generate revenues could get the preferred rates from the resource fund, their sponsors would not likely look to the bond market instead. Since direct appropriations from the fund could be put on the ballot for voter approval, they'd likely replace bond propositions. And since debt payments would have to come from the Section 16 budget, legislators would be reluctant to recommend g. o. bonds. The elimination of bonding concurrently eliminates the market test on whether projects are "good risks". As we should have already learned from our experience with direct appropriations for dams, the elimination of a market test leads to unfeasible projects being constructed and/or large cost overruns. What happens if the projects built as "investments" of the resource fund fail to repay the investment principal? Not even the Constitution can make a lousy project pay a return it's incapable of.

6. SJR 61 would forfeit legislative control over the budget process and institutionalize an inflexible spending plan that would prevent future legislators and governors from responding to the needs of Alaskans. It would give the executive branch the final say in basic state spending (by requiring that the governor correct any overspending by the legislature), would leave other spending choices to the voters, and would authorize someone (perhaps the Commissioner of Revenue or some kind of board) to make the choices and establish interest rates and terms for "investments" from the resource fund. It would "constitutiona-
lize" a currently popular philosophy that state spending has tilted too much in favor of social spending with not enough for "infrastructure" and would prevent future Alaskans from making that choice for themselves. It would allow no provisions for emergencies.

7. SJR 61 would favor urban areas over rural. Because rural areas are unlikely to have projects that could make a return to the resource fund, they would likely not be the recipients of loans from it. Since both g. o. bonding in statewide packages and traditional capital spending would likely be curtailed, rural areas would as well be the losers there. Likewise, voter-approved spending from the resource fund would be controlled by the majority of the voters, who live in urban areas, and who, when given choices, are likely to choose those projects that benefit them most.

8. SJR 61 encourages state ownership of projects and, as a result, a socialized bureaucracy. Because only state-owned projects are eligible for loans from the resource fund, the state would end up owning the dams, ports, and whatever else qualified as investments. Municipalities, utilities, and private enterprise would not have the same opportunities to compete with the state for ownership, and private or local control would be lost.

9. SJR 61 has one good feature. It would raise the constitutionally dedicated contribution to the permanent fund to 50% of the royalties, etc. from future oil leases and would specify that the income-producing investments of the fund must be made at competitive market rates; both features correspond to the current law. The Governor's Office appears to believe that this amendment alone is worth almost any trade. In terms of the safeguard and management of the state's wealth, such a trade might better be characterized as weatherstripping the front door while leaving the back door wide open.

Comparisons with earlier versions

The Finance version required capital "investments" made by the fund to return the principal plus a rate of interest corresponding to state g. o. bonds. Interest from the fund accrued to the general fund. The combination of those two provisions increased the earnings of the general fund and provided a more realistic continuing level of Section 16 funding. By not requiring an interest-rate return and not requiring the earnings to go to the general fund, the integrity of the Section 16 funding is seriously compromised; in fact, as the numbers show, there simply won't be enough money to pay the expenses of state government. Earlier versions did not contain the phase-in transition language, which was added at the same time as these other changes to provide adequate budgets for the first three years before allowing a crash.

The Finance version restricted investments of the resource fund to traditional investments plus state-owned capital projects. The final version adds as investment possibilities "programs administered by the state." While capital projects have a favored rate compared to any other investments and also have the case-by-case exemption of any interest payment, programs do not enjoy the same privileges. It's difficult to conceive of what kinds of programs other than loan programs would be eligible as "investments." Subsidies could, of course, be provided out of Section 16 funding or the 20% of the resource fund.

Earlier versions contained a section, identical to that in FCCS SJR 4, that exempted the costs of a capital move from a second vote if approved in the November election. This was dropped in the Rules version.

Comparison with FCCS SJR 4

FCCS SJR 4 is a bad spending limit, without a doubt. Since it has previously received adequate analysis, I won't discuss its many deficiencies. It is, however, a limit. And as long as oil revenues remain low, that real limit should provide an additional cap to state spending (provided, of course, that we don't allow deficit spending-- and we shouldn't need a constitutional amendment to prevent that.)

SJR 4 requires that, within the limit, 1/3 of the spending must be for capital projects or loans. While this is extremely poor policy to put into the constitution, it will in fact result in less capital "spending" than SJR 61. It will also provide for broader, more traditional capital spending than SJR 61.

SJR 4 lasts only 4 years, before voters have a chance to reconsider it. It could then be thrown out, before too much damage has been done, and replaced with a more reasonable approach if necessary. SJR 61 only goes into full effect in FY 1987 and allows no opportunity to reconsider without going through a full constitutional repeal procedure.

SJR 4 does, of course, contain the capital move section and does not amend the permanent ^{fund} contribution rate or investment strategy. It does provide escape clauses for popular support and for emergencies.

James M. Souby
Ron Lehr

May 3, 1982

81

Dona K. Lehr

CS SS SJR61 (Judiciary)
Work Draft dated
1/29/82

The purpose of this memo is to examine some of the questions and implications associated with the most recent version of the Dankworth spending limit (SJR61).

Section 1

Section 16. There appears to be less flexibility to avoid the limit defined here. One possibility would be to shift the relative shares of oil "tax" versus oil "ownership" revenues.

Section 17 This section along with the changes to Section 15 serve to set a maximum instead of the current minimum contribution to the Permanent Fund from the contribution base. If this is done, the Permanent Fund Dividend Program would no longer be able (or necessary) to "encourage" increased contributions, though it might still give an incentive to the public to be watchful of PF management.

The percentage of the Alaska resource fund available for appropriation is crucial. This version provides for one-fourth of the balance may be appropriated, for any purpose, with voter approval at a general election (i.e., every other year). This approval process is to be specified in statute, and could presumably be a single choice as opposed to a program or project specific basis.

The balance of the resource fund is to be invested as listed below. According to the bill summary by Billy G. Berrier, these are a "hierarchy of investments," listed in priority order.

Type of Investment	Process	Rate of Return
1. Capital Projects- owned by State	As provided by law	Principal plus rate of return on State g.o. bonds unless otherwise provided by law
2. Programs Administered by State	Voter Approval at general election	Principal plus market rate; minimum rate = rate on U.S. government securities
3. Balance of Fund - type of investment not specified		market rate, minimum rate = rate on U.S. government securities

1. Capital Projects. Does "owned" by the State, mean solely owned or anything over 50%? The return on these projects is "the amount of the investment and,....." Does amount mean value? Or, could a project "pay off" in nominal dollars some time in the distant future, and thus be more of an expenditure than an investment? The rate of return (unless project is exempted) is to be at least that of State general obligation bonds of similar maturity. How the rate will be determined is not specified. Any project could be exempted from the rate of return requirement by statute. Thus the whole resource fund could be devoted to one or a few large projects which earn no return, and pay back devalued principal 50 years from now. No voter approval would be necessary.
2. Programs Administered by State. It appears that this might cover such items as loan programs and enterprises like the railroad (but not the gas line). Here again, it should be made clear whether or not the return expected is the real value of the investment plus market rates with U.S. government security rates as a minimum. (What happens if the return is less?) As written the programs rather than the investments are voted on.
3. The balance of the resource fund can be invested in anything as long as it earns market rates and does not fall in categories one or two above. Principal is not mentioned, as it is in

the two other categories. This is much clearer since it is consistent with usual terminology. Perhaps earlier sections could be simplified to just talk about rates of return, with the assumption that the value of principal is included.

As now stated, the income of the resource fund goes to the general fund, unless otherwise provided by law. This could lead to attempts to dedicate this stream of earnings.

Section 2

Section 7 is amended to allow for the dedication of the oil ownership revenues to the resource fund.

Section 3

Section 15 is amended to increase the Permanent Fund contribution to 50%. I do not know the significance of the dates December 1, 1979 and February 15, 1980 used in this section. The increase in the contribution rate is a vital part of this approach, since Section 17 changes the Permanent Fund contribution rate from a minimum to a maximum.

This section also states specifically that Permanent Fund investments must be "at competitive market rates of return for similar investments."

Section 4

Section 26 provides that if the capital move is approved it will not be necessary to have additional voter approvals to spend money from the resource fund. This would be relevant for the 25% of the fund available for appropriation and the funds available for investment in programs administered by the State. However, this would not change the rate of return requirements.

Section 27 serves to phase in the contributions to the resource fund allowing for higher general funds for the next few years (till 1986), so that gradual adjustment can be made to the limit. Budget and Management has analyzed the timing and funds availability questions.

Attachments

CS SS SJR61 (Judiciary)
Comments on CS SS SJR61 (Finance)

DL/ad

FEDERAL FUND REVENUES

Taxes

Income

Corporate-General 35,000
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500
Fish-Canned Salmon 6,000
Fish-Shorebased 11,000
Fish-Floating 4,000
Salmon Enhancement 2,400
Insurance Companies 11,500
Other 1,400

Severance

Gravel, Timber, etc. 2,500
Oil & Gas Production 819,000
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000
Fuel Taxes-Aviation 4,500
Fuel Taxes-Highway 18,500
Fuel Taxes-Marine 3,800
Tobacco Products 1,900

Other

Estate 500

Total Taxes 399,100

Licenses & Permits

Business 11,000
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-
Investment Earnings 315,000
Rents 5,500) AVAILABLE FOR
Royalties 1,325,200) PERMANENT FUND &
Sale of State Property 5,500) CAPITAL INVESTMENT
FUND
Total: \$1,336,200

Facilities Related Charges

Airports 1,200
Ferry System-Southeast 26,300
Ferry System-Southwest 3,800
Other 4,500

Service Related Charges

Court System 3,300
Other 4,500

Total State Resources Revenues 1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

4,133,700

AVAILABLE FOR CAPITAL
& OPERATING BUDGET
SJR 61

\$4,113,700
- 1,336,200
2,797,500

Berrier
4/29/82

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

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

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 provided 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

Value vs amount - need revenue coming into
-16

Enough from investments to go into general fund.

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 fourth 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 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. [Investments in programs administered by the State must be approved
15 by the voters at a general election as prescribed by law, must return to
16 the Alaska resource fund the amount of the investment, and must be
17 invested at a rate of return equal to the market rate of return for
18 similar investments but not less than the rate of return provided by
19 obligations of similar maturity of the United States government at the
20 time the investment is made.] The balance remaining in the Alaska
21 resource fund that is not invested in capital projects owned by the
22 State or in programs administered by the State shall be invested at a
23 rate of return equal to the market rate of return for similar invest-
24 ments but not less than the rate of return provided by obligations of
25 similar maturity of the United States government at the time the invest-
26 ment is made. All income from the Alaska resource fund shall be de-
27 posited in the general fund, unless otherwise provided by law. *[cannot divert into more capital project]*

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 new sections to read:

28 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
29 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-
2 viding for relocation of the capital, no additional voter approval of
3 appropriations for that purpose within the cost approved by the voters
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
6 article IX of this constitution adding sections 16 and 17 relating to
7 appropriations and the Alaska resource fund, amending section 7 relating
8 to dedicated funds, and amending section 15 relating to the permanent
9 fund, take effect July 1, 1983. However, the provision of section 17 of
10 article IX of this constitution relating to placing mineral lease
11 rentals, royalties, royalty sale proceeds, federal mineral revenue
12 sharing payments and bonuses received by the State into the Alaska
13 resource fund shall be implemented as follows:

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

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

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

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

28 *Sec. 5. The amendments proposed by this resolution shall be placed be-
29 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
2 of the state.

3 * Sec. 6. The amendments proposed by this resolution supersede the amend-
4 ments proposed by Legislative Resolve No. 1, First Special Session of the
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
6 section 3 of that resolution that the amendments proposed by that resolution
7 be placed before the voters of the state.

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1 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
2 article IX of this constitution adding sections 16 and 17 relating to appropri-
3 ations and the Alaska resource fund, amending section 7 relating to dedicated
4 funds, and amending section 15 relating to the permanent fund, take effect
5 July 1, 1983. However, the provision of section 17 of article IX of this
6 constitution relating to placing mineral lease rentals, royalties, royalty
7 sale proceeds, federal mineral revenue sharing payments and bonuses received
8 by the State into the Alaska resource fund shall be implemented as follows:

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

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

18 (3) for the period July 1, 1985 through June 30, 1986, three
19 quarters of the receipts otherwise payable into the Alaska resource fund
20 for that period under section 17 shall be placed in the Alaska resource
21 fund and one quarter shall be deposited in the general fund.
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SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fifth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. Money in the Alaska resource fund may be invested as provided by law in capital projects which are owned by the State. Those projects shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. Money remaining in the Alaska resource fund shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. Earnings on money deposited in the Alaska resource fund shall be deposited in the general fund.

should be there but not

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
30TH PERCENTILE REVENUE PROJECTION
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2006.2	1683.2	0.0	1683.2
1985	3703.8	3211.2	2287.1	1955.5	340.3	1901.1
1986	4251.3	3673.2	2599.7	2259.7	0.0	2171.5
1987	4989.1	4311.0	3051.7	2682.8	738.8	2524.6
1988	5221.0	4474.6	3058.5	2685.8	0.0	2493.7
1989	5353.3	5031.1	3504.3	3064.2	1173.6	2782.0
1990	5312.8	4568.3	3185.8	2704.5	0.0	2399.4
1991	5021.6	4545.9	3119.1	2600.7	1500.8	2205.6
1992	4982.2	4503.4	3087.1	2544.9	0.0	2154.7
1993	4749.0	4314.7	3011.8	2445.9	1745.5	1963.3
1994	4593.8	4180.5	2925.6	2333.0	0.0	1834.2
1995	4563.9	4162.3	2957.3	2348.8	1883.3	1813.4
1996	4250.3	3882.0	2777.3	2148.7	0.0	1657.7
1997	4502.5	4113.6	2946.9	2299.9	1965.0	1737.1
1998	4594.7	4191.4	2981.4	2315.0	0.0	1804.1

NET GENERAL FUND APPROPRIATION =
GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%

NO ROLLIN OF THE RESOURCE FUND
AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5%
PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
1984 - 1990, OTHERWISE 25%

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
30TH PERCENTILE REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2633.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	777.4	1573.1	0.0	17.2
1985	3799.4	497.6	924.1	1708.0	2.4	15.9
1986	4377.4	578.1	1073.5	1844.6	3.4	14.6
1987	5055.5	678.1	1259.3	2046.7	5.2	14.3
1988	5801.9	746.4	1386.1	1914.9	6.2	16.4
1989	6624.0	822.2	1526.9	2041.8	8.1	16.6
1990	7366.5	744.5	1382.6	1684.3	9.6	20.8
1991	7844.1	475.6	1426.9	1513.6	12.7	23.6
1992	8317.9	473.8	1421.3	1384.3	12.6	25.4
1993	8752.2	434.3	1302.9	1243.4	16.0	27.6
1994	9170.5	418.3	1254.8	1110.8	15.5	29.9
1995	9572.1	401.6	1204.9	1042.9	18.1	31.0
1996	9940.4	368.3	1104.8	891.6	17.7	34.5
1997	10329.3	383.9	1166.7	891.9	19.1	35.7
1998	10732.6	403.3	1209.9	839.0	17.1	34.6

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%

STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 DIVISION OF BUDGET AND MANAGEMENT
 RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
 VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
 LONG RUN POPULATION GROWTH RATE = 1.5%
 30TH PERCENTILE REVENUE PROJECTION
 SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2589.2	2266.2	0.0	1683.2
1985	3663.0	3170.4	2708.3	2376.7	131.3	1901.1
1986	4197.0	3618.9	2813.8	2473.8	0.0	2171.3
1987	4917.3	4239.2	2979.9	2611.0	517.9	2524.6
1988	5163.6	4417.2	3031.1	2628.3	0.0	2493.7
1989	5795.9	4973.7	3446.8	3006.8	996.9	2782.0
1990	5266.9	4522.4	3139.8	2658.6	0.0	2399.4
1991	4975.6	4500.0	3073.1	2554.7	1359.4	2205.6
1992	4945.4	4471.6	3050.4	2508.2	0.0	2154.7
1993	4712.2	4277.9	2975.0	2409.1	1632.4	1963.3
1994	4569.4	4151.1	2896.2	2308.6	0.0	1854.2
1995	4534.5	4132.9	2927.9	2319.4	1797.9	1813.4
1996	4226.8	3858.5	2753.8	2125.1	0.0	1657.7
1997	4479.0	4090.1	2923.4	2276.4	1392.6	1737.1
1998	4575.8	4172.5	2962.6	2296.1	0.0	1804.1

NET GENERAL FUND APPROPRIATION =
 GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE
 RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
 1986 - 1998 = 10%
 RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5%
 PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
 1984 - 1990, OTHERWISE 25%

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
30TH PERCENTILE REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	194.3	2118.0	0.0	13.4
1985	3799.4	497.6	462.1	2075.9	0.5	13.4
1986	4377.4	578.1	805.2	2019.3	1.2	13.5
1987	5055.5	678.1	1259.3	1991.9	2.9	14.7
1988	5801.9	746.4	1336.1	1874.0	4.4	16.7
1989	6624.0	822.2	1526.9	2003.5	6.5	16.8
1990	7368.5	744.5	1382.6	1655.6	8.3	21.1
1991	7844.1	475.6	1426.9	1486.9	11.4	24.0
1992	8317.9	473.8	1421.3	1364.3	11.6	25.7
1993	8752.2	434.3	1302.9	1224.7	15.0	27.9
1994	9170.5	418.3	1254.8	1096.8	14.6	30.2
1995	9572.1	401.6	1204.9	1029.8	17.3	31.3
1996	9940.4	368.3	1104.8	831.9	17.0	34.7
1997	10329.3	388.9	1166.7	882.3	18.4	34.0
1998	10732.6	403.3	1209.9	832.2	16.6	34.9

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
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RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
30TH PERCENTILE REVENUE PROJECTION
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. IN AND R.F. ROLL I
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2539.2	2266.2	0.0	1683.2
1985	3675.8	3178.2	2716.1	2384.5	131.3	1901.1
1986	4215.3	3637.3	2832.1	2492.2	0.0	2171.3
1987	4963.9	4285.8	3026.5	2657.6	517.9	2524.6
1988	5236.1	4489.7	3103.6	2700.8	0.0	2423.7
1989	5916.9	5094.7	3567.9	3127.8	996.9	2782.0
1990	5406.4	4662.0	3279.4	2798.2	0.0	2329.4
1991	5163.6	4688.0	3261.1	2742.7	1359.4	2205.6
1992	5135.7	4662.0	3240.7	2698.5	0.0	2154.7
1993	4952.3	4518.0	3215.1	2649.2	1632.4	1963.3
1994	4797.9	4379.6	3124.8	2537.2	0.0	1854.2
1995	4807.0	4405.3	3200.4	2591.9	1797.9	1813.4
1996	4478.5	4110.2	3005.5	2376.8	0.0	1657.7
1997	4769.3	4380.4	3213.8	2566.7	1892.6	1737.1
1998	4840.8	4437.5	3227.6	2561.1	0.0	1804.1

NET GENERAL FUND APPROPRIATION =
GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
1984 - 1990, OTHERWISE 25%

STATE OF ALASKA
OFFICE OF THE GOVERNOR
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RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
30TH PERCENTILE REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	194.3	2118.0	0.0	13.4
1985	3799.4	497.6	462.1	2032.7	0.8	13.4
1986	4377.4	578.1	805.2	2034.3	1.9	13.4
1987	5055.5	678.1	1259.3	2027.5	4.4	14.5
1988	5801.9	746.4	1386.1	1925.7	6.7	16.3
1989	6624.0	822.2	1526.9	2084.2	9.7	16.3
1990	7368.5	744.5	1382.6	1742.6	12.2	20.2
1991	7844.1	475.6	1426.9	1596.3	16.5	22.6
1992	8317.9	473.8	1421.3	1467.8	16.8	24.2
1993	8752.2	434.3	1302.9	1346.7	21.3	25.9
1994	9170.5	418.3	1254.8	1205.4	20.9	28.0
1995	9572.1	401.6	1204.9	1150.8	24.3	23.6
1996	9940.4	368.3	1104.8	986.3	23.9	31.8
1997	10329.3	388.9	1166.7	995.4	25.8	30.9
1998	10732.6	403.3	1209.9	928.3	23.4	32.0

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%

most optimistic

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
MEAN REVENUE PROJECTION
5JR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 17 CAPITAL APPROPRIATION	NET SECTION 17 CAPITAL APPROPRIATION NET OF R.F. J AND R.F. ROLL
1983	2934.7	2551.5	2551.5	2245.3	0.0	0.0	2245.3
1984	3459.8	3001.0	2787.9	2464.9	0.0	0.0	1825.8
1985	3955.8	3410.3	2903.9	2570.1	143.9	0.0	2040.2
1986	4568.0	3930.0	3041.3	2696.9	0.0	0.0	2345.1
1987	5401.6	4651.4	3258.0	2831.8	571.5	0.0	2735.3
1988	5761.3	4925.6	3373.7	2959.9	0.0	0.0	2731.3
1989	6610.4	5670.4	3924.5	3469.0	1116.8	0.0	3085.1
1990	6789.5	6101.2	4036.4	3533.8	0.0	0.0	3087.1
1991	6793.3	6123.5	4119.1	3582.1	1708.3	0.0	2923.9
1992	6881.2	6199.5	4154.2	3583.7	0.0	0.0	2900.4
1993	7193.4	6499.0	4400.7	3796.1	2195.3	0.0	2903.3
1994	7364.3	6641.1	4471.4	3831.9	0.0	0.0	2953.8
1995	7271.2	6588.3	4539.6	3863.9	2599.9	0.0	2768.8
1996	7082.8	6410.4	4393.4	3683.6	0.0	0.0	2643.6
1997	7681.9	6965.2	4815.2	4071.8	2913.4	0.0	2830.1
1998	7872.6	7122.0	4870.3	4091.0	0.0	0.0	2925.7

NET GENERAL FUND APPROPRIATION =
GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
1984 - 1989, OTHERWISE 25%

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
MEAN REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	453.8	213.0	2303.7	0.0	12.4
1985	3837.4	545.4	506.5	2244.8	0.8	12.7
1986	4525.5	633.0	838.7	2201.5	1.9	12.8
1987	5275.7	750.3	1393.3	2193.5	4.5	13.9
1988	6111.4	835.7	1552.0	2110.3	6.3	15.6
1989	7051.5	940.1	1745.8	2311.5	9.8	15.6
1990	7739.7	688.3	2064.8	2200.7	11.1	17.5
1991	8409.5	669.8	2009.4	2084.8	15.9	18.8
1992	9091.3	681.8	2045.3	1949.3	16.4	20.2
1993	9790.7	699.4	2093.3	1929.3	20.2	20.7
1994	10513.9	723.2	2169.7	1820.5	19.6	21.9
1995	11196.9	682.9	2048.7	1715.6	24.1	23.2
1996	11869.2	672.3	2017.0	1523.6	23.7	25.5
1997	12535.9	716.7	2150.0	1579.1	25.8	24.6
1998	13336.4	750.6	2251.7	1482.8	23.9	25.3

STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 DIVISION OF BUDGET AND MANAGEMENT
 RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
 VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
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 MEAN REVENUE PROJECTION
 SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3459.8	3001.0	2148.8	1825.8	0.0	1825.8
1985	3992.0	3446.6	2433.6	2099.8	373.0	2040.2
1986	4607.4	3969.4	2784.5	2440.1	0.0	2343.1
1987	5429.2	4679.0	3285.6	2909.3	814.1	2735.3
1988	5744.3	4908.7	3356.7	2942.9	0.0	2731.3
1989	6539.2	5599.1	3853.3	3397.7	1310.8	3085.1
1990	6683.6	5995.3	3930.5	3427.9	0.0	3037.1
1991	6620.1	5950.3	3940.9	3403.9	1863.5	2928.9
1992	6682.4	6000.7	3955.4	3384.9	0.0	2900.4
1993	6923.0	6228.6	4130.3	3525.8	2319.5	2908.3
1994	7089.3	6366.1	4196.4	3556.8	0.0	2953.8
1995	6920.2	6237.3	4188.6	3512.9	2699.3	2768.8
1996	6744.6	6072.3	4055.3	3345.4	0.0	2643.6
1997	7273.1	6556.5	4406.5	3663.0	2992.8	2830.1
1998	7485.4	6734.8	4483.1	3703.8	0.0	2925.7

NET GENERAL FUND APPROPRIATION =
 GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE
 RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
 1986 - 1998 = 10%

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
 1984 - 1989, OTHERWISE 25%

NO ROLLIN OF THE RESOURCE FUND

STATE OF ALASKA
OFFICE OF THE GOVERNOR
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RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
LONG RUN POPULATION GROWTH RATE = 1.5%
MEAN REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2383.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	458.8	852.1	1706.4	0.0	16.1
1985	3887.4	545.4	1012.9	1834.1	2.5	15.1
1986	4525.5	638.0	1184.9	1991.9	3.5	14.0
1987	5275.7	750.3	1393.3	2219.5	5.3	13.8
1988	6111.4	835.7	1552.0	2098.3	6.3	15.7
1989	7051.5	940.1	1745.8	2264.0	8.1	15.9
1990	7739.7	688.3	2064.8	2134.7	8.7	17.9
1991	8409.5	669.8	2009.4	1981.1	12.1	19.6
1992	9091.3	681.8	2045.3	1841.2	12.2	21.3
1993	9790.7	699.4	2093.3	1792.3	14.9	22.0
1994	10513.9	723.2	2169.7	1689.8	14.4	23.3
1995	11196.9	682.9	2048.7	1559.8	17.8	25.1
1996	11869.2	672.3	2017.0	1388.2	17.3	27.6
1997	12585.9	716.7	2150.0	1420.6	18.9	26.9
1998	13336.4	750.6	2251.7	1342.4	17.4	28.1

STATE OF ALASKA
OFFICE OF THE GOVERNOR
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RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
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LONG RUN POPULATION GROWTH RATE = .5%
MEAN REVENUE PROJECTION
✓ SJR61

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2/10

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3459.8	3001.0	2787.9	2466.9	0.0	1825.8
1985	3947.2	3401.8	2895.4	2561.6	143.9	2040.2
1986	4547.8	3909.8	3021.1	2676.8	0.0	2343.1
1987	5350.4	4600.1	3206.8	2830.5	571.5	2735.3
1988	5681.3	4845.6	3293.6	2879.9	0.0	2731.3
1989	6476.1	5536.0	3790.2	3334.6	1116.8	3055.1
1990	6633.1	5944.9	3830.0	3377.5	0.0	3057.1
1991	6569.7	5899.9	3890.5	3353.5	1708.3	2925.9
1992	6642.1	5960.3	3915.0	3344.6	0.0	2900.4
1993	6887.7	6188.3	4090.0	3485.4	2195.3	2908.3
1994	7057.0	6333.8	4164.1	3524.6	0.0	2953.8
1995	6837.9	6205.0	4156.3	3480.6	2599.9	2768.8
1996	6718.8	6046.5	4029.4	3319.6	0.0	2643.6
1997	7247.3	6530.6	4330.6	3637.2	2913.4	2830.1
1998	7464.7	6714.2	4462.5	3683.2	0.0	2925.7

NET GENERAL FUND APPROPRIATION =
GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%
1986 - 1998 = 10%
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS
1984 - 1989, OTHERWISE 25%

AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5% ✓

STATE OF ALASKA
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MEAN REVENUE PROJECTION
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	458.8	213.0	2303.7	0.0	12.4
1985	3837.4	545.4	506.5	2237.4	0.5	12.7
1986	4525.5	638.0	838.7	2185.0	1.2	12.9
1987	5275.7	750.3	1393.3	2159.4	3.0	14.1
1988	6111.4	835.7	1552.0	2053.3	4.5	16.0
1989	7051.5	940.1	1745.8	2222.0	6.6	16.1
1990	7739.7	688.3	2064.8	2103.3	7.5	18.2
1991	8409.5	669.8	2009.4	1951.8	10.9	19.9
1992	9091.3	681.8	2045.3	1819.2	11.3	21.5
1993	9790.7	699.4	2093.3	1771.8	14.1	22.2
1994	10513.9	723.2	2169.7	1674.5	13.7	23.5
1995	11196.9	682.9	2048.7	1545.4	17.1	25.3
1996	11869.2	672.3	2017.0	1377.5	16.8	27.8
1997	12585.9	716.7	2150.0	1410.6	18.4	27.1
1998	13336.4	750.6	2251.7	1335.0	17.0	28.2

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 29, 1982

SUBJECT: Sectional analysis of draft
CSSSSJR 61 (Judiciary)

TO: Senator Patrick M. Rodey
Chairman, Senate Judiciary Committee

FROM: Billy G. Berrier 
Director
Division of Legal Services

This resolution proposes a constitutional amendment which imposes an appropriation limit for each fiscal year, creates a new trust fund called the Alaska Resource Fund and dedicates certain revenues to the fund, adds an exemption to the prohibition of dedicated funds allowing the Alaska Resource Fund, amends the dedication to the Alaska Permanent Fund; provides that if the ballot proposition on costs of capital relocation is approved no voter approval for the appropriation of those costs is required, provides a transitional schedule for payment to the Alaska Resources Fund, and provides that these amendments supersede those proposed last year in FSS FCCSSJR 4.

1. Section 1 of the resolution proposes that new sections 16 and 17 be added to Article IX of the constitution.

Proposed section 16 limits appropriations in a fiscal year to the beginning general fund balance plus the revenues for the year. The revenues from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses are excluded from the revenue available for appropriation. The governor is required to reduce state spending if he determines the total amount of appropriations in a fiscal year exceed the limit.

Proposed section 17 provides that, except for revenue allocated to the permanent fund under Sec. 15 of the constitution, all mineral lease rentals, royalties, royalty

sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the fund may be appropriated for any purpose with voter approval. It creates a hierarchy of investments of the remainder. The first priority is capital projects owned by the state and programs administered by the state. In both categories the investment must be returned to the state. Projects owned by the state must return a rate at least equal to market rate for general obligation bonds of the state unless otherwise provided by specific law for a particular project. Investments in programs of the state must provide a rate of return equal to the rate of similar investments but not less than the rate of United States government obligations of similar maturity. The investment in programs administered by the state must be approved by the voters. The balance after these first priority investments shall be invested at market rates but not less than the rate returned by United States government obligations of similar maturity. The income from the fund shall be deposited in the general fund unless otherwise provided by law.

2. Section 2 amends Sec. 7 of Article IX of the constitution to except the provisions of proposed section 17 from the constitutional prohibition of dedicated funds.

3. Section 3 amends existing Sec. 15 of Article IX by changing the dedication to the Alaska permanent fund and specifically requiring investments of the permanent fund to be at competitive market rates of return for similar investments. It appears that specific dates are designed with an eye to revenue consequences of lease and bonuses previously received. Apart from that the dedication of "at least twenty-five percent" is increased to a specific fifty percent.

4. (a) Section 4 amends Article XV to add a proposed section 26 to the transitional article. The proposed section 26 excepts appropriations for capital relocation from requirements of voter approval of appropriations if the voters approve the total cost of capital relocation. Since the only requirement for voter approval is that contained in proposed section 26, Article IX, this is in effect an exception to that proposed section.

Senator Patrick M. Rodey

Page 3

April 29, 1982

(b) A proposed section 27 is added to Article XV the transitional article, setting the effective date of the proposed amendments as July 1, 1983 and providing for the payments to the Alaska resource fund to be phased in as detailed in the proposed section.

5. Section 5 provides the proposed amendments be placed before the voters at the next general election.

6. Section 6 provides that the amendments proposed by FSS FCCS SJR 4 adopted last year are superseded and that the requirement that those proposed amendments be placed before the voters is void.

BGB:ljb

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

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

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-
0 tive dates for the amendments; and
1 superseding the amendments proposed
2 by Legislative Resolve No. 1, First
3 Special Session of the Twelfth Legis-
4 lature (FSS FCCS SJR 4).

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

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

8 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of
9 this article, the total amount of appropriations which take effect in a
0 fiscal year shall not exceed the sum of the uncommitted general fund
1 balance at the beginning of that fiscal year plus the revenues of the
2 State for that fiscal year, other than revenues from all mineral lease
3 rentals, royalties, royalty sale proceeds, federal mineral revenue
4 sharing payments and bonuses. If the governor determines that the total
5 amount of appropriations taking effect in a fiscal year will exceed the
6 amount authorized by this section, he shall reduce state spending to
7 assure that amount is not exceeded.

8 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
9 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 fourth 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 ^{YN} programs administered by the State. Projects
 9 that are owned by the State shall return to the Alaska resource fund the
 0 amount of the investment and, unless otherwise provided by a specific
 1 law for a particular project, shall provide a rate of return on the
 2 investment at least equal to the market rate for general obligation
 3 bonds of similar maturity of the State at the time the investment is
 4 made. [Investments in] programs administered by the State must be approved
 5 by the voters at a general election as prescribed by law, must return to
 6 the Alaska resource fund the amount of the investment, and must be
 7 invested at a rate of return equal to the market rate of return for
 8 similar investments but not less than the rate of return provided by
 9 obligations of similar maturity of the United States government at the
 0 time the investment is made. The balance remaining in the Alaska
 1 resource fund that is not invested in capital projects owned by the
 2 State or in programs administered by the State shall be invested at a
 3 rate of return equal to the market rate of return for similar invest-
 4 ments but not less than the rate of return provided by obligations of
 5 similar maturity of the United States government at the time the invest-
 6 ment is made. All income from the Alaska resource fund shall be de-
 7 posited in the general fund unless otherwise provided by law.

8 * Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is
 9 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:

0 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
1 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-
2 eral mineral revenue sharing payments received by the State from mineral
3 leases issued on or before December 1, 1979, and at least twenty-five
4 percent of all bonuses received by the State from mineral leases issued
5 on or before February 15, 1980, shall be placed in a permanent fund.
6 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-
7 ceeds, and federal mineral revenue sharing payments received by the State
8 from mineral leases issued after December 1, 1979, and fifty percent of
9 all bonuses received by the State from mineral leases issued after Feb-
0 ruary 15, 1980, shall be placed in the permanent fund. The principal of
1 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for
2 [THOSE] income-producing investments specifically designated by law as
3 eligible for permanent fund investments at competitive market rates of
4 return for similar investments. All income from the permanent fund
5 shall be deposited in the general fund unless otherwise provided by law.

6 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended by
7 adding new sections to read:

8 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
9 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-
2 viding for relocation of the capital, no additional voter approval of
3 appropriations for that purpose within the cost approved by the voters
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
6 article IX of this constitution adding sections 16 and 17 relating to
7 appropriations and the Alaska resource fund, amending section 7 relating
8 to dedicated funds, and amending section 15 relating to the permanent
9 fund, take effect July 1, 1983. However, the provision of section 17 of
0 article IX of this constitution relating to placing mineral lease
1 rentals, royalties, royalty sale proceeds, federal mineral revenue
2 sharing payments and bonuses received by the State into the Alaska
3 resource fund shall be implemented as follows:

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

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

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

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

8 * Sec. 5. The amendments proposed by this resolution shall be placed be-
9 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
2 of the state.

3 * Sec. 6. The amendments proposed by this resolution supersede the amend-
4 ments proposed by Legislative Resolve No. 1, First Special Session of the
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
6 section 3 of that resolution that the amendments proposed by that resolution
7 be placed before the voters of the state.

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STATE OF ALASKA

THE LEGISLATURE

1981

Source

FSS-FCCSSJR 4.

Legislative
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

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

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made

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except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS. If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

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

New Section:

*amend article IX, section 16
reference section 16*

*Does this mean spending the proceeds of M.F.D. bonds
for operating expenses on all expenses? It just an
app. for voter service?*

Introduced: 1/29/82
Referred: State Affairs,
Finance and Judiciary

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 65

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska relating to the
7 expenditure of money which exceeds the
8 limit on appropriations.

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

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty
13 per cent of the unexpended and unobligated money in the state treasury
14 which exceeds the limit established by section 16 of this article for a
15 fiscal year may be expended for capital projects approved by the voters.
16 If the voters fail to approve an appropriation for a capital project,
17 the amount of the appropriation shall be placed in the permanent fund
18 established by section 15 of this article. The remaining unexpended and
19 unobligated money in the state treasury for a fiscal year shall be
20 invested as provided in section 16 of this article unless the voters
21 approve, as prescribed by law, the placement of the money in the perma-
22 nent fund established by section 15 of this article.

23 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
24 adding new sections to read:

25 SECTION 29. EFFECTIVE DATE OF AMENDMENT. The 1982 amendment re-
26 lating to the appropriation of unexpended and unobligated state money
27 (art. IX, sec. 17) takes effect on the effective date of the amendment
28 limiting appropriation increases (art. IX, sec. 16).

29 SECTION 30. REPEAL OF AMENDMENT. If the amendment limiting appro-

1 priation increases (art. IX, sec. 16) is rejected by the voters at the
2 1986 general election, the amendment relating to the appropriation of
3 unexpended and unobligated state revenue (art. IX, sec. 17) is repealed.

4 * Sec. 3. The amendments proposed by this resolution shall be placed be-
5 fore the voters of the state at the next general election in conformity with
6 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
7 of the state.

Introduced: 2/18/82
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 814

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of the appropriation
7 limitation in art. IX, sec. 16 of the Alaska Constitu-
8 tion; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 15.58.020 is amended by adding a new paragraph to read:

11 (10) for each capital project appropriation bill question
12 under AS 37.07.075(a), the operation and maintenance cost information
13 required by AS 37.07.074.

14 * Sec. 2. AS 37.07.010 is amended by adding a new paragraph to read:

15 (7) implementation of art. IX, sec. 16 of the Alaska Consti-
16 tution which provides for an appropriation limit.

17 * Sec. 3. AS 37.07 is amended by adding new sections to read:

18 Sec. 37.07.072. ADJUSTMENT OF APPROPRIATION LIMIT BASE. (a) The
19 appropriation limit of \$2,500,000,000 which is established by art. IX,
20 sec. 16 of the Alaska Constitution must be cumulatively adjusted annual-
21 ly by the division, by the sum of the following percentages:

22 (1) the percentage annual change, during the calendar year
23 preceding each fiscal year, in the consumer price index for all urban
24 consumers for Anchorage as published by the Bureau of Labor Statistics
25 of the United States Department of Labor; and

26 (2) the percentage annual change as of each July 1, in the
27 estimated population of the state, based on the trend established by the
28 United States Census Bureau for the period between the previous two
29 censuses or reenumerations.

1 (b) The base date for determining changes in population and infla-
2 tion under (a) of this section is July 1, 1981.

3 (c) In this section "population" means total resident population
4 under the rules of residency applicable to the most recent federal
5 census or reenumeration.

6 Sec. 37.07.074. COST OF OPERATION AND MAINTENANCE OF CAPITAL
7 PROJECTS IN EXCESS OF APPROPRIATION LIMIT. The division shall calculate
8 its best estimate of the annual operation and maintenance costs for each
9 year of the expected useful life of each capital project for which an
10 appropriation bill must be approved by the voters under art. IX, sec.
11 16. The estimated annual operation and maintenance cost figures for
12 each project must be included in the election pamphlet published under
13 AS 15.58.

14 * Sec. 4. AS 37.07.120 is amended by adding a new subsection to read:

15 (b) In this chapter and in art. IX, sec. 16 of the Alaska Consti-
16 tution

17 (1) "appropriation" means a maximum amount of money available
18 for expenditure by a state agency for a stated purpose set out in an
19 appropriation Act;

20 (2) "capital project" means any project, acquisition, equip-
21 ment, improvement, construction, or repair for which money is appropri-
22 ated and which;

23 (A) is likely to require an expenditure in a subsequent
24 fiscal year;

25 (B) is expected to have a useful life of more than one
26 year; or

27 (C) exceeds \$25,000 in price or value.

28 (3) "loan appropriation" means an appropriation of money used
29 either to subsidize the difference between the market interest rate at

1 the time state loans are made and the rate charged borrowers for state
2 loans, or to capitalize or directly finance state loans;

3 (4) "money received from a non-state source in trust for a
4 specific purpose" means program receipts and all other money received by
5 a state department, commission, authority, or agency from any source
6 including the federal government, under terms or conditions which indi-
7 cate the intent that the money be used for a specific program or pur-
8 pose.

9 * Sec. 5. AS 37.07.120(4) is repealed.

10 * Sec. 6. This Act takes effect on the effective date of the 1982 amendment
11 to the Alaska Constitution limiting appropriations of state money (art. IX,
12 sec. 16).

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Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE BY THE JUDICIARY COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)
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 provided 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 fourth 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 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. Investments in programs administered by the State must be approved
15 by the voters at a general election as prescribed by law, must return to
16 the Alaska resource fund the amount of the investment, and must be
17 invested at a rate of return equal to the market rate of return for
18 similar investments but not less than the rate of return provided by
19 obligations of similar maturity of the United States government at the
20 time the investment is made. The balance remaining in the Alaska
21 resource fund that is not invested in capital projects owned by the
22 State or in programs administered by the State shall be invested at a
23 rate of return equal to the market rate of return for similar invest-
24 ments but not less than the rate of return provided by obligations of
25 similar maturity of the United States government at the time the invest-
26 ment is made. All income from the Alaska resource fund shall be de-
27 posited in the general fund unless 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 new sections to read:

28 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
29 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-
2 viding for relocation of the capital, no additional voter approval of
3 appropriations for that purpose within the cost approved by the voters
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
6 article IX of this constitution adding sections 16 and 17 relating to
7 appropriations and the Alaska resource fund, amending section 7 relating
8 to dedicated funds, and amending section 15 relating to the permanent
9 fund, take effect July 1, 1983. However, the provision of section 17 of
10 article IX of this constitution relating to placing mineral lease
11 rentals, royalties, royalty sale proceeds, federal mineral revenue
12 sharing payments and bonuses received by the State into the Alaska
13 resource fund shall be implemented as follows:

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

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

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

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

28 * Sec. 5. The amendments proposed by this resolution shall be placed be-
29 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
2 of the state.

3 * Sec. 6. The amendments proposed by this resolution supersede the amend-
4 ments proposed by Legislative Resolve No. 1, First Special Session of the
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in
6 section 3 of that resolution that the amendments proposed by that resolution
7 be placed before the voters of the state.

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SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation or appropriations are approved by the voters in a general election as provided by law. The balance remaining in the Alaska resource fund after deduction of appropriations approved by the voters may be invested as provided by law in capital projects which are owned by the State and programs administered by the State. Projects which are owned by the State ^{and [unclear projects]} shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. Programs administered by the State shall be approved by the voters in a general election as provided by law, shall return to the Alaska resource fund the amount of the investment, and shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. The balance remaining in the Alaska resource fund that is not invested in capital projects owned by the State or programs administered by the State shall be invested at a rate of return

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equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. All income from the Alaska resource fund shall be deposited in the general fund unless otherwise provided by law.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

AMY S. HARRISON, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

April 24, 1982

The Honorable Patrick M. Rodey, Chairman
Senate Judiciary Committee
Pouch V
Juneau, Alaska 99811

RECEIVED
APR 29 1982

BUDGET/AUDIT
COMMITTEE

Re: Draft Judiciary CS for SJR 61

Dear Mr. Chairman:

At Friday's Judiciary Committee hearing on SJR 61, there was some discussion about whether the wording on page 3, line 14 of the third draft Judiciary Committee Substitute should read "at competitive market rates" as then written in the draft, or whether it should be revised to read "at national competitive market rates".

Let me emphasize at the outset that the Administration perceives absolutely no difference in concept or purpose between the phrases "competitive market rates" and "national competitive market rates". The purpose of both phrases is to make explicit that the trust nature of the Permanent Fund under the Constitution requires this Fund to be invested with at least the same investment philosophy that applies to both the pension funds and the General Fund -- namely, that the investment power over the Fund shall not be abused so as to subsidize any investment or activity by "investing" at sub-market rates. If any subsidy were ever to be associated with the Permanent Fund, the entire amount of the subsidy would have to be appropriated to the Permanent Fund to hold it harmless and keep it whole; the concept of permanence is at the heart of the Permanent Fund, and accordingly the Fund cannot be used to benefit some of the present generation of Alaskans at the expense of the rest of this generation and future ones.

At the hearing I indicated to the Committee that I thought it might not be appropriate to include the word "national" because of the possibility that the Permanent Fund would someday be able to invest outside the United States to diversify its portfolio, reduce its overall portfolio risk, and enhance its rate of return on investments. However, upon reflection, it occurs to me that the inclusion of that word would be appropriate even in the context of international investments, since there is nothing in the word "national" to limit it to refer to only the United States. If the Fund invested in a Swiss certificate of deposit, for example, we would want the Swiss national market rate for that CD. Thus, it would be entirely proper and appropriate for the Constitution to require "national competitive market rates" for such an investment even though it is overseas.

Senator Rodey (re SJR 61)
April 24, 1982
Page 2

Accordingly, since this is the Constitution of the State of Alaska that you are considering and since "national competitive market rates" is the phrase currently employed in the investment statutes for the pension funds and the General Fund, I recommend that the Committee include the word "national" on page 3, line 14 between "at" and "competitive" for the sake of absolute clarity, much as a conservative banker will wear both a belt and suspenders to hold his pants up. The difference is not in whether his pants will stay up or not, but in the extra comfort he has in the certainty that they will.

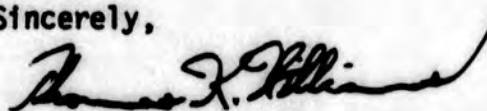
With respect to Senator Ray's request for Alaskan cases supporting the notion that the Constitution's Single Subject Rule (Art. II, sec. 13) should be broadly construed, I draw the Committee's attention to Gellert v. State, 522 P.2d 1120 (Alaska 1974); North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978); and Short v. State, 600 P.2d 20 (1979). Also, the Rule refers to bills only, and is silent with respect to resolutions:

"Section 13. Form of Bills. Every bill shall be confined to one subject unless it is an appropriation bill or one codifying, revising, or rearranging existing laws. Bills for appropriations shall be confined to appropriations. The subject of each bill shall be expressed in the title. The enacting clause shall be: 'Be it enacted by the Legislature of the State of Alaska.'"

Hence, it may be unclear whether the Rule even applies to resolutions proposing amendments to the Constitution.

Thank you very much for your consideration of my point about the rate of return to the Permanent Fund from its investments, and I request that this letter be incorporated into the Committee's record on SJR 61 in order to supplement and clarify my remarks of yesterday that are already in the record. I apologize if my hesitation about including the word "national" caused any confusion or uncertainty in the minds of the Committee Members.

Sincerely,



Thomas K. Williams
Commissioner of Revenue

TKW:tw

cc: Senate Judiciary Committee Members

CS SS SJR 61 (3rd Judiciary)
Resource Fund Earnings @ 0% Per Annum
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Interest	(3) Total Revenue	(4) Section 16 Revenue	(5) Resource Fund Balance	(6) Resource Fund Interest	(7) Section 17 Voter Approval	(8) Permanent Fund Balance	(9) Permanent Fund Interest	(10) Section 16 Revenue FY 83 \$
1984	3063.1	353.3	3416.4	2233.8	192.4	--		3739.1	353.3	2068.3
1985	3509.1	398.6	3907.7	2499.3	602.1	--	48.1	4232.0	398.6	2142.7
1986	4012.4	451.9	4464.3	2825.3	1401.1	--		4805.6	451.9	2242.8
1987	4634.7	514.2	5148.9	3225.2	2301.2	--	350.3	5478.9	514.2	2370.6
1988	4777.8	585.0	5362.8	3244.2	3678.2	--		6220.5	585.0	2207.9
1989	5258.7	663.2	5921.9	3586.8	4270.7	--	919.5	7043.6	663.2	2260.3
1990	4627.1	741.9	5369.0	3256.1	5633.5	--		7793.7	741.9	1899.9
1991	4186.3	803.5	4989.8	3100.7	5632.4	--	1408.4	8275.5	803.5	1675.2
1992	4119.8	852.5	4972.3	3089.9	7016.0	--		8774.3	852.5	1545.7
1993	3763.2	901.0	4664.2	2937.4	6518.2	--	1754.0	9244.9	901.0	1360.6
1994	3615.5	947.6	4563.1	2899.7	7720.0	--		9706.5	947.6	1243.6
1995	3475.4	993.0	4468.4	2871.2	6040.0	--	1930.0	10153.7	993.0	1140.2
1996	3184.9	1036.6	4221.5	2757.5	7979.4	--		10578.3	1036.6	1013.9
1997	3348.5	1080.8	4429.3	2882.2	7071.4	--	1094.8	11038.6	1080.8	981.3
1998	3474.5	1128.1	4602.6	2997.5	8190.9	--		11524.2	1128.1	944.9

Assumptions

1. Resource fund earns 0%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:

Mill Barker
Legislative Finance
4-23-82

CS SS SJR 61 (3rd Judiciary)
Resource Fund Earnings @ 6% Per Annum
(\$ Millions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<u>Fiscal Year</u>	<u>Revenue</u>	<u>Interest</u>	<u>Total Revenue</u>	<u>Section 16 Revenue</u>	<u>Resource Fund Balance</u>	<u>Resource Fund Interest</u>	<u>Section 17 Voter Approval</u>	<u>Permanent Fund Balance</u>	<u>Permanent Fund Interest</u>	<u>Section 16 Revenue FY 83 \$</u>
1984	3063.1	359.0	3422.1	2239.5	192.4	5.7		3739.1	353.3	2073.6
1985	3509.1	422.4	3931.5	2523.1	602.1	23.8	48.1	4232.0	398.6	2163.1
1986	4012.4	512.0	4524.4	2885.4	1401.1	60.1		4805.6	451.9	2200.5
1987	4634.7	625.3	5260.0	3336.3	2301.2	111.1	350.3	5478.9	514.2	2452.3
1988	4777.8	764.4	5542.2	3423.6	3678.2	179.4		6220.5	585.0	2330.0
1989	5258.7	901.7	6160.4	3825.8	4270.7	238.5	919.5	7043.6	663.2	2410.6
1990	4627.1	1039.0	5666.1	3553.2	5633.5	297.1		7793.7	741.9	2073.3
1991	4186.3	1141.5	5327.8	3438.7	5632.4	338.0	1408.4	8275.5	803.5	1857.8
1992	4119.8	1232.0	5351.8	3469.4	7016.0	379.5		8774.3	852.5	1735.6
1993	3763.2	1307.0	5070.2	3343.4	6518.2	406.0	1754.0	9244.9	901.0	1548.6
1994	3615.5	1374.7	4990.2	3326.8	7720.0	427.1		9706.5	947.6	1426.8
1995	3475.4	1432.8	4908.2	3311.0	6940.0	439.8	1930.0	10153.7	993.0	1314.8
1996	3184.9	1484.2	4669.1	3205.1	7979.4	447.6		10578.3	1036.6	1178.5
1997	3348.5	1532.3	4880.8	3333.7	7071.4	451.5	1994.8	11038.6	1080.8	1135.0
1998	3474.5	1586.0	5060.5	3455.4	8190.9	457.9		11524.2	1128.1	1089.3

Assumptions

1. Resource fund earns 6%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:
Milt Barker
Legislative Finance
4-23-82

CS SS SJR 61 (3rd Judiciary)
Resource Fund Earnings @ 0% Per Annum; Permanent Fund Earnings Used for Dividends & Inflation-Proofing
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Interest	(3) Total Revenue	(4) Section 16 Revenue	(5) Resource Fund Balance	(6) Resource Fund Interest	(7) Section 17 Voter Approval	(8) Permanent Fund Balance	(9) Permanent Fund Interest	(10) Section 16 Revenue FY 83 \$
1984	3063.1	--	3063.1	1880.5	192.4	--		3739.1	353.3	1741.2
1985	3509.1	--	3509.1	2100.7	602.1	--	48.1	4232.0	398.6	1801.0
1986	4012.4	--	4012.4	2373.4	1401.1	--		4805.6	451.9	1884.1
1987	4634.7	--	4634.7	2711.0	2301.2	--	350.3	5478.9	514.2	1992.7
1988	4777.8	--	4777.8	2659.2	3678.2	--		6220.5	585.0	1809.8
1989	5258.7	--	5258.7	2923.6	4270.7	--	919.5	7043.6	663.2	1842.4
1990	4627.1	--	4627.1	3514.2	5633.5	--		7793.7	741.9	1467.0
1991	4186.3	--	4186.3	2297.2	5632.4	--	1408.4	8275.5	803.5	1241.1
1992	4119.8	--	4119.8	2237.4	7016.0	--		8774.3	852.5	1119.3
1993	3763.2	--	3763.2	2036.4	6518.2	--	1754.0	9244.9	901.0	943.2
1994	3615.5	--	3615.5	1952.1	7720.0	--		9706.5	947.6	837.2
1995	3475.4	--	3475.4	1878.2	8040.0	--	1930.0	10153.7	993.0	746.0
1996	3184.9	--	3184.9	1720.9	7979.4	--		10578.3	1036.6	632.8
1997	3348.5	--	3348.5	1801.4	7071.4	--	1994.8	11038.6	1080.8	613.3
1998	3474.5	--	3474.5	1869.4	8190.9	--		11524.2	1128.1	589.3

Assumptions

1. Resource fund earns 0%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:

Milt Barker
 Legislative Finance
 4-23-82

DIVISION OF BUDGET AND MANAGEMENT
 SJR 61 PROJECTIONS OF 4/20/82
 WITH 1983 CONSTANT DOLLAR COMPARISONS

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE FY 83 \$\$	NET SECTION 16 APPROPRIATION	NET SECTION 16 FY 83 \$\$	SECTION 17 CAPITAL APPROPRIATION	SECTION 17 CAPITAL FY 83 \$\$
1983	2934.7	2934.7	2245.3	2245.3	0.0	0.0
1984	3202.1	2992.6	2266.2	2117.9	0.0	0.0
1985	3675.8	3210.6	2384.5	2082.7	131.3	114.7
1986	4215.3	3440.9	2492.2	2034.4	0.0	0.0
1987	4963.9	3786.9	2657.6	2027.5	517.9	395.1
1988	5236.1	3733.3	2700.8	1925.6	0.0	0.0
1989	5916.9	3942.7	3127.8	2084.2	996.9	664.3
1990	5406.4	3366.8	2798.2	1742.6	0.0	0.0
1991	5163.6	3005.3	2742.7	1596.3	1359.4	791.2
1992	5135.7	2793.5	2698.5	1407.8	0.0	0.0
1993	4952.3	2517.5	2649.2	1346.7	1632.4	829.8
1994	4797.9	2579.4	2537.2	1205.4	0.0	0.0
1995	4807.0	2134.4	2591.9	1150.8	1797.9	798.3
1996	4478.5	1858.4	2376.8	986.3	0.0	0.0
1997	4769.3	1849.6	2566.7	995.4	1892.6	734.0
1998	4840.8	1754.5	2561.1	928.3	0.0	0.0

ASSUMES 7% LONG TERM INFLATION RATE

Berrier
4/22/82

Original sponsors: Dankworth and Sturgulewski

3ED

1 IN THE SENATE BY THE JUDICIARY COMMITTEE
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)
 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; and superseding the
 10 amendments proposed by Legislative
 11 Resolve No. 1, First Special Session
 12 of the Twelfth Legislature (FSS FCCS
 13 SJR 4).

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

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

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

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
 28 15 of this article, all mineral lease rentals, royalties, royalty sale
 29 proceeds, federal mineral revenue sharing payments and bonuses received

1 article IX of this constitution relating to placing mineral lease
2 rentals, royalties, royalty sale proceeds, federal mineral revenue
3 sharing payments and bonuses received by the State into the Alaska
4 resource fund shall be implemented as follows:

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

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

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

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

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

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

at least
interest at inflation rate

1 by the State shall be placed in an Alaska resource fund. Up to one-
 2 fourth of the balance in the Alaska resource fund may be appropriated
 3 for any purpose ^{5*} ~~if~~ ^{(5) are} the appropriation ^{is} approved by the voters in a
 4 general election as provided by law. The balance remaining in the
 5 Alaska resource fund ^{after} deduction of appropriations approved by the
 6 voters may be invested as provided by law in capital projects ^{or programs} which are
 7 ^{real principal} owned by the State. Those projects shall return to the Alaska resource
 8 fund ^{value} the amount of the investment and, unless otherwise provided by a
 9 specific law for a particular project, shall provide a rate of return on
 10 the investment at least equal to the market rate for general obligation
 11 bonds of similar maturity of the State at the time the investment is
 12 made. ^{fronds} The balance remaining in the Alaska resource fund that is not
 13 invested in capital projects owned by the State shall be invested at a
 14 rate of return equal to the market rate of return for similar invest-
 15 ments but not less than the rate of return provided by obligations of
 16 similar maturity of the United States government at the time the invest-
 17 ment is made. [All income from the Alaska resource fund shall be de-
 18 posited in the general fund unless otherwise provided by law.]

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

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

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

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

17 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended by
18 adding new sections to read:

19 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
20 majority of those voting on the question at the general election in 1982
21 approve the ballot proposition for the total cost of the State of pro-
22 viding for relocation of the capital, no additional voter approval of
23 appropriations for that purpose within the cost approved by the voters
24 is required under section 17 of article IX of this constitution.

25 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
26 article IX of this constitution adding sections 16 and 17 relating to
27 appropriations and the Alaska resource fund, amending section 7 relating
28 to dedicated funds, and amending section 15 relating to the permanent
29 fund, take effect July 1, 1983. However, the provision of section 17 of

140201
Resource Fund

SEC 17 CONSTITUTION

P2 L3

DELETE [IF THE APPROPRIATION IS]

(MAKES IT CLEAR THAT
SEVERAL APPROPRIATIONS
ARE POSSIBLE)

~~X~~

L6-7 DELETE [WHICH ARE OWNED BY STATE]
L13 " [OWNED BY STATE]

(MAY WANT TO INSERT
PUBLICLY OWNED INSTEAD)

— PROVIDES MORE FLEXIBILITY

P2 L8

DELETE [AMOUNT]
INSERT VALUE

(MAKES SURE VALUE OF
INVESTMENT IS REPAYED
IN DOLLARS THAT ARE
OF EQUAL VALUE — THAT IS,
ADJUSTED FOR INFLATION)

P17, AFTER THE WORD "FUND"
INSERT: IN EXCESS OF THE AMOUNT
NECESSARY TO PRESERVE THE VALUE OF THE FUND
AGAINST THE EFFECTS OF INFLATION AND
REALIZED LOSSES

MALCOM

(2)

SEC 16

GENERAL FUND

PAGE 7
LINE 26

ADD A NEW SENTENCE
TO READ:

ALL REVENUES IN EXCESS
OF APPROPRIATIONS UNDER THIS
SECTION SHALL BE INVESTED
AT NATIONALLY COMPETITIVE
MARKET RATES.

PERMANENT FUND
SEC 15

PAGE 3
LINE 16

AFTER THE WORD "FUND"

ADD: , IN EXCESS OF THE AMOUNT
NECESSARY TO PRESERVE THE
VALUE OF THE FUND AGAINST
THE EFFECTS OF INFLATION
AND REALIZED LOSSES,

Original sponsors: Dankworth and Sturgulewski

THE SENATE

BY THE JUDICIARY COMMITTEE

RESOLUTION NO. 61 (Judiciary)
FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE - SECOND SESSION

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

IT IS RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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

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

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received

provided by law

interest
"not fall below
superior"

by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. ^{The balance} ~~Money remaining~~ in the Alaska resource fund ~~after deduction of appropriations approved by the voters~~ ~~may~~ be invested as provided by law in capital projects which are owned by the State. Those projects shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. ^{THE BALANCE Funds} ~~Money remaining~~ in the Alaska resource fund ~~after~~ ^{which is not invested} ~~investments~~ in capital projects owned by the State shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. ^{All means to be} Earnings on money placed in the Alaska resource fund shall be deposited in the general fund.

* Summary

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

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

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

1 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
2 of all mineral lease rentals, royalties, royalty sale proceeds, and federal
3 mineral revenue sharing payments received by the State from mineral
4 leases issued on or before December 1, 1979, and at least twenty-five
5 percent of all bonuses received by the State from mineral leases issued
6 on or before February 15, 1980, shall be placed in a permanent fund.
7 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-
8 ceeds, and federal mineral revenue sharing payments received by the
9 State from mineral leases issued after December 1, 1979, and fifty per-
0 cent of all bonuses received by the State from mineral leases issued af-
1 ter February 15, 1980, shall be placed in the permanent fund. The prin-
2 cipal of the permanent fund [, THE PRINCIPAL OF WHICH] shall be used
3 only for [THOSE] income-producing investments specifically designated by
4 law as eligible for permanent fund investments at the ^{COMPARATIVE} market rate of re-
5 turn for similar investments. All ^{real} income from the permanent fund shall
6 be deposited in the general fund unless otherwise provided by law.

7 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended by
8 adding new sections to read:

9 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
0 majority of those voting on the question at the general election in 1982
1 approve the ballot proposition for the total cost of the State of pro-
2 viding for relocation of the capital, no additional voter approval of
3 appropriations for that purpose within the cost approved by the voters
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to
6 article IX of this constitution adding sections 16 and 17 relating to
7 appropriations and the Alaska resource fund, amending section 7 relating
8 to dedicated funds, and amending section 15 relating to the permanent
9 fund, take effect July 1, 1983. However, the provision of section 17 of

1 article IX of this constitution relating to placing mineral lease
2 rentals, royalties, royalty sale proceeds, federal mineral revenue
3 sharing payments and bonuses received by the State into the Alaska
4 resource fund shall be implemented as follows:

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

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

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

17 (4) After July 1, 1986, the provisions of section 17 shall be
18 fully in force;

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

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

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

March ²⁵ 26, 1982

Honorable Arliss Sturgulewski
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

Following this morning's hearing on proposed CSSS SJR 61(Finance) in the Senate Finance Committee, a member of your staff contacted me with some questions about the effect of the proposed constitutional amendment adding section 26 to article XV with the title "Appropriations for Relocation of the Capital." This will formalize my answers to those questions.

The essential point of your staff member's inquiry was whether the language in proposed section 26 would constitute an automatic appropriation of funds necessary for the capital move (within the cost approved by the voters) in future years without further legislative action. It would not. Similarly, it would neither authorize future legislatures to exceed the spending limitation established by proposed section 16 of article IX nor to appropriate all or any part in excess of 20% of the resource fund established by section 17. What it would do is permit future legislatures to appropriate the amount authorized by the voters for the costs of the capital move without the necessity for additional approval by the voters at a general election, as would otherwise be required by section 17. During any two year period, those appropriations could not exceed 20 per cent of the money in the resource fund. Of course, if the capital move is approved by the voters this fall and the Capital City Development Corporation which would be established under AS 44.07 subsequently comes into existence, any amount of money in the resource fund could be used under section 17 to invest in revenue bonds which might be issued by the corporation, so long as they meet the requirements established in that section.

Honorable
Arliss Sturgulewski


- 2 -

March 25, 1982

If it is the desire of the Finance Committee to deal with the question of appropriations for a possible capital move in a manner other than that which I have described above, the language proposed for section 26, article XV should be altered. I am certainly available to assist you and the committee in drafting alternate language.

Sincerely yours,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Ronald W. Lorensen
Deputy Attorney General

RWL:cjs

cc: Honorable Ed Dankworth
Senator

Subject: SJR 61

(1) Section 16 appropriations. The constitutional amendment does not describe the procedure as to how the governor reduces the appropriations in any year the funding does not meet the appropriations. The constitutional amendment only says the governor will reduce spending. We assume this is the second chance to veto the budget and the legislature has a chance to override that veto with its usual three-quarters override on fiscal matters.

Arlliss, you made this point in committee

can be amended at market to see in supply

(2) Moneys in the Alaska Resource Fund can only be reinvested in state owned projects and the projects have to pay a rate of return equal to the general obligation bonds of similar maturity of the state at the time the investment is made. The state ownership requirement makes for a very short list of eligible projects. Currently, the only projects we have financed are hydroelectric dams and the international airports. State ownership precludes such things as docks (municipally owned), roads (non-revenue producing), rural airports (non-revenue producing), schools (municipally owned), water systems (municipally or privately owned), homes (private ownership) and businesses (privately owned). As to the interest rate, the legislature would put them in a Catch-22 position. With the current interest rate ceiling at 10% (the longest maturity the state can sell is 9 years). This would require, for instance, the Susitna Power Project be paid off in 9 years. If, on the other hand, the legislature raised the debt ceiling to allow maturities of longer interest rates to be sold, the interest rates would approximate 13% today and none of the power projects would pencil today. So?

- can change the statute

not precluded - just haven't done

could change mortgage program

*debt
variable
all the
we'll look
140 then
debt
will*

(3) Small nit. Funds don't have money in them, they have balances, money is dollar bills.

(4) Through time, royalties will become a larger proportion of oil revenues because severance taxes and income taxes are both based on profitability and as fields become less profitable through time, the royalty income will become a greater percentage of income. (I feel, as a responsible matter, we have to make an exception for general obligation debt service).

with looking at this computer seems decent look for had the

(5) The combined effect of the ownership requirement on projects and the requirement that the projects produce substantial revenues will create a second permanent fund. Most of the investments in the fund will end up being money market investments so that 20% of the number may be spent every 2 years after general election.

15 can be used for any purpose.

not sure what point is being made here

Arlliss,
Margo, MW

This is some stuff on SJR 61,
from someone who didn't want to
be identified.

Sh



Official Business

Alaska State Legislature

Senate

Committee on Finance

Peace V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Dankworth
FROM: Pete Jeans *PJ*
DATE: March 24, 1982
RE: SJR 61

SJR-4 amendments needs

average rate of return

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.

good

*1/6
The attachment shows it bi-annual!*

(2) Money in the fund shall be invested at a rate of return equal to the market rate of return for similar investments, but not less than the rate of return provided by obligations of the United States Government. (For a 90 day investment the bottom line would be 90 day treasury bills, today 12.82%, 10 year maturity 13.79%.) or;

*interest
90 to
gen.
fund*

(3) Money in the fund may be invested in capital projects which are owned by the state that will return the investment to the fund and provide a rate of return equal to the market rate for general obligation bonds of the state at the time the investment is made. (Approximately 10%).

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

SECTION 26. Will eliminate the possibility of a second vote on the appropriation for relocation of the capital.

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)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
 <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>		
	<u>5,900</u>	<u>6,000</u>
Total	2,797,500	3,385,500

SJR-61

YEAR	REVENUE PROJECTIONS	SECTION 16 REVENUE	RESOURCE FUND BALANCE	INTEREST RESOURCE FUND	SECTION 17 VOTER APPROVAL
1983	3308.4	2989.62	0.0	0.00	0.00
1984	5241.7	3101.91	1306.3	0.00	326.59
1985	6518.6	3696.82	3672.1	143.70	0.00
1986	7611.7	4304.35	5138.8	367.21	1284.70
1987	8762.2	4907.82	8325.2	462.49	0.00
1988	9275.2	5051.11	9443.9	749.27	2360.97
1989	10300.3	5624.25	13280.8	849.95	0.00
1990	10468.6	5926.71	13613.4	1195.27	3403.34
1991	10107.8	5814.31	17159.0	1225.20	0.00
1992	10437.1	6185.93	16538.6	1544.31	4134.66
1993	10547.9	6236.29	20102.3	1488.48	0.00
1994	10971.4	6658.49	18935.5	1809.21	4733.87
1995	10236.5	6307.10	22204.5	1704.19	0.00
1996	10298.7	6532.60	20278.4	1998.41	5069.61
1997	10729.1	6658.43	23663.7	1825.06	0.00
1998	11291.7	7100.27	21716.6	2129.73	5429.16

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

Handwritten signature

SJR-61

RESOURCE FUND

YEAR	RESOURCE FUND BALANCE	RESOURCE FUND INTEREST	RESOURCE FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	0.0	0.00	0.0%
1984	1306.3	0.00	0.0%
1985	3672.1	143.70	3.9%
1986	5138.8	367.21	8.5%
1987	8325.2	462.49	9.4%
1988	9443.9	749.27	14.8%
1989	13280.8	849.95	15.1%
1990	13613.4	1195.27	20.2%
1991	17159.0	1225.20	21.1%
1992	16538.6	1544.31	25.0%
1993	20102.3	1488.48	23.9%
1994	18935.5	1809.21	27.2%
1995	22204.5	1704.19	27.0%
1996	20278.4	1998.41	30.6%
1997	23663.7	1825.06	27.4%
1998	21716.6	2129.73	30.0%

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
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1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

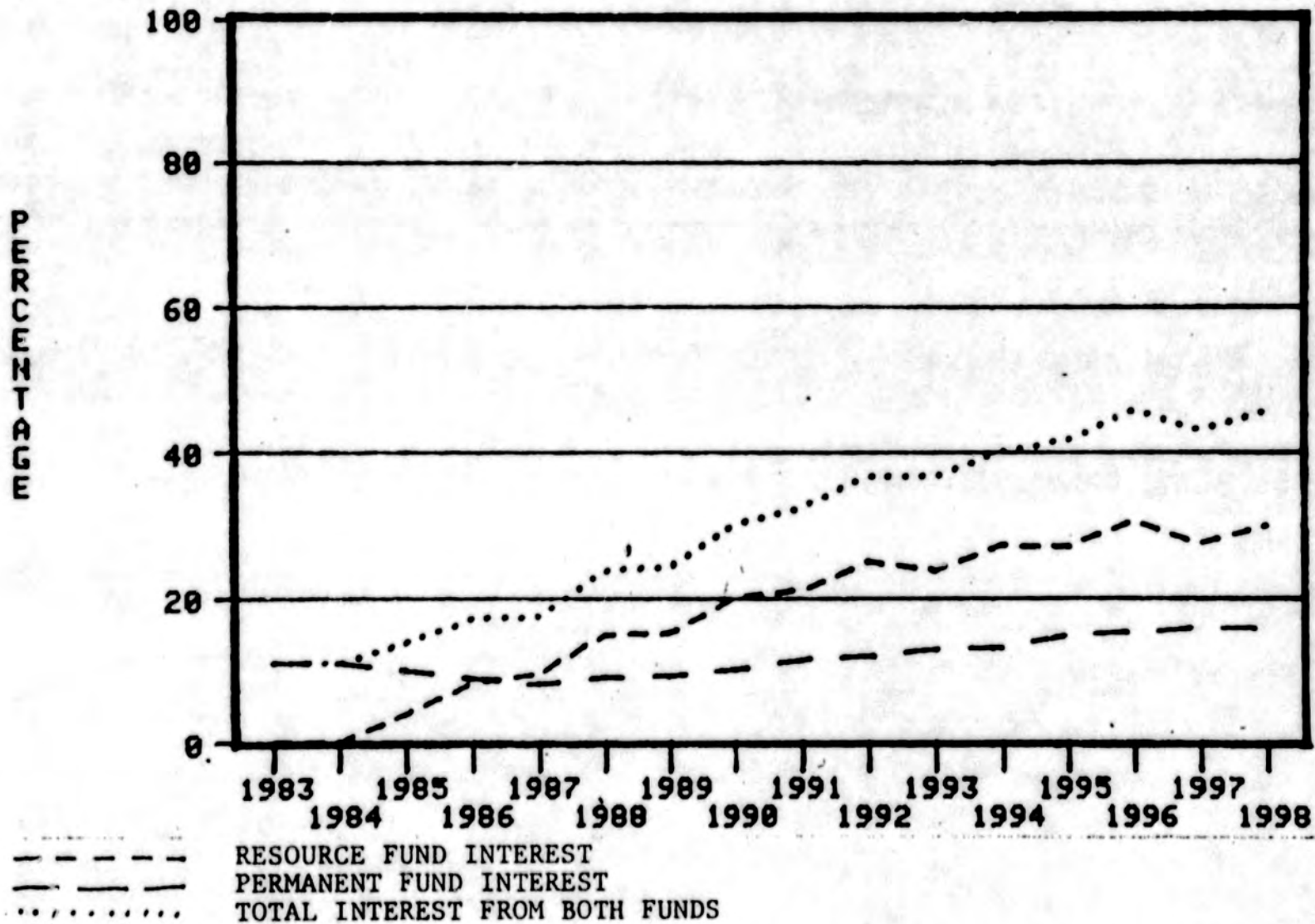
PERMANENT FUND

YEAR	PERMANENT FUND BALANCE	INTEREST	PERMANENT FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	2818.8	325.00	10.9%
1984	3325.6	338.26	10.9%
1985	3781.6	365.82	9.9%
1986	4337.5	378.16	8.8%
1987	5005.5	390.38	8.0%
1988	5749.9	450.49	8.9%
1989	6589.1	517.49	9.2%
1990	7395.1	593.02	10.0%
1991	8142.9	665.56	11.4%
1992	8879.7	732.86	11.8%
1993	9627.7	799.18	12.8%
1994	10373.5	866.49	13.0%
1995	11033.9	933.61	14.8%
1996	11656.5	993.05	15.2%
1997	12341.9	1049.08	15.8%
1998	13051.2	1110.77	15.6%

OFFICE OF THE GOVERNOR
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

TOTAL INTEREST FROM THE RESOURCE AND PERMANENT FUNDS AS A PERCENTAGE OF FUNDS
AVAILABLE FOR APPROPRIATION



-7-

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

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; and superseding the
10 amendments proposed by Legislative
11 Resolve No. 1, First Special Session
12 of the Twelfth Legislature (FSS FCCS
13 SJR 4).

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

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

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

James J. Brown

~~can be adjusted~~
~~can re-appropriate~~

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
28 15 of this article, all mineral lease rentals, royalties, royalty sale
29 proceeds, federal mineral revenue sharing payments and bonuses received

Earl Ingle

1 by the State shall be placed in an Alaska resource fund. Up to one-
2 fifth of the balance in the Alaska resource fund may be appropriated for
3 any purpose if the appropriation is approved by the voters in a general
4 election as provided by law. Money in the Alaska resource fund shall be
5 invested as provided by law at a rate of return equal to the market rate
6 of return for similar investments but not less than the rate of return
7 provided by obligations of similar maturity of the United States govern-
8 ment at the time the investment is made. Money in the Alaska resource
9 fund may also be invested ^{as provided by law} in capital projects which are owned by the
10 State, which will return to the Alaska resource fund the amount of the
11 investment, and which will provide a rate of return on the investment at
12 least equal to the market rate for general obligation bonds of similar
13 maturity of the State at the time the investment is made. Earnings on
14 money deposited in the Alaska resource fund shall be deposited in the
15 general fund.

16 * Sec. 2. Article IX, section 15, Constitution of the State of Alaska is
17 amended to read:

18 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
19 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-
20 eral mineral revenue sharing payments received by the State from mineral
21 leases issued on or before December 1, 1979, and at least twenty-five
22 percent of all bonuses received by the State from mineral leases issued
23 on or before February 15, 1980, shall be placed in a permanent fund.
24 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-
25 ceeds, and federal mineral revenue sharing payments received by the
26 State from mineral leases issued after December 1, 1979, and fifty per-
27 cent of all bonuses received by the State from mineral leases issued af-
28 ter February 15, 1980, shall be placed in the permanent fund. The prin-
29 cipal of the permanent fund [, THE PRINCIPAL OF WHICH] shall be used

High fiduciary standards
or some inflationary proofing

only for [THOSE] income-producing investments specifically designated by law as eligible for permanent fund investments at the market rate of return for similar investments. All ^{net (margin)} income from the permanent fund shall ^{after to great inflation} be deposited in the general fund unless otherwise provided by law.

* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

Amend as SJR 4
Eng. Committee 25 years
SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under section 17 of article IX of this constitution.

SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to article IX of this constitution adding sections 16 and 17, relating to appropriations and the Alaska resources fund, and amending section 15, relating to the permanent fund, take effect July 1, 1983.

* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

* Sec. 5. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

new if a majority of those voting
scrapped - the 25 years shall not be
presented
25 years

AMENDMENTS INDICATED ARE THE RESULT OF MEETING
LAST WEEK BETWEEN MEMBERS OF THE BOARD AND THE
CAPITAL INVESTMENT FUND COMMITTEE

MR 4-5-82

Original sponsor: Dankworth

3/19/82

IN THE SENATE

BY THE FINANCE COMMITTEE

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

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

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

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

SECTION 16. APPROPRIATIONS. Except as provided in section 17 of
this article, the total amount of appropriations which take effect in a
fiscal year shall not exceed \$1,800,000,000 multiplied by the annual per capital income change
since 1981.

~~balance at the beginning of the fiscal year, plus the revenues of the
State for that fiscal year, other than revenues from all mineral lease
rentals, royalties, royalty sale proceeds, federal mineral revenue share-
ing payments and bonuses. If the governor determines that the total
amount of appropriations taking effect in a fiscal year will exceed the
amount authorized by this section, he shall reduce state spending in
that amount is not exceeded.~~

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section
15 of this article, all mineral lease rentals, royalties, royalty sale
proceeds, federal mineral revenue sharing payments and bonuses received

by the State shall be placed in an Alaska resource fund. Up to one-fifth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. Money in the Alaska resource fund ~~shall be not yet designated for the above may be placed in other income-producing investments as provided by law at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made.~~ Money in the Alaska resource fund shall ~~may also~~ be invested in capital projects which are owned by the State, which will return to the Alaska resource fund the amount of the investment, and which will provide a rate of return ~~on the investment~~ ^{as provided by law.} ~~at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made.~~ Earnings on money deposited in the Alaska resource fund shall ~~be deposited~~ ^{remain} in the ~~general~~ fund.

* Sec. 2. Article IX, section 15, Constitution of the State of Alaska is amended to read:

SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the State from mineral leases issued on or before December 1, 1979, and at least twenty-five percent of all bonuses received by the State from mineral leases issued on or before February 15, 1980, shall be placed in a permanent fund. Fifty percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the State from mineral leases issued after December 1, 1979, and fifty percent of all bonuses received by the State from mineral leases issued after February 15, 1980, shall be placed in the permanent fund. The principal of the permanent fund [, THE PRINCIPAL OF WHICH] shall be used

only for [THOSE] income-producing investments specifically designated by law as eligible for permanent fund investments at the market rate of return for similar investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under section 17 of article IX of this constitution.

SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to article IX of this constitution adding sections 16 and 17, relating to appropriations and the Alaska resources fund, and amending section 15, relating to the permanent fund, take effect July 1, 1983.

* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

* Sec. 5. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

SJR 61

Senator Sturgulewski moved and asked unanimous consent that she be shown as a co-sponsor to SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an investment fund). Without objection, it was so ordered.

President ~~Kerretula~~ stated that Senator Bennett would be appointed to the Budget and Audit Committee replacing Senator Stimson as he is a statewide candidate.

ANNOUNCEMENTS

Announcements appear at the end of the journal.

SPECIAL ORDERS

Senator Eliason moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m., March 18 and March 19. Without objection, Senator Eliason was excused.

Senator Rodey moved and asked unanimous consent that he be excused from a call of the Senate March 18 and March 19. Without objection, Senator Rodey was excused.

Senator Colletta moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m., March 18 through March 19. Without objection, Senator Colletta was excused.

Senator Parr moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m. March 18. Without objection, Senator Parr was excused.

Senator Stimson moved and asked unanimous consent that he be excused from a call of the Senate April 1 and April 2. Without objection, Senator Stimson was excused.

DRAFT #1
LAW

3/23/82
CSSS SSR 61 FIN
Legis Pj

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

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 creating an
8 Alaska resource fund; and superceding
9 the amendments proposed by Legisla-
10 tive Resolve No. 1, First Special
11 Session of the Twelfth Legislature
12 (FSS-FCCS SJR 4).

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

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

16 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of
17 this article, the total amount of appropriations which take effect in a
18 fiscal year shall not exceed the sum of the unobligated general fund
19 balance at the beginning of that fiscal year plus the revenues of the
20 State for that fiscal year, other than revenues from all mineral lease
21 rentals, royalties, royalty sale proceeds, federal mineral revenue shar-
22 ing payments and bonuses, ^{less revenues = appropriate in obligation} less the unobligated amount of appropriations
23 which took effect in a prior fiscal year and are still in effect at the
24 beginning of that fiscal year. [If the governor determines that the to-
25 tal amount of appropriations taking effect in a fiscal year will exceed
26 the amount authorized by this section, he shall reduce state spending to
27 assure that 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. Money in the
3 Alaska resource fund shall be invested as provided by law at a rate of
4 return equal to the market rate of return for similar investments but
5 not less than the rate of return provided by obligations of the United
6 States government at the time the investment^{is} ~~are~~ made. Money in the
7 Alaska resource fund may also be invested in capital projects which are
8 owned by the State, which will return to the Alaska resource fund the
9 amount of the investment, and which will provide a rate of return on the
10 investment at least equal to the market rate for general obligation
11 bonds of the State at the time the investment is made. The legislature
12 may appropriate up to one-fifth of the balance in the Alaska resource
13 fund for capital projects which do not meet the requirements for an in-
14 vestment under this section if the appropriation is approved by the vot-
15 ers in a general ~~or special~~ election as provided by law. Earnings on
16 money deposited in the Alaska resource fund shall be deposited in the
17 general fund, ~~and may be appropriated under section 16 of this article.~~

Specific
Enough?

(not
sec.)

18 * Sec. 2. Article IV, Constitution of the State of Alaska, is amended by
19 adding a new section to read:

20 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
21 majority of those voting on the question at the general election in 1982
22 approve the ballot proposition for the total cost of the State of pro-
23 viding for relocation of the capital, no additional voter approval of
24 appropriations for that purpose within the cost approved by the voters
25 is required under the 1982 amendment establishing the Alaska Resource
26 Fund (art. IX, sec. 17).

27 * Sec. 3. The amendments proposed by this resolution shall be placed be-
28 fore the voters of the state at the next general election in conformity with
29 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws

1 of the state.

2 * Sec. 4. The amendments proposed by this resolution supersede the amend-
3 ments proposed by the Legislative Resolve No. 1, First Special Session of the
4 Twelfth Legislature (FSS - FCCS SJR 4), and voids the requirement contained
5 in section 3 of that resolution that the amendments proposed by that resolu-
6 tion be placed before the voters of the state.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE
DEBT SERVICE EXPENSES
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDENT + DEBT SERVICE
RFBAL = RESOURCE FUND BALANCE
RFINT = INTEREST EARNED ON THE RESOURCE FUND
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND
IS 9 PERCENT

THE INFLATION RATE USED IS 7 PERCENT

CURRENT AS OF MARCH 17, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	744.7	0.00	186.18
2	1984	4717.31	2775.24	3084.37	1902.1	67.03	475.53
3	1985	6023.56	3343.89	3657.80	3414.3	171.19	853.58
4	1986	6958.01	3887.78	4206.61	4932.6	307.29	1233.14
5	1987	8075.66	4565.37	4889.26	6495.2	443.93	1623.80
6	1988	8366.03	4557.30	4886.41	7979.8	584.57	1994.96
7	1989	9329.42	5158.00	5492.49	9453.4	718.19	2363.36
8	1990	9318.16	5242.23	5582.24	10551.5	850.81	2637.87
9	1991	9084.37	5193.02	5538.74	11277.7	949.63	2819.42
10	1992	9170.90	5305.02	5656.61	11833.6	1014.99	2958.39
11	1993	9376.52	5455.20	5812.83	12317.8	1065.02	3079.45
12	1994	9524.93	5594.02	5957.89	12707.9	1108.60	3176.97
13	1995	9015.64	5376.34	5746.62	12781.5	1143.71	3195.38
14	1996	8828.06	5307.65	5684.54	12740.0	1150.34	3185.01
15	1997	9365.26	5596.28	5979.98	12900.3	1146.60	3225.06
16	1998	9613.64	5740.86	6131.56	13105.9	1161.02	3276.47

11:53 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 15 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	791.3	0.00	139.64
2	1984	4721.49	2779.43	3038.56	2060.6	71.22	363.63
3	1985	6037.82	3358.15	3672.06	3762.4	185.45	663.95
4	1986	6989.33	3919.11	4237.94	5536.7	338.62	977.07
5	1987	8130.04	4619.74	4943.63	7414.7	498.31	1308.47
6	1988	8448.78	4640.06	4969.16	9260.1	667.32	1634.14
7	1989	9444.65	5273.23	5607.71	11132.5	833.41	1964.56
8	1990	9469.28	5393.34	5733.36	12638.2	1001.93	2230.26
9	1991	9272.17	5380.83	5726.54	13756.2	1137.43	2427.57
10	1992	9393.97	5528.09	5879.68	14679.9	1238.06	2590.58
11	1993	9632.69	5711.37	6069.00	15507.1	1321.19	2736.54
12	1994	9811.97	5881.06	6244.92	16213.0	1395.64	2861.12
13	1995	9331.10	5691.80	6062.08	16559.7	1459.17	2922.30
14	1996	9168.10	5647.69	6024.57	16747.8	1490.37	2955.49
15	1997	9725.96	5956.98	6340.67	17113.1	1507.30	3019.96
16	1998	9992.79	6120.01	6510.72	17505.9	1540.18	3089.27

13:41 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 10 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	837.8	0.00	93.09
2	1984	4725.7	2783.62	3092.75	2223.7	75.40	247.08
3	1985	6052.5	3372.83	3686.74	4130.5	200.13	458.94
4	1986	7022.5	3952.24	4271.07	6193.7	371.75	688.19
5	1987	8189.2	4678.87	5002.76	8442.1	557.43	938.01
6	1988	8541.3	4732.53	5061.63	10729.6	759.79	1192.17
7	1989	9576.9	5405.48	5739.96	13109.8	965.66	1456.65
8	1990	9647.2	5571.30	5911.32	15161.2	1179.89	1684.58
9	1991	9499.2	5607.90	5953.61	16836.1	1364.51	1870.68
10	1992	9671.2	5805.28	6156.87	18315.4	1515.25	2035.04
11	1993	9959.9	6038.56	6396.19	19691.2	1648.38	2187.91
12	1994	10188.5	6257.62	6621.49	20932.4	1772.20	2325.82
13	1995	9755.8	6116.54	6486.83	21781.3	1883.91	2420.14
14	1996	9638.0	6117.62	6494.51	22432.3	1960.31	2492.48
15	1997	10237.6	6468.59	6852.28	23235.8	2018.91	2581.76
16	1998	10543.8	6671.06	7061.77	24046.1	2091.22	2671.79

13:36 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 5 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	884.4	0.00	46.55
2	1984	4729.9	2787.81	3096.94	2391.4	79.59	125.87
3	1985	6067.6	3387.93	3701.84	4519.3	215.23	237.86
4	1986	7057.5	3987.23	4306.06	6907.2	406.74	363.54
5	1987	8253.4	4743.08	5066.97	9583.9	621.65	504.68
6	1988	8644.5	4835.74	5164.85	12415.1	863.00	653.43
7	1989	9728.6	5557.18	5891.66	15439.5	1117.36	812.60
8	1990	9856.9	5780.97	6120.98	18216.6	1389.55	958.77
9	1991	9774.2	5882.89	6228.60	20674.1	1639.49	1088.11
10	1992	10016.6	6150.70	6502.29	22979.0	1860.67	1209.42
11	1993	10379.6	6458.28	6815.92	25215.5	2068.11	1327.13
12	1994	10685.7	6754.82	7118.68	27343.5	2269.40	1439.13
13	1995	10332.8	6693.54	7063.82	29081.9	2460.91	1530.62
14	1996	10295.1	6774.68	7151.57	30614.1	2617.37	1611.27
15	1997	10973.9	7204.95	7588.65	32299.4	2755.27	1699.97
16	1998	11359.6	7486.78	7877.49	33992.4	2906.95	1789.07

13:40 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Pete Jeans asked that the run of March 18th be replicated with the Resource Fund starting in 1984 instead of 1983. The attached tables provide output on this run.

Current as of March 19, 1982

REVTOT2 = TOTAL REVENUE

GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE
DEBT SERVICE EXPENSES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

RFCHANGE = CHANGE IN THE RESOURCE FUND BALANCE

RFINTEXP = INTEREST EARNED ON THE RESOURCE FUND EXPRESSED AS A
PERCENTAGE OF TOTEXPDD

PF = PERMANENT FUND BALANCE

PFINT2 = INTEREST EARNED ON THE PERMANENT FUND

PFCHANGE = CHANGE IN THE PERMANENT FUND BALANCE

PFINTEXP = INTEREST EARNED ON THE PERMANENT FUND EXPRESSED AS A
PERCENTAGE OF TOTEXPDD

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%,
1987-1998 = 9%

the inflation rate used is 7%

CURRENT AS OF MARCH 19, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	REVTOT2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	3308.4	2685.12	2989.62	0.0	0.00	0.00
2	1984	5241.7	2792.78	3101.91	1306.3	0.00	326.59
3	1985	6518.6	3382.91	3696.82	3672.1	143.70	0.00
4	1986	7611.7	3985.52	4304.35	5138.8	367.21	1284.70
5	1987	8762.2	4583.93	4907.82	8325.2	462.49	0.00
6	1988	9275.2	4722.01	5051.11	9443.9	749.27	2360.97
7	1989	10300.3	5289.77	5624.25	13280.8	849.95	0.00
8	1990	10468.6	5586.69	5926.71	13613.4	1195.27	3403.34
9	1991	10107.8	5468.60	5814.31	17159.0	1225.20	0.00
10	1992	10437.1	5834.34	6185.93	16538.6	1544.31	4134.66
11	1993	10547.9	5878.65	6236.29	20102.3	1488.48	0.00
12	1994	10971.4	6294.63	6658.49	18935.5	1809.21	4733.87
13	1995	10236.5	5936.82	6307.10	22204.5	1704.19	0.00
14	1996	10298.7	6155.72	6532.60	20278.4	1998.41	5069.61
15	1997	10729.1	6274.74	6658.43	23663.7	1825.06	0.00
16	1998	11291.7	6709.57	7100.27	21716.6	2129.73	5429.16

14:15 FRIDAY, MARCH 19, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	RFBAL	RFINT	RFCHANGE	RFINTEXP
1	1983	0.0	0.00	0.0	0.0000
2	1984	1306.3	0.00	1306.3	0.0000
3	1985	3672.1	143.70	2365.8	3.8860
4	1986	5138.8	367.21	1466.7	8.5292
5	1987	8325.2	462.49	3186.4	9.4217
6	1988	9443.9	749.27	1118.7	14.8308
7	1989	13280.8	849.95	3836.9	15.1095
8	1990	13613.4	1195.27	332.6	20.1642
9	1991	17159.0	1225.20	3545.6	21.0686
10	1992	16538.6	1544.31	-620.4	24.9608
11	1993	20102.3	1488.48	3563.7	23.8642
12	1994	18935.5	1809.21	-1166.8	27.1674
13	1995	22204.5	1704.19	3269.0	27.0159
14	1996	20278.4	1998.41	-1926.1	30.5866
15	1997	23663.7	1825.06	3385.3	27.4056
16	1998	21716.6	2129.73	-1947.1	29.9909

14:15 FRIDAY, MARCH 19, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	PF	PFINT2	PFCHANGE	PFINTEXP
1	1983	2818.8	325.00	318.807	10.8673
2	1984	3325.6	338.26	506.843	10.9013
3	1985	3781.6	365.82	455.978	9.8929
4	1986	4337.5	378.16	555.906	8.7836
5	1987	5005.5	390.38	667.944	7.9526
6	1988	5749.9	450.49	744.465	8.9169
7	1989	6589.1	517.49	839.164	9.1995
8	1990	7395.1	593.02	805.957	10.0042
9	1991	8142.9	665.56	747.827	11.4449
10	1992	8879.7	732.86	736.843	11.8453
11	1993	9627.7	799.18	747.927	12.8129
12	1994	10373.5	866.49	745.818	13.0113
13	1995	11033.9	935.61	660.392	14.8002
14	1996	11656.5	993.05	622.619	15.1991
15	1997	12341.9	1049.08	685.400	15.7534
16	1998	13051.2	1110.77	709.319	15.6418

14:15 FRIDAY, MARCH 19, 1982

REVTOT2 = TOTAL REVENUE

GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE
DEBT SERVICE EXPENSES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

RFCHANGE = CHANGE IN THE RESOURCE FUND BALANCE

RFINTEXP = INTEREST EARNED ON THE RESOURCE FUND EXPRESSED AS A
PERCENTAGE OF TOTEXPDD

PF = PERMANENT FUND BALANCE

PFINT2 = INTEREST EARNED ON THE PERMANENT FUND

PFCHANGE = CHANGE IN THE PERMANENT FUND BALANCE

PFINTEXP = INTEREST EARNED ON THE PERMANENT FUND EXPRESSED AS A
PERCENTAGE OF TOTEXPDD

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%,
1987-1998 = 9%

the inflation rate used is 7%

CURRENT AS OF MARCH 18, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	REVTOT2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	3308.4	1754.20	2058.70	930.9	0.00	0.00
2	1984	3353.4	2904.49	3213.62	2051.1	111.71	512.77
3	1985	6600.5	3464.83	3778.74	4416.8	225.62	0.00
4	1986	7686.1	4059.99	4378.82	5734.6	441.68	1433.65
5	1987	8815.8	4637.55	4961.44	8921.0	516.11	0.00
6	1988	9328.8	4775.63	5104.73	9920.5	802.89	2480.12
7	1989	10343.2	5332.66	5667.14	13757.4	892.84	0.00
8	1990	10511.5	5629.59	5969.60	13994.7	1238.17	3498.67
9	1991	10142.1	5502.91	5848.63	17540.3	1259.52	0.00
10	1992	10471.4	5868.66	6220.25	16843.7	1578.63	4210.92
11	1993	10575.4	5906.11	6263.74	20407.4	1515.93	0.00
12	1994	10998.8	6322.08	6685.95	19179.5	1836.66	4794.88
13	1995	10258.5	5958.79	6329.07	22448.5	1726.16	0.00
14	1996	10320.7	6177.68	6554.57	20473.7	2020.37	5118.41
15	1997	10746.7	6292.31	6676.00	23858.9	1842.63	0.00
16	1998	11309.2	6727.14	7117.85	21872.8	2147.30	5468.20

14:52 THURSDAY, MARCH 18, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	PF	PFINT2	PFCHANGE	PFINTEXP
1	1983	2818.8	325.00	318.807	15.7790
2	1984	3325.6	338.26	506.843	10.5224
3	1985	3781.6	365.82	455.978	9.6785
4	1986	4337.5	378.16	555.906	8.6342
5	1987	5005.5	390.38	667.944	7.8667
6	1988	5749.9	450.49	744.465	8.8233
7	1989	6589.1	517.49	839.164	9.1299
8	1990	7395.1	593.02	805.957	9.9323
9	1991	8142.9	665.56	747.827	11.3777
10	1992	8879.7	732.86	736.843	11.7800
11	1993	9627.7	799.18	747.927	12.7567
12	1994	10373.5	866.49	745.818	12.9579
13	1995	11033.9	933.61	660.392	14.7489
14	1996	11656.5	993.05	622.619	15.1482
15	1997	12341.9	1049.08	685.400	15.7119
16	1998	13051.2	1110.77	709.319	15.6032

14:52 THURSDAY, MARCH 18, 1982

STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
 VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	RFBAL	RFINT	RFCHANGE	RFINTEXP
1	1983	930.9	0.00	930.9	0.0000
2	1984	2051.1	111.71	1120.2	3.4751
3	1985	4416.8	225.62	2365.8	5.9692
4	1986	5734.6	441.68	1317.7	10.0845
5	1987	8921.0	516.11	3186.4	10.4004
6	1988	9920.5	802.89	999.5	15.7253
7	1989	13757.4	892.84	3836.9	15.7520
8	1990	13994.7	1238.17	237.2	20.7377
9	1991	17540.3	1259.52	3545.6	21.5316
10	1992	16843.7	1578.63	-696.6	25.3748
11	1993	20407.4	1515.93	3563.7	24.1978
12	1994	19179.5	1836.66	-1227.8	27.4664
13	1995	22448.5	1726.16	3269.0	27.2692
14	1996	20473.7	2020.37	-1974.9	30.8191
15	1997	23858.9	1842.63	3385.3	27.5966
16	1998	21872.8	2147.30	-1986.1	30.1637

14:52 THURSDAY, MARCH 18, 1982

From Tom Goster

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE
DEBT SERVICE EXPENSES
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDENT + DEBT SERVICE
RFBAL = RESOURCE FUND BALANCE
RFINT = INTEREST EARNED ON THE RESOURCE FUND
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND
IS 9 PERCENT

THE INFLATION RATE USED IS 7 PERCENT

CURRENT AS OF MARCH 17, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT IN EVEN NUMBERED YEARS

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	930.9	0.00	0.00
2	1984	4734.1	2791.99	3101.13	2051.1	83.78	512.77
3	1985	6037.0	3357.30	3671.20	4416.8	184.60	0.00
4	1986	7048.2	3978.01	4296.84	5734.6	397.52	1433.65
5	1987	8147.8	4637.55	4961.44	8921.0	516.11	0.00
6	1988	8584.4	4775.63	5104.73	9920.5	802.89	2480.12
7	1989	9504.1	5332.66	5667.14	13757.4	892.84	0.00
8	1990	9705.5	5629.59	5969.60	13994.7	1238.17	3498.67
9	1991	9394.3	5502.91	5848.63	17540.3	1259.52	0.00
10	1992	9734.5	5868.66	6220.25	16843.7	1578.63	4210.92
11	1993	9827.4	5906.11	6263.74	20407.4	1515.93	0.00
12	1994	10253.0	6322.08	6685.95	19179.5	1836.66	4794.88
13	1995	9598.1	5958.79	6329.07	22448.5	1726.16	0.00
14	1996	9698.1	6177.68	6554.57	20473.7	2020.37	5118.41
15	1997	10061.3	6292.31	6676.00	23858.9	1842.63	0.00
16	1998	10599.9	6727.14	7117.85	21872.8	2147.30	5468.20

11:47 WEDNESDAY, MARCH 17, 1982

3/16

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE
RFDAL = RESOURCE FUND BALANCE
RFINT = INTEREST EARNED ON THE RESOURCE FUND
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

CURRENT AS OF MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	744.7	0.00	186.18
2	1984	4717.31	2775.24	3084.37	1902.1	67.03	475.53
3	1985	6023.56	3343.89	3657.80	3414.3	171.19	853.58
4	1986	6958.01	3887.78	4206.61	4932.6	307.29	1233.14
5	1987	8075.66	4565.37	4889.26	6495.2	443.93	1623.80
6	1988	8366.03	4557.30	4886.41	7979.8	584.57	1994.96
7	1989	9329.42	5158.00	5492.49	9453.4	718.19	2363.36
8	1990	9318.16	5242.23	5582.24	10551.5	850.81	2637.87
9	1991	9084.37	5193.02	5538.74	11277.7	949.63	2819.42
10	1992	9170.90	5305.02	5656.61	11833.6	1014.99	2958.39
11	1993	9376.52	5455.20	5812.83	12317.8	1065.02	3079.45
12	1994	9524.93	5594.02	5957.89	12707.9	1108.60	3176.97
13	1995	9015.64	5376.34	5746.62	12781.5	1143.71	3195.38
14	1996	8828.06	5307.65	5684.54	12740.0	1150.34	3185.01
15	1997	9365.26	5596.28	5979.98	12900.3	1146.60	3225.06
16	1998	9613.64	5740.86	6131.56	13105.9	1161.02	3276.47

11:53 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

7/10/82.
9:40 index

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1981 Actual <u>January</u>	FY 1982 Estimate <u>January</u>	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <u>January</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	34,800	31,000	35,000	39,000
Corporate-Petroleum (2)	860,100	713,000	304,000	360,000
<u>Gross Receipts</u>				
Alaska Business License	5,400	5,500	5,500	5,500
Fish-Canned Salmon	5,900	6,200	6,000	6,000
Fish-Shorebased	11,000	11,200	11,000	11,000
Fish-Floating	3,800	4,000	4,000	4,000
Salmon Enhancement	-0-	2,000	2,400	2,400
Insurance Companies	10,600	11,300	11,500	11,500
Other	1,200	1,300	1,400	1,400
<u>Severance</u>				
Gravel, Timber, etc.	2,700	2,500	2,500	2,500
Oil & Gas Production(3)(4)	1,169,900	1,718,000	1,819,000	2,213,400
Oil & Gas Conservation	300	700	700	700
<u>Property</u>				
Oil & Gas(5)	143,000	155,000	157,700	225,000
Vehicle Registration	200	200	200	200
<u>Sale/Use</u>				
Alcoholic Beverages	8,300	8,500	9,000	9,000
Fuel Taxes-Aviation	4,100	4,300	4,500	4,700
Fuel Taxes-Highway	15,600	18,000	18,500	19,000
Fuel Taxes-Marine	3,500	3,600	3,800	4,000
Tobacco Products	1,700	1,800	1,900	1,900
<u>Other</u>				
Estate	500	500	500	500
Total Taxes	<u>2,282,600</u>	<u>2,698,600</u>	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses & Permits</u>				
<u>Business</u>	9,100	9,900	11,000	12,100
<u>Non-Business</u>	12,200	12,500	13,000	13,500
Total Licenses & Permits	<u>21,300</u>	<u>22,400</u>	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(6)(7)</u>	<u>8,500</u>	<u>18,200</u>	<u>9,900</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(8)(9)(10)	7,600	800	-0-	-0-
Investment Earnings	227,800	280,300	315,000	375,000
Rents(9)(10)	5,400	5,500	5,500	5,500
Royalties(3)(6)(11)	1,118,500 (12)	1,258,800	1,325,200	1,608,800
Sale of State Property	4,800	5,500	5,500	5,500

Facilities Related Charges

Airports	1,100	1,200	1,200	1,200
Ferry System-Southeast	21,000	23,900	26,300	28,900
Ferry System-Southwest	3,400	3,500	3,800	4,100
Other	3,700	4,000	4,500	4,700
Service Related Charges				
Court System	2,900	3,100	3,300	3,500
Other	4,100	4,300	4,500	4,800

Total State Resources Revenues

<u>1,400,300</u>	<u>1,590,900</u>	<u>1,694,800</u>	<u>2,042,000</u>
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Miscellaneous Revenues

<u>5,500</u>	<u>5,700</u>	<u>5,900</u>	<u>6,000</u>
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Total Unrestricted Revenues

<u>3,718,200</u>	<u>4,335,800</u>	<u>4,133,700</u>	<u>5,005,300</u>
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- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59¢ less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

3/17/82

ARLISS STURGULEWSKI

As many of you will recall, I spent a great deal of time last session trying to find an effective way to limit our spending. During the special session, the legislature passed a spending limit to put before the voters. Although I supported a spending limit, I voted against that proposed constitutional limit because I felt that the bill had serious defects: Not only are there technical and definitional problems in the special session bill, but during this session we have had ample opportunity to try to work under it. We are seeing that it does not work. The proposed spending limit is simply not responsive to changes in our revenues such as those we are now experiencing. The bill also has a "time bomb" in it because of the relationship between capital and operating budgets. To place such a bill before the voters and to say it is an effective limit to spending would be a fraud.

During the past weeks I have been working with Senator Dankworth on another approach to limiting our spending. This approach focuses on sources of revenues and is responsive to changes in our income. This proposal offers a way of "smoothing out" expenditures over time by placing some revenue sources in a fund where they earn interest and are available for future capital and other needs. While all the "kinks" have not been worked out, I feel confident that we are moving in a better direction. The bill which will result from this work can be placed before the voters with assurance. It will not require lengthy explanations or protestations that with hope and luck things will work out. For that reason, I would like to have my name placed as a co-sponsor on Senator Dankworth's bill, SSJR 61.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

memo

Per our discussion, attached are copies of
Budget & management's latest run on the
numbers for Sen. Danforth's amendment.

Also, included is a review -- cleaned up
by law -- with a few suggestions by me.

I think the Governor, Danforth, your boss
and others (Kittling for sure) need to meet
and open an language and policy.

A large, stylized handwritten signature, likely of Jay S. Hammond.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

LOW EXPENDITURE RATE FROM RESOURCE FUND (10%)

OBS	TIME	ADJREV2	GFEXPEN	RFBAL	RFINT	RFEXP	TOTCAPEX
1	1983	2735.1	1499.70	837.8	0.00	93.09	93.09
2	1984	4725.7	2708.21	2291.6	75.40	254.62	330.02
3	1985	6058.6	3172.70	4377.2	206.24	486.36	692.59
4	1986	7044.7	3580.49	6770.3	393.95	752.25	1146.20
5	1987	8241.1	4121.43	9509.4	609.33	1056.60	1665.93
6	1988	8637.3	3972.74	12460.4	855.85	1384.49	2240.34
7	1989	9732.7	4439.82	15676.9	1121.44	1741.88	2863.31
8	1990	9878.3	4391.42	18741.4	1410.92	2082.37	3493.29
9	1991	9821.5	4243.39	21576.3	1686.72	2397.37	4084.09
10	1992	10097.8	4290.03	24329.2	1941.87	2703.25	4645.12
11	1993	10501.1	4390.17	27074.3	2189.63	3008.26	5197.89
12	1994	10853.0	4485.42	29770.2	2436.69	3307.80	5744.49
13	1995	10551.2	4232.63	32146.7	2679.32	3571.86	6251.18
14	1996	10570.9	4157.31	34365.1	2893.20	3818.34	6711.55
15	1997	11311.5	4449.68	36758.9	3092.86	4084.32	7177.18
16	1998	11760.9	4579.83	39194.4	3308.30	4354.93	7663.23

SSSSG1
JR

ALC - Please make
5 copies

DRAFT

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

PROPOSING AMENDMENTS TO THE
CONSTITUTION OF THE STATE OF
ALASKA RELATING TO APPROPRIA-
TIONS AND CREATING AN ALASKA
RESOURCE FUND; AND SUPERSEDING
LEGISLATIVE RESOLVE No. 1,
FIRST SPECIAL SESSION, TWELFTH
LEGISLATURE (FSS-FCCS SJR 4)
OF THE ARTICLE V.

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

*SECTION 1. ARTICLE IX, CONSTITUTION OF THE STATE OF
ALASKA,, IS AMENDED BY ADDING NEW SECTIONS TO READ:

SECTION 16. APPROPRIATIONS. EXCEPT AS PROVIDED IN
SECTION 17, THE LEGISLATURE SHALL APPROPRIATE DURING A
FISCAL YEAR NO MORE THAN THE SUM OF THE UNOBLIGATED GENERAL
FUND BALANCE AT THE BEGINNING OF THAT FISCAL YEAR AND THE
ESTIMATED REVENUES OF THE STATE FOR THAT FISCAL YEAR FROM
SOURCES OTHER THAN MINERAL LEASE RENTALS, ROYALTIES, ROYALTY
SALE PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND
BONUSES.

SECTION 17. ALASKA RESOURCE FUND. EXCEPT AS PROVIDED
IN SECTION 15 OF THE ARTICLE, ALL MINERAL LEASE RENTALS,
ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL REVENUE
SHARING PAYMENTS AND BONUSES RECEIVED BY THE STATE SHALL BE
PLACED IN AN ALASKA RESOURCE FUND. MONEY IN THE ALASKA
RESOURCE FUND SHALL BE INVESTED AT MARKET RATES AS PROVIDED
BY LAW. THE LEGISLATURE MAY APPROPRIATE UP TO ONE-FIFTH OF
THE BALANCE IN THE ALASKA RESOURCE FUND DURING A FISCAL YEAR
FOR CAPITAL PROJECTS IF THE APPROPRIATION IS APPROVED BY THE

*mine use total
oil gas corp.*

1

VOTERS IN A GENERAL ELECTION AS PROVIDED BY LAW. EARNINGS ON MONEY DEPOSITED IN THE ALASKA RESOURCE FUND SHALL BE DEPOSITED IN THE GENERAL FUND.

*SECTION 2. ARTICLE XV, CONSTITUTION OF THE STATE OF ALASKA, IS AMENDED BY ADDING A NEW SECTION TO READ:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

IF A MAJORITY OF THOSE VOTING ON THE QUESTION AT THE GENERAL ELECTION IN 1982 APPROVE THE BALLOT PROPOSITION FOR THE TOTAL COST TO THE STATE OF PROVIDING FOR THE RELOCATION OF THE CAPITAL, NO ADDITIONAL VOTER APPROVAL OF APPROPRIATIONS FOR THAT PURPOSE WITHIN THE COST APPROVED BY THE VOTERS IS REQUIRED UNDER THE 1982 AMENDMENT ESTABLISHING THE ALASKA RESOURCE FUND (ART. IX, SEC. 17).

*SECTION 3. THE AMENDMENTS PROPOSED BY THIS RESOLUTION SHALL BE PLACED BEFORE THE VOTERS OF THE STATE AT THE NEXT GENERAL ELECTION IN CONFORMITY WITH ART. XIII, SEC. I, CONSTITUTION OF THE STATE OF ALASKA, AND THE ELECTION LAWS OF THE STATE.

*SECTION 4. THE AMENDMENTS PROPOSED BY THIS RESOLUTION SUPERSEDE THE AMENDMENTS PROPOSED BY LEGISLATIVE RESOLVE No. 1, FIRST SPECIAL SESSION OF THE TWELFTH LEGISLATURE (FSS-FCCS SJR 4), AND VOIDS THE REQUIREMENT CONTAINED IN SECTION 3 OF THAT RESOLUTION THAT THE AMENDMENTS PROPOSED BY THAT RESOLUTION BE PLACED BEFORE THE VOTERS OF THE STATE.

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION

GFEXPEN = SECTION 16 ALLOWABLE OPERATING EXPENDITURES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = TOTAL CAPITAL EXPENDITURES. THIS IS EQUAL TO INTEREST EARNED ON THE RESOURCE FUND + THE RESOURCE EXPENDITURE RATE (E.G., 15 OR 25 PERCENT) TIMES THE RESOURCE FUND BALANCE.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 25 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	698.2	0.00	232.73
2	1984	4713.12	2708.21	3017.35	1795.5	62.84	661.33
3	1985	6013.96	3172.70	3486.61	3242.1	161.59	1242.30
4	1986	6942.51	3580.49	3899.32	4714.0	291.79	1863.12
5	1987	8055.99	4121.43	4445.33	6243.5	424.26	2505.42
6	1988	8343.38	3972.74	4301.84	7713.8	561.91	3133.17
7	1989	9305.47	4439.82	4774.30	9183.7	694.24	3755.47
8	1990	9293.88	4391.42	4731.43	10309.6	826.53	4263.07
9	1991	9062.60	4243.39	4589.11	11087.3	927.87	4623.64
10	1992	9153.77	4290.03	4641.62	11699.6	997.86	4897.73
11	1993	9364.46	4390.17	4747.81	12237.2	1052.96	5132.03
12	1994	9517.68	4485.42	4849.28	12679.2	1101.35	5327.75
13	1995	9013.06	4232.63	4602.91	12817.0	1141.13	5413.46
14	1996	8831.25	4157.31	4534.20	12835.5	1153.53	5432.04
15	1997	9373.86	4449.68	4833.38	13032.0	1155.20	5499.21
16	1998	9625.50	4579.83	4970.54	13265.2	1172.88	5594.63

8:33 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 15 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	791.3	0.00	139.64
2	1984	4721.5	2708.21	3017.35	2121.1	71.22	445.53
3	1985	6043.3	3172.70	3486.61	3976.1	190.90	892.57
4	1986	7008.6	3580.49	3899.32	6022.6	357.85	1420.65
5	1987	8173.8	4121.43	4445.33	8288.3	542.03	2004.68
6	1988	8527.4	3972.74	4301.34	10636.8	745.95	2623.04
7	1989	9568.5	4439.82	4774.30	13116.4	957.31	3271.93
8	1990	9647.8	4391.42	4731.43	15327.9	1180.48	3885.40
9	1991	9514.2	4243.39	4589.11	17215.1	1379.51	4417.46
10	1992	9705.3	4290.03	4641.62	18936.9	1549.36	4891.16
11	1993	10015.8	4390.17	4747.81	20574.2	1704.32	5335.06
12	1994	10268.0	4485.42	4849.23	22094.0	1851.68	5750.61
13	1995	9860.4	4232.63	4602.91	23248.7	1988.46	6091.17
14	1996	9770.1	4157.31	4534.20	24211.9	2092.39	6365.08
15	1997	10397.7	4449.68	4833.38	25309.9	2179.07	6645.52
16	1998	10730.5	4579.83	4970.54	26409.3	2277.89	6938.36

8:41 TUESDAY, MARCH 16, 1982

STATE OF ALASKA
OFFICE OF THE GOVERNOR

IN THE SENATE

BY THE FINANCE COMMITTEE

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an Alaska resource fund.

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

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

SECTION 16. APPROPRIATIONS. Except as provided in Section 17, the legislature shall appropriate in a fiscal year no more than the sum of the unobligated general fund balance and estimated revenues of the State for that fiscal year from sources other than revenues received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state other than revenue that is required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution, shall be placed in the Alaska resource fund. Money in the Alaska resource fund shall be invested at market rates as provided by law. The legislature may appropriate up to one-fifth of the balance in the Alaska Resource Fund for capital projects if the appropriation is approved

by the voters in a general election as provided by law.

Earnings on money deposited in the Alaska resource fund shall be deposited in the general fund.

* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment establishing the Alaska Resource Fund (art. IX, sec. 17).

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

* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

I like it. Maybe put in letter of intent (?) re 50-50 split between Resource Fund and PFR/ARGO #5

*Comments Please
Pete*

Original sponsor: Dankworth

IN THE SENATE

BY THE FINANCE COMMITTEE

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

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by the voters in a general election as provided by law.

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REINWAND 3/9/82

SEC. 16

OPERATING EXPENSES TIED TO TAX REVENUES, OR A CERTAIN PERCENTAGE OF TAX REVENUES.

SEC. 17

OTHER REVENUES GO TO PEOPLE'S INVESTMENT FUND.

A. EARNINGS FROM FUND MAY BE APPROPRIATED BY LEGISLATURE FOR ANY PURPOSE.

B. PRINCIPAL OF FUND MAY BE APPROPRIATED BY LEGISLATURE--CONTINGENT UPON VOTER APPROVAL--FOR PROJECTS THAT WILL PAY BACK PRINCIPAL.

government projects only - not direct loans

at a minimum?

IF 1986 \$10b

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Ed Dankworth
FROM: Pete Jeans
RE: FCCSSJR 4 and SJR 61
DATE: January 29, 1982

As per your request, attached is a comparison of FCCSSJR 4 and SJR 61, relating to limiting State spending.

PJ:lal

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 proposal limits spending for the operation of state government to no more than three-fourths of the revenue received by the State from taxes, license fees, permits, interest and other miscellaneous income. Revenue received from the lease or disposal of State lands or interest in State lands cannot be used for the Operating Budget. The remaining one-fourth can be used for Capital Projects.

Revenue received from the lease or disposal of State lands, or interest in State lands, other than revenue that is required by law to be deposited in the Permanent Fund, is placed in the investment fund. The Legislature may annually appropriate no more than ten percent of the balance in the fund at the close of the previous fiscal year for capital projects. Additional amounts from the investment fund may be appropriated for any purpose that is approved by the voters.

Alternatives on how to use the interest earned from the investment fund are being considered. One approach is to use these funds for municipal assistance.

Exempt from this limitation are:

- (1) Permanent fund contributions required by law.
- (2) Appropriations necessary to meet a natural disaster.

The attached charts and graphs compare the effects of these two resolutions over a period of 16 years using the latest available revenue projections from the Department of Revenue.

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 by FY 98.

SJR-61

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

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)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
<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>	<u>5,900</u>	<u>6,000</u>
Total	2,797,500	3,385,500

INVESTMENT FUND
 10% - AVAILABLE FOR CAPITAL PROJECTS
 90% - VOTER APPROVAL

<u>State Resource Revenue</u>	FY 1983 Estimate	FY 1984 Estimate
<u>Sale/Use</u>		
Bonus Sales (8)(9)(10)	-0-	-0-
Rents (9)(10)	5,500	5,500
Royalties (3)(6)(11)	1,325,200	1,608,800
Sale of State Property	5,500	5,500
 TOTAL -	 1,336,200	 1,619,800

- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59¢ less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

ASSUMPTIONS

- (1) Annual rate of interest on general and permanent funds = 10%.
- (2) Annual rate of interest on new bonds = 10%.
- (3) Maturity period on new bonds in years = 10.
- (4) % of operating budget in G.F. cash balance = 20%.
- (5) Permanent fund contributions are based on 25% of total petroleum royalties earned from existing oil fields and 50% from as yet undiscovered fields as estimated in the "Petroleum Production Revenue Forecast" December 1981 quarterly report by the Alaska Department of Revenue.
- (6) Growth rate in operating budget for the purpose of estimating FCCSSJR-4 is 12%. (inflation 9%, population 3%)
- (7) % of permanent fund earnings paid as dividends = 50%.
- (8) Surplus available for voter approved projects.
- (9) All available funds are spent each FY.

SOURCES OF INFORMATION

- (1) "Revenue Sources" - Alaska Department of Revenue
January 1982
- (2) "Petroleum Production Revenue Forecast" - Alaska
Department of Revenue, January 1982
- (3) "Budget Forecasting Model" - Legislative Finance Working
Document, January 21, 1982
- (4) "Computer Report" - Department of Revenue, November 13, 1981

FCCSSJR-4

	OPERATING	CAPITAL	DEBT SERVICE	P/F DIVIDENDS	VOTER APPROVAL	PERMANENT FUND	TOTAL REVENUE	SURPLUS DEFICIT	ACCUMALATIVE DEFICIT
1983	1866.7	933.3	113.2	152.7	1142.9	441.7	4650.5	-0-	
1984	2090.7	1045.3	138.8	157.3	1821.9	536.3	5790.3	-0-	
1985	2341.6	1170.7	163.8	196.7	2482.9	635.6	6991.3	-0-	
1986	2622.6	1311.2	161.9	248.9	4082.5	720.0	7982.1	-0-	
1987	2937.3	1468.6	157.8	296.4	3532.9	837.0	9230.0	-0-	
1988	3289.8	1644.8	154.8	340.4	3120.1	918.7	9468.6	-0-	
1989	3684.5	1842.2	146.5	388.7	3398.4	1031.2	10491.5	-0-	
1990	4126.7	2063.2	135.4	441.5	2599.2	1010.6	10376.6	-0-	
1991	4621.9	2310.8	114.8	497.6	1494.1	959.8	9999.0	-0-	
1992	5176.5	2588.1	114.1	555.9	586.2	997.2	10018.0	-0-	
1993	5797.7	2898.7	31.7	615.4	-0-	1040.6	10276.2	107.9	
1994	6493.4	3246.5	25.8	675.1	-0-	1070.4	10498.6	1012.6	1120.5
1995	7272.6	3636.1	23.0	734.0	-0-	1002.5	10019.9	2648.3	3768.8
1996	8145.3	4072.4	21.5	791.8	-0-	996.0	9974.6	4052.4	7821.2
1997	9122.8	4561.1	16.7	849.0	-0-	1099.9	10808.2	4841.3	12662.5
1998	10217.5	5108.5	14.4	905.9	-0-	1162.3	11291.7	6116.9	18779.4

SJR - 61

	OPERATING	CAPITAL	AVAILABLE FROM INVESTMENT FUND	TOTAL CAPITAL	VOTER APPROVAL	PERMANENT FUND	TOTAL REVENUE	SURPLUS OR DEFICIT
1983	2169.4	723.1	132.6	846.7	1192.7	441.7	4650.5	-0-
1984	2733.9	911.3	160.9	1072.2	1447.9	536.3	5790.3	-0-
1985	3336.6	1112.2	190.7	1302.9	1716.2	635.6	6991.3	-0-
1986	3826.7	1275.6	216.0	1491.6	1943.8	720.0	7982.1	-0-
1987	4411.4	1470.5	251.1	1721.6	2260.0	837.0	9230.0	-0-
1988	4345.3	1448.4	275.6	1724.0	2480.6	918.7	9468.6	-0-
1989	4803.0	1601.0	305.6	1906.6	2750.7	1031.2	10491.5	-0-
1990	4794.6	1598.3	297.3	1895.6	2675.8	1010.6	10376.6	-0-
1991	4667.6	1555.8	281.6	1837.4	2534.2	959.8	9999.0	-0-
1992	4665.4	1555.1	280.0	1835.1	2520.3	997.2	10018.0	-0-
1993	4788.0	1596.0	285.2	1881.2	2566.4	1040.6	10276.2	-0-
1994	4923.2	1641.1	286.4	1927.5	2577.5	1070.4	10498.6	-0-
1995	4793.0	1597.7	262.7	1860.4	2364.0	1002.5	10019.9	-0-
1996	4834.1	1611.4	253.3	1864.7	2279.8	996.0	9974.6	-0-
1997	5224.9	1741.6	274.2	2015.8	2467.6	1099.9	10808.2	-0-
1998	5471.2	1823.7	283.5	2107.2	2551.0	1162.3	11291.7	-0-

BILLION

\$14

OPERATING BUDGET

\$12

\$10

\$ 8

\$ 6

\$ 4

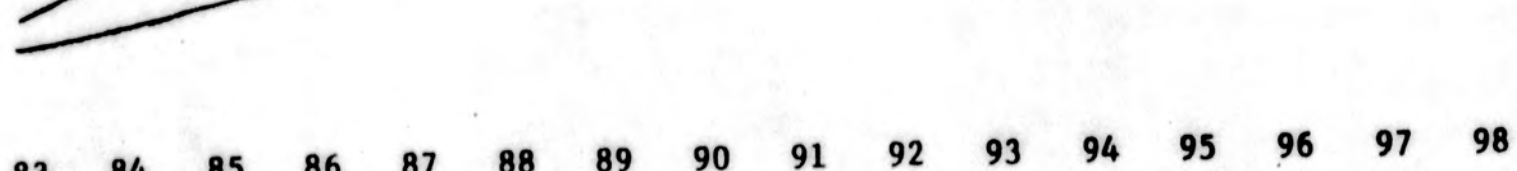
\$2

YEAR

83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98

SJR-4

SJR-61



BILLIONS

\$4

\$3.5

\$3

\$2.5

\$2

\$1.5

\$1

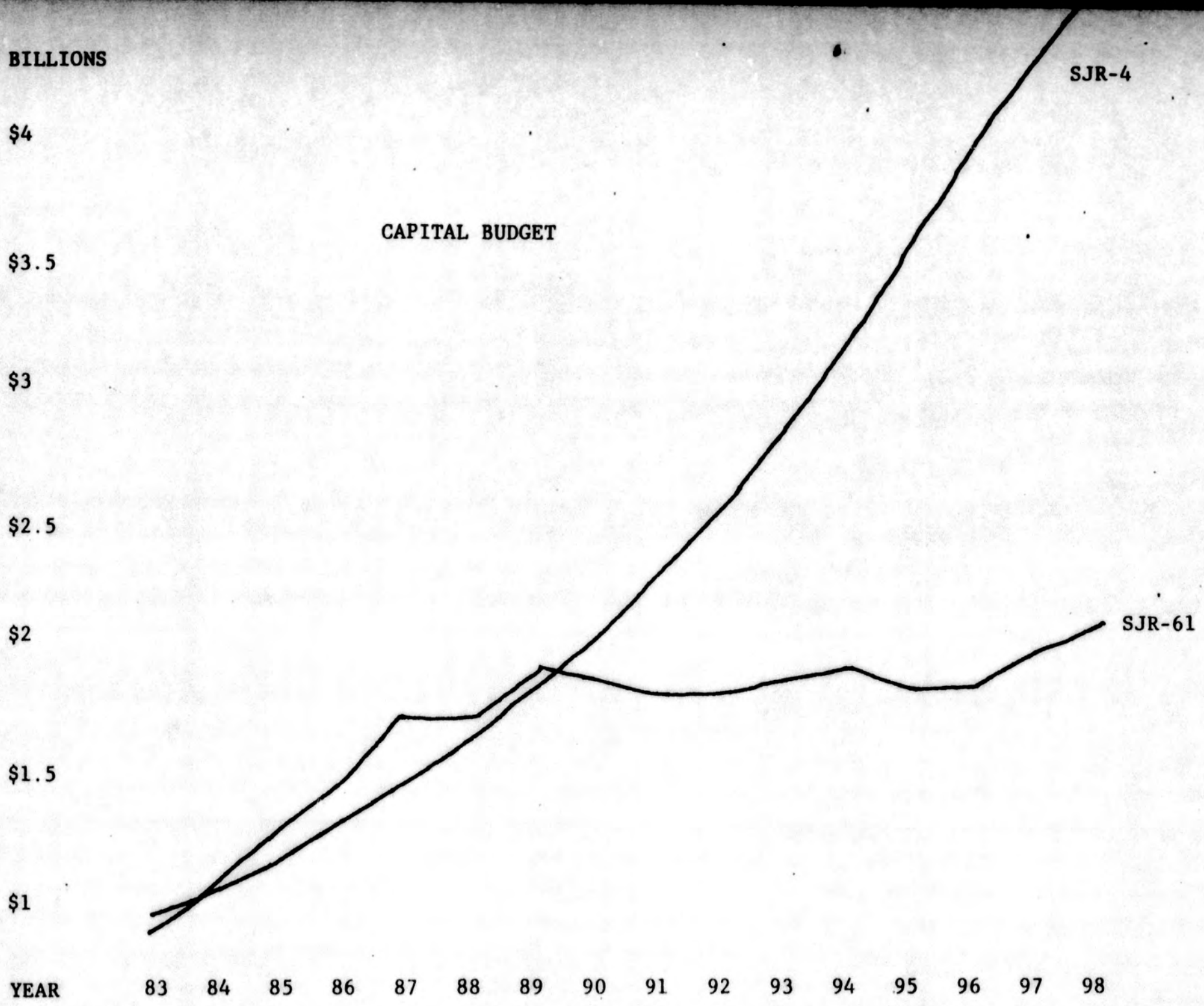
CAPITAL BUDGET

SJR-4

SJR-61

YEAR

83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98



BILLIONS

AVAILABLE FOR VOTER APPROVAL

\$4

\$3.5

\$3

\$2.5

\$2

\$1.5

\$1

YEAR

83

84

85

86

87

88

89

90

91

92

93

94

95

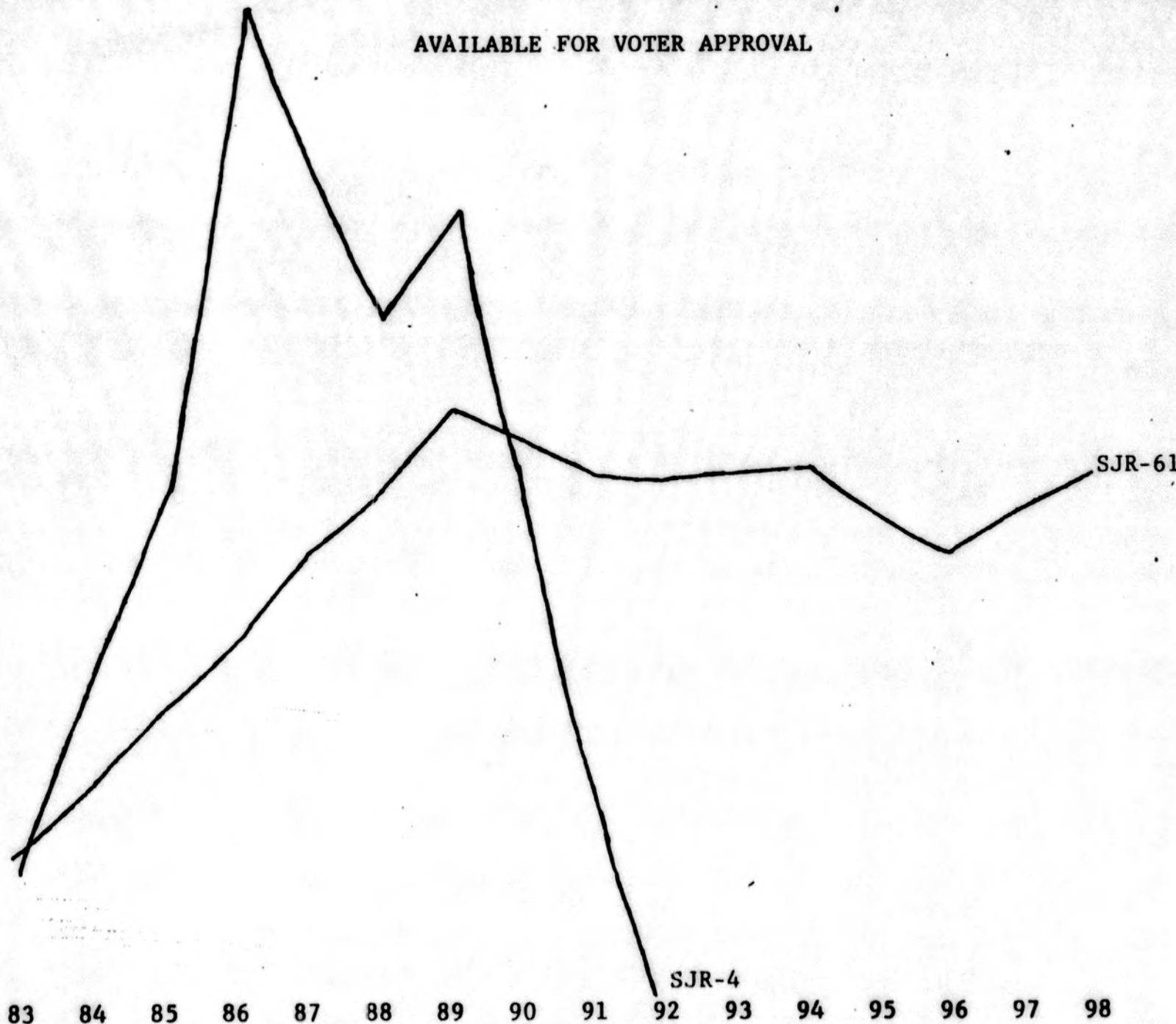
96

97

98

SJR-4

SJR-61



BILLION

\$14

TOTAL REVENUE REQUIRED TO REACH
SPENDING LIMITATIONS

\$12

\$10

\$ 8

\$ 6

\$ 4

\$2

YEAR

83

84

85

86

87

88

89

90

91

92

93

94

95

96

97

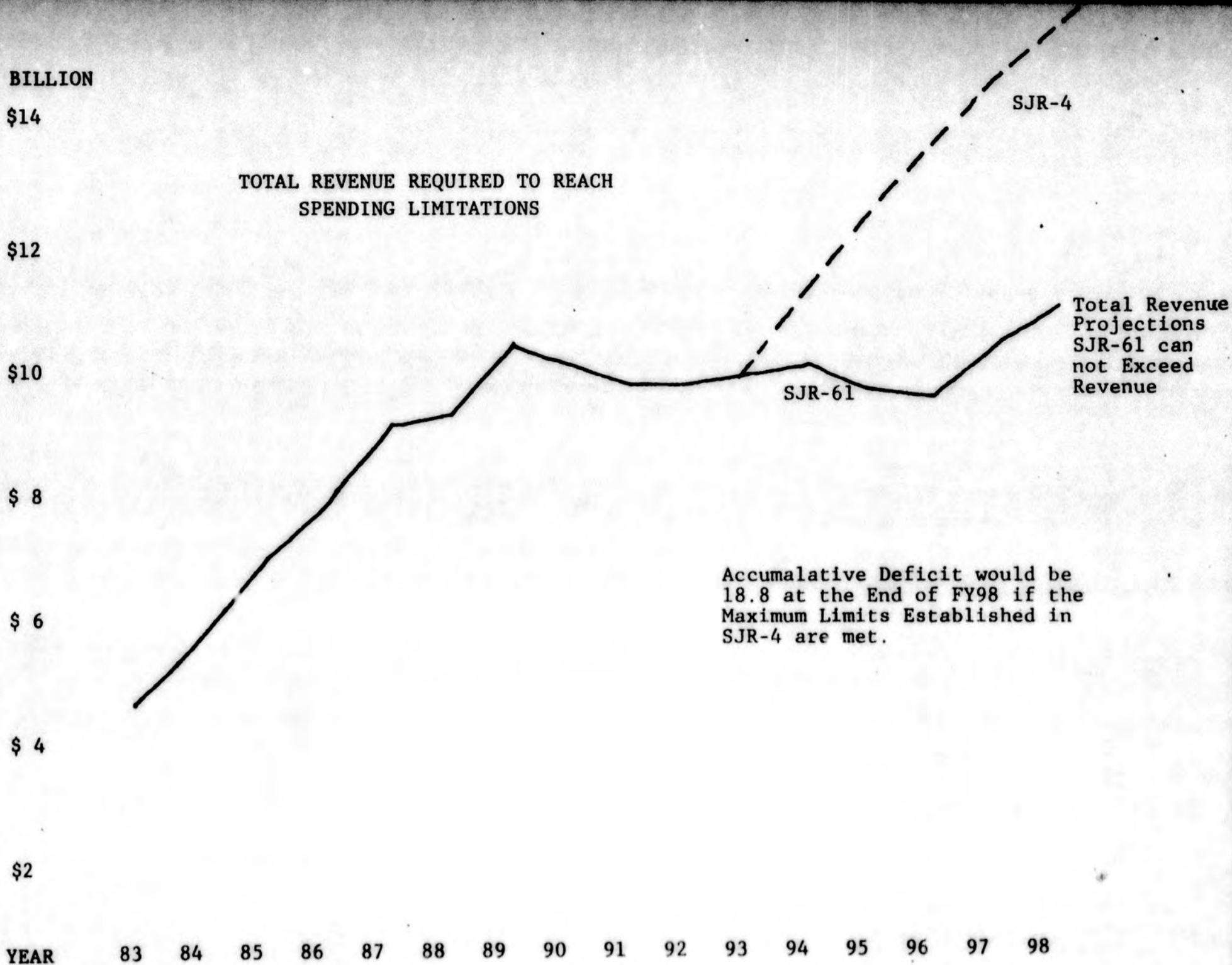
98

SJR-4

SJR-61

Total Revenue
Projections
SJR-61 can
not Exceed
Revenue

Accumulative Deficit would be
18.8 at the End of FY98 if the
Maximum Limits Established in
SJR-4 are met.



*not
intro*

Introduced: 1/29/82
Referred: State Affairs, Finance
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

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 creating an
8 investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than disposal of state
15 lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received
19 from lease or disposal of state lands, or interests in state lands,
20 other than revenue that is required by law to be deposited in the per-
21 manent fund established in Section 15, Article IX of this constitution,
22 shall be placed in the investment fund. Money in the fund shall be
23 invested as provided by law. The legislature may annually appropriate
24 up to ten percent of the balance in the investment fund at the close of
25 the previous fiscal year for capital projects. Additional amounts from
26 the investment fund may be appropriated for any purpose if the appropri-
27 ation is approved by the voters as provided by law and for meeting
28 natural disasters as provided by law.

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in
2 state lands include, but are not limited to, all revenues from the sale
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-
4 ceeds, federal mineral revenue sharing payments and bonuses received by
5 the State.

6 * Sec. 2. The amendments proposed by this resolution shall be placed
7 before the voters of the state at the next general election in conformity
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
9 laws of the state.

10 * Sec. 3. The amendments proposed by this resolution supersede the amend-
11 ments proposed by Legislative Resolve No. 1, First Special Session of the
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
13 in section 3 of that resolution that the amendments proposed by that resolu-
14 tion be placed before the voters of the state.

Original sponsor: Rules/Governor

Offered: 7/14/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska relating to limit-
7 ing increases in appropriations.

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

9 * Section 1. Article IX, Constitution of the State of Alaska, is amended
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
12 Alaska permanent fund dividends, appropriations of revenue bond pro-
13 ceeds, appropriations required to pay the principal and interest on
14 general obligation bonds, and appropriations of money received from a
15 non-State source in trust for a specific purpose, including revenues of
16 a public enterprise or public corporation of the State that issues
17 revenue bonds, appropriations from the treasury made for a fiscal year
18 shall not exceed \$2,500,000,000 by more than the cumulative change,
19 derived from federal indices as prescribed by law, in population and
20 inflation since July 1, 1981. Within this limit, at least one-third
21 shall be reserved for capital projects and loan appropriations. The
22 legislature may exceed this limit in bills for appropriations to the
23 Alaska permanent fund and in bills for appropriations for capital
24 projects, whether of bond proceeds or otherwise, if each bill is ap-
25 proved by the governor, or passed by affirmative vote of three-fourths
26 of the membership of the legislature over a veto or item veto, or
27 becomes law without signature, and is also approved by the voters as
28 prescribed by law. Each bill for appropriations for capital projects
29 in excess of the limit shall be confined to capital projects of the

1 same type, and the voters shall, as provided by law, be informed of the
2 cost of operations and maintenance of the capital projects. No other
3 appropriation in excess of this limit may be made except to meet a
4 state of disaster declared by the governor as prescribed by law. The
5 governor shall cause any unexpended and unappropriated balance to be
6 invested so as to yield competitive market rates to the treasury.

7 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
8 adding new sections to read:

9 ✓ SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
10 majority of those voting on the question at the general election in
11 1982 approve the ballot proposition for the total cost to the State of
12 providing for relocation of the capital, no additional voter approval
13 of appropriations for that purpose within the cost approved by the
14 voters is required under the 1982 amendment limiting increases in
15 appropriations (art. IX, sec. 16).

16 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
17 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases
18 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the
19 ballot title and proposition for the amendment to be placed on the
20 ballot again at the general election in 1986. If the majority of those
21 voting on the proposition in 1986 rejects the amendment, it shall be
22 repealed.

23 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limit-
24 ing appropriation increases (art. IX, sec. 16) applies to appropria-
25 tions made for fiscal year 1984 and thereafter.

26 * Section 3. The amendments proposed by this resolution shall be placed
27 before the voters of the state at the next general election in conformity
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
29 tion laws of the state.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Original sponsor: Dankworth

IN THE SENATE

BY THE FINANCE COMMITTEE

~~CS FOR~~ SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an Alaska resource fund.

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

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

SECTION 16. APPROPRIATIONS. Except as provided in Section 17, the legislature shall appropriate in a fiscal year no more than the sum of the unobligated general fund balance and estimated revenues of the State for that fiscal year from sources other than revenues received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.

179 1984
34
operating
capital
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B.F. line

SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state other than revenue that is required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution, shall be placed in the Alaska resource fund. Money in the Alaska resource fund shall be invested at market rates as provided by law. [The legislature may annually appropriate money in the Alaska resource fund for any purpose if the appropriation is approved by the voters as provided by law] or for meeting natural disasters as provided by law.

Permanent fund. / not intent to do away w/ statute & P.F.

any purpose

~~Interest~~ ^{Earnings} earned on money deposited in the Alaska resource fund shall be deposited in the general fund for appropriation to capital projects.

* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment establishing the Alaska Resource Fund (art. IX, sec. 17).

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

* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

ours

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution shall be placed in the resource revenue fund. Income from the investment of the resource revenue fund shall be distributed among municipalities as provided by law. The Legislature may annually appropriate up to _____ percent of the balance in the resource revenue fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

Berrier ✓

Original sponsor: Dankworth

1 IN THE SENATE BY THE FINANCE COMMITTEE
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)
 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 creating an
 8 Alaska resource fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
 13 a fiscal year no more than three-fourths of the revenue of the State re-
 14 ceived in that fiscal year from sources other than revenues received
 15 from all mineral lease rentals, royalties, royalty sale proceeds, federal
 16 mineral revenue sharing payments and bonuses received by the state for
 17 operating expenses of state government.

18 SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received
 19 from all mineral lease rentals, royalties, royalty sale proceeds, federal
 20 mineral revenue sharing payments and bonuses received by the state other
 21 than revenue that is required by law to be deposited in the permanent
 22 fund established in Section 15, Article IX of this constitution, shall
 23 be placed in the Alaska resource fund. Money in the Alaska resource
 24 fund shall be invested as provided by law. The legislature may annually
 25 appropriate money in the Alaska resource fund for any purpose if the
 26 appropriation is approved by the voters as provided by law or for meeting
 27 natural disasters as provided by law. Interest earned on money deposited
 28 in the Alaska resource fund shall be distributed to local governments as
 29 provided by law to provide tax relief.

1 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
2 adding a new section to read:

3 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
4 majority of those voting on the question at the general election in 1982
5 approve the ballot proposition for the total cost to the State of provid-
6 ing for relocation of the capital, no additional voter approval of
7 appropriations for that purpose within the cost approved by the voters
8 is required under the 1982 amendment establishing the Alaska Resource
9 Fund (art. IX, sec. 17).

10 * Sec. 3. The amendments proposed by this resolution shall be placed
11 before the voters of the state at the next general election in conformity
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
13 laws of the state.

14 * Sec. 4. The amendments proposed by this resolution supersede the amend-
15 ments proposed by Legislative Resolve No. 1, First Special Session of the
16 Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained
17 in section 3 of that resolution that the amendments proposed by that resolu-
18 tion be placed before the voters of the state.

Berrier ✓

2/25

Original sponsor: Dankworth

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IN THE SENATE BY THE FINANCE COMMITTEE

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-
tion of the State of Alaska relating
to appropriations and creating an
investment fund.

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

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

SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
a fiscal year no more than three-fourths of the revenue of the State in
that fiscal year from sources other than mineral lease rentals, royalti-
es, royalty sale proceeds, federal mineral revenue sharing payments
and bonuses for operating expenses of state government and not more than
one-fourth of the revenues from those sources for capital projects.
This section does not apply to revenue received from the federal govern-
ment ~~to money~~ appropriated to meet natural disasters as defined by law, to appropria-
tions required to pay the principal and interest on general obligation
bonds, or to appropriations for direct distribution of income to resi-
dents of the State from the permanent fund established in Section 15,
Article IX of this Constitution.

SECTION 17. INVESTMENT FUND. Revenues of the State received from
mineral lease rentals, royalties, royalty sale proceeds, federal mineral
revenue sharing payments and bonuses received by the State other than
revenue appropriated to or required by law to be deposited in the perman-
ent fund established in Section 15, Article IX of this constitution,

1 shall be placed in the investment fund. Money in the investment fund
2 shall be invested as provided by law. Income from the investment fund
3 is a general revenue of the State and shall be deposited in the treasury.
4 The legislature may annually appropriate up to ten percent of the balance
5 in the investment fund at the close of the previous fiscal year for
6 capital projects and for operation and maintenance of capital projects.
7 Additional amounts from the investment fund may be appropriated for any
8 purpose if the appropriation is approved by the voters as provided by
9 law and for meeting natural disasters as provided by law. If an appro-
10 priation for an additional amount from the investment fund is disapproved
11 by the voters, the amount proposed to be appropriated shall be deposited
12 in the permanent fund established in Section 15, Article IX of this
13 constitution.

14 * Sec. 2. The amendments proposed by this resolution shall be placed
15 before the voters of the state at the next general election in conformity
16 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
17 laws of the state.

18 * Sec. 3. The amendments proposed by this resolution supersede the amend-
19 ments proposed by Legislative Resolve No. 1, First Special Session of the
20 Twelfth Legislature, (FSS-FCCS SJR 4) and voids the requirement contained in
21 sec. 3 of that resolution that the amendments proposed by that resolution be
22 placed before the voters of the state.

Recurring

Permanent Tax

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, ^{royalty sale proceeds} federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

Non-Recurring

revenue not existing or future relationship of the P.F.F. No. 20, 2000
3 levels
(1) contribution of state
(2) state
(3) appropriate

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution and revenues from the disposal of state land or an interest in state land shall be placed in the resource revenue fund. Money in the fund shall be invested as provided by law. ~~Interest~~ income from the investment of the resource revenue fund shall be distributed as municipal assistance as provided by law. The legislature may annually appropriate up to _____ percent of the balance in the resource revenue

fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 814

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of the appropriation
7 limitation in art. IX, sec. 16 of the Alaska Constitu-
8 tion; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 15.58.020 is amended by adding a new paragraph to read:

11 (10) for each capital project appropriation bill question
12 under AS 37.07.075(a), the operation and maintenance cost information
13 required by AS 37.07.074.

14 * Sec. 2. AS 37.07.010 is amended by adding a new paragraph to read:

15 (7) implementation of art. IX, sec. 16 of the Alaska Consti-
16 tution which provides for an appropriation limit.

17 * Sec. 3. AS 37.07 is amended by adding new sections to read:

18 Sec. 37.07.072. ADJUSTMENT OF APPROPRIATION LIMIT BASE. (a) The
19 appropriation limit of \$2,500,000,000 which is established by art. IX,
20 sec. 16 of the Alaska Constitution must be cumulatively adjusted annual-
21 ly by the division, by the sum of the following percentages:

22 (1) the percentage annual change, during the calendar year
23 preceding each fiscal year, in the consumer price index for all urban
24 consumers for Anchorage as published by the Bureau of Labor Statistics
25 of the United States Department of Labor; and

26 (2) the percentage annual change as of each July 1, in the
27 estimated population of the state, based on the trend established by the
28 United States Census Bureau for the period between the previous two
29 censuses or reenumerations.

1 (b) The base date for determining changes in population and infla-
2 tion under (a) of this section is July 1, 1981.

3 (c) In this section "population" means total resident population
4 under the rules of residency applicable to the most recent federal
5 census or reenumeration.

6 Sec. 37.07.074. COST OF OPERATION AND MAINTENANCE OF CAPITAL
7 PROJECTS IN EXCESS OF APPROPRIATION LIMIT. The division shall calculate
8 its best estimate of the annual operation and maintenance costs for each
9 year of the expected useful life of each capital project for which an
10 appropriation bill must be approved by the voters under art. IX, sec.
11 16. The estimated annual operation and maintenance cost figures for
12 each project must be included in the election pamphlet published under
13 AS 15.58.

14 * Sec. 4. AS 37.07.120 is amended by adding a new subsection to read:

15 (b) In this chapter and in art. IX, sec. 16 of the Alaska Consti-
16 tution

17 (1) "appropriation" means a maximum amount of money available
18 for expenditure by a state agency for a stated purpose set out in an
19 appropriation Act;

20 (2) "capital project" means any project, acquisition, equip-
21 ment, improvement, construction, or repair for which money is appropri-
22 ated and which;

23 (A) is likely to require an expenditure in a subsequent
24 fiscal year;

25 (B) is expected to have a useful life of more than one
26 year; or

27 (C) exceeds \$25,000 in price or value.

28 (3) "loan appropriation" means an appropriation of money used
29 either to subsidize the difference between the market interest rate at

1 the time state loans are made and the rate charged borrowers for state
2 loans, or to capitalize or directly finance state loans;

3 (4) "money received from a non-state source in trust for a
4 specific purpose" means program receipts and all other money received by
5 a state department, commission, authority, or agency from any source
6 including the federal government, under terms or conditions which indi-
7 cate the intent that the money be used for a specific program or pur-
8 pose.

9 * Sec. 5. AS 37.07.120(4) is repealed.

10 * Sec. 6. This Act takes effect on the effective date of the 1982 amendment
11 to the Alaska Constitution limiting appropriations of state money (art. IX,
12 sec. 16).

Introduced: 1/29/82
Referred: State Affairs, Finance
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

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 creating an
8 investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than disposal of state
15 lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received
19 from lease or disposal of state lands, or interests in state lands,
20 other than revenue that is required by law to be deposited in the per-
21 manent fund established in Section 15, Article IX of this constitution,
22 shall be placed in the investment fund. Money in the fund shall be
23 invested as provided by law. The legislature may annually appropriate
24 up to ten percent of the balance in the investment fund at the close of
25 the previous fiscal year for capital projects. Additional amounts from
26 the investment fund may be appropriated for [any purpose if the appropri-
27 ation is approved by the voters as provided by law and for meeting
28 natural disasters as provided by law.]

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in
2 state lands include, but are not limited to, all revenues from the sale
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-
4 ceeds, federal mineral revenue sharing payments and bonuses received by
5 the State.

6 * Sec. 2. The amendments proposed by this resolution shall be placed
7 before the voters of the state at the next general election in conformity
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
9 laws of the state.

10 * Sec. 3. The amendments proposed by this resolution supersede the amend-
11 ments proposed by Legislative Resolve No. 1, First Special Session of the
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
13 in section 3 of that resolution that the amendments proposed by that resolu-
14 tion be placed before the voters of the state.

SENATOR
ARLISS STURGULEWSKI
COMMITTEES
CHAIRMAN
Legislative Budget & Audit
Community & Regional Affairs
Finance
Resources



Senate

2057 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-B

While in Juneau
POUCH Y
JUNEAU, ALASKA 99811
(907) 465-2818

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo Waring
RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 4. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SB 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

ATTACHMENT A-2
Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level</u>	2,800.0
Operating	1,867.6
Capital Projects and Loans	932.4

Operating Budget

<u>Formula Programs, Total</u>	875.5
General Funds	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
General Funds	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
General Funds	1,812.1

<u>Additional Appropriations</u>	59.5
General Funds	55.5

<u>Total Operating</u>	2,350.5
General Funds	1,867.6

Capital Budget

<u>Loans Appropriations</u>	392.6
General Funds	392.6

<u>Other Capital Appropriations</u>	715.1
General Funds	465.6

<u>Additional Appropriations</u>	74.2
General Funds	74.2

<u>Total Capital/Loans</u>	1,181.9
General Funds	932.4

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
General Funds	150.4

<u>Debt Service</u>	141.7
General Funds	141.7

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
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<u>Capital Projects, Total (Book II)</u>	297.6
General Funds	297.6

<u>Additional Appropriations</u>	0.0
General Funds	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
General Funds	0.0

<u>Prior Year Appropriations, Total</u>	409.2
General Funds	409.2

<u>Total Appropriations</u>	4,531.3
General Funds	3,798.9

State Revenues

<u>Total State Revenues</u>	4,133.7
Petroleum Revenues	3,606.6

ATTACHMENT A-3

Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus Loan Appropriations</u>	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/>	
Total	3336.4

Capital Budget	715.1
<hr/>	
Total Operating and Capital	4051.5

Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B
In Thousands

SJR 61
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C
Beaufort Sea Revenues

<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker



Official Business

Alaska State Legislature

Senate

Committee on Finance

MA

Pouch V
State Capital
Juneau, Alaska 99811

January 19, 1982

TO: All Senators
Alaska Legislature
FROM: M.E. Dankworth, Senator *MA*

This resolution proposes a constitutional amendment which establishes a spending limitation for state government that is directly related to the amount of taxes collected by the state. In order to increase spending for state government operations above the maximum level authorized, taxes will also have to be increased proportionately.

ARTICLE IX of the Alaska Constitution is amended by adding new sections to read:

"no more than"

SECTION 16. ^{requires} Allows the legislature to appropriate up to three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of the funds may be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section. *shall*
(Attached is a schedule of funds that would be available for FY83 based on figures from the Department of Revenue.)

by const as the bill (effect amends the law)

SECTION 17. Establishes the capital investment fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by law to be deposited in the permanent fund, are placed in the capital investment fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for the balance of the fund.

SECTION 2. Places the proposal on the ballot at the next general election.

SECTION 3. Takes FSS-FCCS SJR-4 off the ballot. (This will require a two-thirds vote by the legislature.)

FUNDING AVAILABLE UNDER DANKWORTH PROPOSAL

FOR FY83 (Thousands)

TAXES -	\$2,399,000	
LISC. PERMITS -	24,000	
INTEREST -	315,000	
FACILITIES -	35,800	
SERVICES -	7,800	
MISC. -	5,900	
TOTAL	\$2,787,600	

1. OPERATING BUDGET
 3/4 of \$2,787,600 - \$2,090,700

2. CAPITAL BUDGET
 1/4 of \$2,787,600 - \$696,900

Plus 10% of Capital
 Investment Fund - \$133,620

TOTAL \$830,520

100,200

TOTAL AVAILABLE FOR
 LEGISLATIVE APPROPRIATION \$2,921,220

** Alaska's Revenue Sources
 Compiled by Research Section
 Department of Revenue

334,050

HJR 79

Introduced: 1/29/82
Referred: State Affairs,
Finance and Judiciary

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 65

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska relating to the
7 expenditure of money which exceeds the
8 limit on appropriations.

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

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty
13 per cent of the unexpended and unobligated money in the state treasury
14 which exceeds the limit established by section 16 of this article for a
15 fiscal year may be expended for capital projects approved by the voters.
16 If the voters fail to approve an appropriation for a capital project,
17 the amount of the appropriation shall be placed in the permanent fund
18 established by section 15 of this article. The remaining unexpended and
19 unobligated money in the state treasury for a fiscal year shall be
20 invested as provided in section 16 of this article unless the voters
21 approve, as prescribed by law, the placement of the money in the perma-
22 nent fund established by section 15 of this article.

23 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
24 adding new sections to read:

25 SECTION 29. EFFECTIVE DATE OF AMENDMENT. The 1982 amendment re-
26 lating to the appropriation of unexpended and unobligated state money
27 (art. IX, sec. 17) takes effect on the effective date of the amendment
28 limiting appropriation increases (art. IX, sec. 16).

29 SECTION 30. REPEAL OF AMENDMENT. If the amendment limiting appro-

1 priation increases (art. IX, sec. 16) is rejected by the voters at the
2 1986 general election, the amendment relating to the appropriation of
3 unexpended and unobligated state revenue (art. IX, sec. 17) is repealed.

4 * Sec. 3. The amendments proposed by this resolution shall be placed be-
5 fore the voters of the state at the next general election in conformity with
6 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws
7 of the state.

Introduced: 1/19/82
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

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 creating a
8 capital investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than lease or disposal of
15 state lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State
19 received from lease or disposal of state lands, or interests in state
20 lands, other than revenue that is required by law to be deposited in the
21 permanent fund established in Section 15, Article IX of this constitu-
22 tion, shall be placed in the capital investment fund. Money in the fund
23 shall be invested as provided by law. The legislature may annually
24 appropriate no more than ten percent of the balance in the fund at the
25 close of the previous fiscal year for capital projects. Additional
26 amounts from the fund may be appropriated for capital projects if the
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,
2 royalty sale proceeds, federal mineral revenue sharing payments and
3 bonuses received by the State.

4 * Sec. 2. The amendments proposed by this resolution shall be placed
5 before the voters of the state at the next general election in conformity
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
7 laws of the state.

8 * Sec. 3. The amendments proposed by this resolution supersede the amend-
9 ments proposed by Legislative Resolve No. 1, First Special Session of the
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
11 in section 3 of that resolution that the amendments proposed by that resolu-
12 tion be placed before the voters of the state.

Original sponsor: Metcalfe

Offered: 2/5/82
Referred: Judiciary

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 67 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Consti-
6 tution of the State of Alaska relating
7 to the creation of an Alaska capital
8 investment fund.

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

10 * Section 1. Article IX, sec. 7, Constitution of the State of Alaska, is
11 amended to read:

12 Section 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as provided
14 in sections [SECTION] 15 and 16 of this article or when required by the
15 federal government for state participation in federal programs. This
16 provision shall not prohibit the continuance of any dedication for
17 special purposes existing upon the date of ratification of this section
18 by the people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 16. ALASKA CAPITAL INVESTMENT FUND. At least twenty-five
22 percent of all mineral lease rentals, royalties, royalty sales proceeds,
23 federal mineral revenue sharing payments and bonuses received by the
24 State shall be placed in a capital investment fund, which shall be used
25 for the planning, design, and construction of large-scale capital im-
26 provements, regional in scope, which add to the economic infrastructure
27 of the State. The capital investment fund shall be governed by a board
28 of trustees as provided by law. The board of trustees shall be ap-
29 pointed by the governor, subject to confirmation by a majority of the

1 members of the legislature in joint session. A capital improvement may
2 be financed by the capital investment fund only if it is approved by a
3 majority of the membership of each house of the legislature.

4 * Sec. 3. The amendments proposed by this resolution shall be placed
5 before the voters of the state at the next general election in conformity
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
7 laws of the state.

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Introduced: 1/29/82
Referred: State Affairs, Finance
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

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 creating an
8 investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than disposal of state
15 lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received
19 from lease or disposal of state lands, or interests in state lands,
20 other than revenue that is required by law to be deposited in the per-
21 manent fund established in Section 15, Article IX of this constitution,
22 shall be placed in the investment fund. Money in the fund shall be
23 invested as provided by law. The legislature may annually appropriate
24 up to ten percent of the balance in the investment fund at the close of
25 the previous fiscal year for capital projects. Additional amounts from
26 the investment fund may be appropriated for any purpose if the appropri-
27 ation is approved by the voters as provided by law and for meeting
28 natural disasters as provided by law.

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in
2 state lands include, but are not limited to, all revenues from the sale
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-
4 ceeds, federal mineral revenue sharing payments and bonuses received by
5 the State.

6 * Sec. 2. The amendments proposed by this resolution shall be placed
7 before the voters of the state at the next general election in conformity
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
9 laws of the state.

10 * Sec. 3. The amendments proposed by this resolution supersede the amend-
11 ments proposed by Legislative Resolve No. 1, First Special Session of the
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
13 in section 3 of that resolution that the amendments proposed by that resolu-
14 tion be placed before the voters of the state.

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Introduced: 1/19/82
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

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 creating a
8 capital investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than lease or disposal of
15 state lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State
19 received from lease or disposal of state lands, or interests in state
20 lands, other than revenue that is required by law to be deposited in the
21 permanent fund established in Section 15, Article IX of this constitu-
22 tion, shall be placed in the capital investment fund. Money in the fund
23 shall be invested as provided by law. The legislature may annually
24 appropriate no more than ten percent of the balance in the fund at the
25 close of the previous fiscal year for capital projects. Additional
26 amounts from the fund may be appropriated for capital projects if the
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,
2 royalty sale proceeds, federal mineral revenue sharing payments and
3 bonuses received by the State.

4 * Sec. 2. The amendments proposed by this resolution shall be placed
5 before the voters of the state at the next general election in conformity
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
7 laws of the state.

8 * Sec. 3. The amendments proposed by this resolution supersede the amend-
9 ments proposed by Legislative Resolve No. 1, First Special Session of the
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
11 in section 3 of that resolution that the amendments proposed by that resolu-
12 tion be placed before the voters of the state.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

MEMORANDUM


State of Alaska

TO: James M. Souby

DATE: January 27, 1982

FILE NO: 8I; 9G.2

TELEPHONE NO:

FROM:  Dona K. Lehr

SUBJECT: SJR 61 - Dankworth
Spending Limit

The limit proposed by Senator Dankworth (SJR 61) would allow for increases in expenditures as revenues from all sources other than lease or disposal of State lands, or interest in State lands increased. Revenues are divided into two categories:

- 1) taxes, user fees and interest; and,
- 2) bonus royalty, lease and other land/resource payments, net of Permanent Fund contributions.

The "tax" revenues would be divided 3:1 -- (operating:capital). The "resource" revenues would be placed in a capital investment fund. Each year 10% of this fund would be available for appropriation for capital projects. The remaining 90% of the capital fund would also be available for spending on capital projects, but would require voter approval.

General estimates of funds available for expenditure on major categories under the two proposals are:

	FY 83 <u>SJR 4</u>	<u>SJR 61</u>
Operating Budget	1,867.6	1,797.90
PF ^D	150.4	150.4
Debt Service	141.7	141.7
	<u>2,159.7</u>	<u>2,090.7</u>
Capital	932.4*	696.9
Capital-10% of C.I.F.	---	133.6
	932.4	830.5
Capital and PF - Voter Approved Residual Funds		Capital--Voter Approved Residual Funds

* Includes Loans.

SJR 61 does not mention loans. The intent may be to use the Capital Investment Fund for this purpose (perhaps without appropriations).

The differences in operating budget amounts may be greater than apparent in the figures above, if Senator Dankworth uses the definition of capital suggested in his January 20, 1982 memo to the Senate. His definition is more restrictive (land acquisition, equipment, structural improvement, or construction), than that employed in developing the Governor's budget. Thus, the operating budget would be reduced even further than the 3.8% shown for FY 1983.

A major difference is in the exclusion for PFD's and debt service in SJR 4. SJR 61 contains no such exclusions. In order to evaluate the relative effects of these and other factors it will be necessary to review long run revenue projections by source.

Questions and Implications

- SJR 61 has a more inclusive definition of operating expenditures; therefore, tighter on operating, looser on capital construction.
- SJR 4 has market interest requirement for excess funds (SJR 61 has no such requirement).
- Unclear how loans handled under SJR 61 (under SJR 4, loans are part of the capital appropriation).
- SJR 61 does not allow for voter approved contributions to the PF. Apparently PF contributions can be made prior to deposit in the capital investment fund if so provided in statute; but not once the money goes into the C.I.F. SJR 61 would probably serve to reduce total contributions to the Permanent Fund.
- SJR 61 would remove SJR 4 from the ballot.
- Implied relative sizes of operating and capital budgets over time need to be analyzed. (I believe Budget and Management is developing numbers.)



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

January 19, 1982

TO: All Senators
Alaska Legislature
FROM: M.E. Dankworth, Senator *MED*

This resolution proposes a constitutional amendment which establishes a spending limitation for state government that is directly related to the amount of taxes collected by the state. In order to increase spending for state government operations above the maximum level authorized, taxes will also have to be increased proportionately.

ARTICLE IX of the Alaska Constitution is amended by adding new sections to read:

SECTION 16. Allows the legislature to appropriate up to three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of the funds may be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section. (Attached is a schedule of funds that would be available for FY83 based on figures from the Department of Revenue.)

SECTION 17. Establishes the capital investment fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by law to be deposited in the permanent fund, are placed in the capital investment fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for the balance of the fund.

SECTION 2. Places the proposal on the ballot at the next general election.

SECTION 3. Takes FSS-FCCS SJR-4 off the ballot. (This will require a two-thirds vote by the legislature.)

B C

FUNDING AVAILABLE UNDER DANKWORTH PROPOSAL

FOR FY83 (Thousands)

FY 84

TAXES -	\$2,399,000
LISC. PERMITS -	24,000
INTEREST -	315,000
FACILITIES -	35,800
SERVICES -	7,800
MISC. -	5,900
TOTAL	\$2,787,600

75,500
~~33,500~~

1. OPERATING BUDGET		
3/4 of \$2,787,600	=	<u>\$2,090,700</u>

25,316,25

2. CAPITAL BUDGET		
1/4 of \$2,787,600	=	\$696,900

84,3875

Plus 10% of Capital Investment Fund	=	\$133,620
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~~100,200~~ 16,1980

TOTAL		<u><u>\$830,520</u></u>
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1,005,855

TOTAL AVAILABLE FOR LEGISLATIVE APPROPRIATION		\$2,921,220
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** Alaska's Revenue Sources
Compiled by Research Section
Department of Revenue

Introduced: 1/19/82
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

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 creating a
8 capital investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than lease or disposal of
15 state lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State
19 received from lease or disposal of state lands, or interests in state
20 lands, other than revenue that is required by law to be deposited in the
21 permanent fund established in Section 15, Article IX of this constitu-
22 tion, shall be placed in the capital investment fund. Money in the fund
23 shall be invested as provided by law. The legislature may annually
24 appropriate no more than ten percent of the balance in the fund at the
25 close of the previous fiscal year for capital projects. Additional
26 amounts from the fund may be appropriated for capital projects if the
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,
2 royalty sale proceeds, federal mineral revenue sharing payments and
3 bonuses received by the State.

4 * Sec. 2. The amendments proposed by this resolution shall be placed
5 before the voters of the state at the next general election in conformity
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
7 laws of the state.

8 * Sec. 3. The amendments proposed by this resolution supersede the amend-
9 ments proposed by Legislative Resolve No. 1, First Special Session of the
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
11 in section 3 of that resolution that the amendments proposed by that resolu-
12 tion be placed before the voters of the state.



Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

January 20, 1982

TO: All Members, Alaska State Senate

FROM: Senator Ed Dankworth, Co-Chairman *U.E.A.*

SUBJECT: FY83 Capital Budget

Inquiries have been made concerning the procedure we will follow regarding this capital budget process this year. Unlike 1981, we will NOT be using Form 35s this time.

This year you will enter your capital budget requests into the Alaska Legislative Computer System. Each Member will have an individual "user code" which will provide both access to the computer system as well as complete privacy for the items you wish to fund in the FY83 Capital Budget.

Members and/or their designated staff will be given training and instructions as to the use of the computer system.

As of this date a determination has yet to be made concerning the amount of funds available for capital projects for FY83.

Members or aides will enter capital project requests into the computer including a short outline of the project and brief statement of need. Detailed backup for various projects should be kept on file in each Member's office for possible use by the Finance Committee, Legislative Finance and the Governor's Office once the budget has been assembled.

For purposes of identifying acceptable capital projects we will use the following definition for "capital outlays":

"A capital outlay means any item of appropriation for land acquisition, equipment, structural improvement, or construction that equals or exceeds \$25,000 and includes planning, engineering, and design for a single project when the proposed project cost will exceed \$1,000,000."

At this point a schedule for capital budget action has not been determined. Further information or questions may be directed to my assistant, Max Gifford, ext. 3753.

ED/mg

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SSSJR 61 (1/29/82)
 Title Constitutional Amendment relating to appropriations/investment fund
 Requested by Senate State Affairs Committee Date 3/9/82

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection & Management
 BRU, Program, Or Subprogram(s) Affected Treasury Management
 (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) SEE ANALYSIS SECTION

	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.						
TOTAL						

FUNDING (Thousands of Dollars) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

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)

Legislation provides for investment of an "Investment Fund" as provided for by subsequent law.

Because fund management will be provided for by subsequent law fiscal impact as to administrative costs at this time is indeterminate as final form or organization/integration with our funds management, etc., will determine nature and extent of staff and other costs necessary.

Administrative costs, however, should be charged to fund income to establish proper cost allocation.

IV. DATE March 9, 1982 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2350
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

**THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE**

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SSSJR 61
 Title Constitutional Amendment relating to appropriations/investment fund
 Requested by Senate State Affairs Committee Date 2/3/82

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.						
TOTAL						

**FUNDING (Thousands of Dollars)
Millions**

GENERAL FUND		(1.345)	(1.630)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The projected figures represent the subsequent loss of General Fund revenues, based on the Department of Revenue's January 1982 estimates, which would be placed in the investment fund. It should be noted that royalty sale proceeds are not included in the estimates since bids are impossible to anticipate prior to sales.

IV. DATE 2/3/82 **PREPARED BY** Robert W. Elliott
AGENCY Department of Revenue
Original: Legislative Finance **PHONE** 465-2173
cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, ^{royalty sale proceeds} federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution ~~and revenues from the disposal of state land or an interest in state land~~ shall be placed in the resource revenue fund. Money in the fund shall be invested as provided by law. ~~Interest income from the investment of the resource revenue fund shall be distributed as~~ ^{Income from the} ~~investment of the resource revenue fund shall be distributed as~~ ^{Investment of the R.R. Fund shall be distributed among municipalities as provided by law.} ~~municipal assistance as provided by law.~~ The legislature may annually appropriate up to _____ percent of the balance in the resource revenue

fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

revenues to
municipalities
as provided by law

NOT under Sec 16?

money to GF

D.R. 61

MAR 29 /
Let me know
what you think
[Signature]

Introduced: 1/29/82
Referred: State Affairs, Finance
and Judiciary

IN THE SENATE

BY DANKWORTH

COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-
tion of the State of Alaska relating
to appropriations and creating an
investment fund.

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

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

What do you
do w/ balance,
How does this
relate to
present practice
& to newly
capital

SECTION 16. APPROPRIATIONS. The legislature shall appropriate
in a fiscal year no more than three-fourths of the revenue the
state received in that fiscal year from sources other than revenues
received from all mineral lease rentals, royalties, royalty sale
proceeds, federal mineral revenue sharing payments and bonuses
received by the state for the operating expense of state government.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the state
received from all mineral lease rentals, royalties, royalty sale
proceeds, federal mineral revenue sharing payments and bonuses
received by the state, other than revenue that is required by
state law to be deposited in the permanent fund established in
Section 15, Article IX of this constitution, shall be replaced
in the Alaska resource fund. Money in the fund shall be invested
as provided by law. The legislature may annually appropriate
funds in the Alaska resource fund for any purpose if the appro-
priation is approved by the voters as provided by law or for

*Refers this matter
must go to committee*

meeting natural disasters as provided by law. Interest earned on money deposited in the Alaska resource fund shall be distributed to local governments to provide tax relief as provided by law.

* Sec. 2. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SECTION 3. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4) and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

*7 laws -
25%
exceptions
no cap of exp by voters*

Berrier ✓

1/82

Original sponsor: Dankworth

1 IN THE SENATE BY THE FINANCE COMMITTEE
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-
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 14 that fiscal year from sources other than mineral lease rentals, royalti-
 15 ties, royalty sale proceeds, federal mineral revenue sharing payments
 16 and bonuses for operating expenses of state government and not more than
 17 one-fourth of the revenues from those sources for capital projects.
 18 This section does not apply to revenue received from the federal govern-
 19 ment other than federal mineral revenue sharing payments, to money
 20 appropriated to meet natural disasters as defined by law, to appropria-
 21 tions required to pay the principal and interest on general obligation
 22 bonds, or to appropriations for direct distribution of income to resi-
 23 dents of the State from the permanent fund established in Section 15,
 24 Article IX of this Constitution.

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 26 mineral lease rentals, royalties, royalty sale proceeds, federal mineral
 27 revenue sharing payments and bonuses received by the State other than
 28 revenue appropriated to or required by law to be deposited in the perman-
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2 shall be invested as provided by law. Income from the investment fund
3 is a general revenue of the State and shall be deposited in the treasury.
4 The legislature may annually appropriate up to ten percent of the balance
5 in the investment fund at the close of the previous fiscal year for
6 capital projects and for operation and maintenance of capital projects.
7 Additional amounts from the investment fund may be appropriated for any
8 purpose if the appropriation is approved by the voters as provided by
9 law and for meeting natural disasters as provided by law. If an appro-
10 priation for an additional amount from the investment fund is disapproved
11 by the voters, the amount proposed to be appropriated shall be deposited
12 in the permanent fund established in Section 15, Article IX of this
13 constitution.

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20 Twelfth Legislation, (FSS-FCCS SJR 4) and voids the requirement contained in
21 sec. 3 of that resolution that the amendments proposed by that resolution be
22 placed before the voters of the state.

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1981 Actual January	FY 1982 Estimate January	FY 1983 Estimate January	FY 1984 Estimate January
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	34,800	31,000	35,000	39,000
Corporate-Petroleum (2)	860,100	713,000	304,000	360,000
<u>Gross Receipts</u>				
Alaska Business License	5,400	5,500	5,500	5,500
Fish-Canned Salmon	5,900	6,200	6,000	6,000
Fish-Shorebased	11,000	11,200	11,000	11,000
Fish-Floating	3,800	4,000	4,000	4,000
Salmon Enhancement	-0-	2,000	2,400	2,400
Insurance Companies	10,600	11,300	11,500	11,500
Other	1,200	1,300	1,400	1,400
<u>Severance</u>				
Gravel, Timber, etc.	2,700	2,500	2,500	2,500
Oil & Gas Production(3)(4)	1,169,900	1,718,000	1,819,000	2,213,400
Oil & Gas Conservation	300	700	700	700
<u>Property</u>				
Oil & Gas(5)	143,000	155,000	157,700	225,000
Vehicle Registration	200	200	200	200
<u>Sale/Use</u>				
Alcoholic Beverages	8,300	8,500	9,000	9,000
Fuel Taxes-Aviation	4,100	4,300	4,500	4,700
Fuel Taxes-Highway	15,600	18,000	18,500	19,000
Fuel Taxes-Marine	3,500	3,600	3,800	4,000
Tobacco Products	1,700	1,800	1,900	1,900
<u>Other</u>				
Estate	500	500	500	500
Total Taxes	<u>2,282,600</u>	<u>2,698,600</u>	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses & Permits</u>				
<u>Business</u>	9,100	9,900	11,000	12,100
<u>Non-Business</u>	12,200	12,500	13,000	13,500
Total Licenses & Permits	<u>21,300</u>	<u>22,400</u>	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(6)(7)</u>	<u>8,500</u>	<u>18,200</u>	<u>9,900</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(8)(9)(10)	7,600	800	-0-	-0-
Investment Earnings	227,800	280,300	315,000	375,000
Rents(9)(10)	5,400	5,500	5,500	5,500
Royalties(3)(6)(11)	1,118,500 (12)	1,258,800	1,325,200	1,608,800
Sale of State Property	4,800	5,500	5,500	5,500

Facilities Related Charges

Airports	1,100	1,200	1,200	1,200
Ferry System-Southeast	21,000	23,900	26,300	28,900
Ferry System-Southwest	3,400	3,500	3,800	4,100
Other	3,700	4,000	4,500	4,700

Service Related Charges

Court System	2,900	3,100	3,300	3,500
Other	4,100	4,300	4,500	4,800

Total State Resources Revenues

<u>1,400,300</u>	<u>1,590,900</u>	<u>1,694,800</u>	<u>2,042,000</u>
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Miscellaneous Revenues

<u>5,500</u>	<u>5,700</u>	<u>5,900</u>	<u>6,000</u>
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Total Unrestricted Revenues

<u>3,718,200</u>	<u>4,335,800</u>	<u>4,133,700</u>	<u>5,005,300</u>
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- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59% less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

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Original sponsor: Dankworth

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2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)
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21 sec. 3 of that resolution that the amendments proposed by that resolution be
22 placed before the voters of the state.

A Threat To Loans/Development Programs ???

SPENDING LIMIT PROBLEMS GROW

Last summer, in a quick special session, Governor Hammond twisted enough arms to force the legislature to adopt a constitutional amendment placing a limit on the growth of state spending (FCCS-SJR-4). Though that amendment will appear on the November ballot, many lawmakers are having second thoughts about the issue. As the 1982 session picks up steam, legislators are considering changes to the spending limit, the permanent fund, and handling of state revenues generally. Nearly a dozen proposed constitutional amendments are pending dealing with these issues, though not all are under serious consideration.

The limit passed last summer allows no growth in state spending beyond inflation and population increases, unless voters approve amounts in excess of the limit for capital projects or permanent fund deposits. One-third of the funds under the limit are reserved for capital projects. The governor introduced a "codicil" to the limit, SJR-65, which allows no more than 50 per cent of the money exceeding the limit to be used for capital projects, with the remainder invested at market rates or deposited in the permanent fund.

Most legislators, though, want even further amendments to the limit. Sens. Parr and Fischer introduced SJR-63, repealing it completely. More significantly, Senate Finance chair Dankworth introduced SSSJR-61, replacing the current limit with a limit based on taxes collected, with all other state revenues dedicated to the permanent fund or a capital investment fund. SS-SJR-61 allows 3/4 of revenues received to be used for operating expenses, 1/4 for capital projects. All receipts from sale or lease of state lands (including oil leases) not placed in the permanent fund would be placed in an investment fund. The legislature could annually appropriate up to 10 per cent of the investment fund for capital projects; further amounts could be appropriated for natural disasters or any purpose if approved by the voters. Though the Dankworth plan needs refinement, it has the possibility of gaining widespread support in both the legislature and executive branches because it is simpler, more effective, and more flexible than the current limit.

Meanwhile, a number of constitutional amendments to the permanent fund have been offered. Gov. Hammond wants to dedicate 25 percent of severance and production taxes to the fund (HJR-72/SJR-58); Rep. Moss wants any amount over 25 percent to be used only in Alaska (HJR-69); Rep. Metcalfe wants another 50 percent used for large-scale capital improvements (HJR-67) and to dedicate severance taxes to revenue sharing (HJR-66).

The permanent fund board of trustees has asked for increased investment authority to parallel the state retirement funds (excepting investment in gold). SB-684 adds to the investment authority common and preferred stocks, mortgage-secured notes, certain types of real estate equity, and foreign securities; it also changes board composition and pay and allows fund management costs to be taken from the income of the investments. The bill has lukewarm support from the governor and some legislators, while others, including permanent fund advocate Oral Freeman (D-Ketchikan), have vowed to strongly oppose the new investment plans. Several interest groups around the state, particularly those involved in housing finance and hydroelectric projects, are also seeking access to the fund for their projects.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

Alaska State Legislature



Senate

SENATOR
ARLISS STURGULEWSKI
COMMITTEES
CHAIRMAN
Legislative Budget & Audit
Community & Regional Affairs
Finance
Resources

2967 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-B

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 485-2818

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo Waring
RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 4. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SB 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

GENERAL FUND REVENUES

Taxes

Income

Corporate-General 35,000
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500
Fish-Canned Salmon 6,000
Fish-Shorebased 11,000
Fish-Floating 4,000
Salmon Enhancement 2,400
Insurance Companies 11,500
Other 1,400

Severance

Gravel, Timber, etc. 2,500
Oil & Gas Production(+) ,819,000
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000
Fuel Taxes-Aviation 4,500
Fuel Taxes-Highway 18,500
Fuel Taxes-Marine 3,800
Tobacco Products 1,900

Other

Estate 500

Total Taxes 399,100

Licenses & Permits

Business 11,000
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-
Investment Earnings 315,000
Rents(5) 5,500
Royalties 1,325,200
Sale of State Property 5,500

AVAILABLE FOR
PERMANENT FUND &
CAPITAL INVESTMENT
FUND

Total: \$1,336,200

Facilities Related Charges

Airports
Ferry System-Southeast 1,200
Ferry System-Southwest 26,300
Other 3,800

Service Related Charges

Court System 4,500
Other 3,300

Total State Resources
Revenues

1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

4,133,700

AVAILABLE FOR CAPITAL
& OPERATING BUDGET
SJR 61

\$4,113,700
- 1,336,200
2,797,500

ATTACHMENT A-2
 Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level</u>	2,800.0
<u>Operating</u>	1,867.6
<u>Capital Projects and Loans</u>	932.4

Operating Budget

<u>Formula Programs, Total</u>	875.5
<u>General Funds</u>	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
<u>General Funds</u>	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
<u>General Funds</u>	1,812.1

<u>Additional Appropriations</u>	59.5
<u>General Funds</u>	55.5

<u>Total Operating</u>	2,350.5
<u>General Funds</u>	1,867.6

Capital Budget

<u>Loans Appropriations</u>	392.6
<u>General Funds</u>	392.6

<u>Other Capital Appropriations</u>	715.1
<u>General Funds</u>	465.6

<u>Additional Appropriations</u>	74.2
<u>General Funds</u>	74.2

<u>Total Capital/Loans</u>	1,181.9
<u>General Funds</u>	932.4

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
<u>General Funds</u>	150.4

<u>Debt Service</u>	141.7
<u>General Funds</u>	141.7

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
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<u>Capital Projects, Total (Book II)</u>	297.6
<u>General Funds</u>	297.6

<u>Additional Appropriations</u>	0.0
<u>General Funds</u>	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
<u>General Funds</u>	0.0

<u>Prior Year Appropriations, Total</u>	409.2
<u>General Funds</u>	409.2

<u>Total Appropriations</u>	4,531.3
<u>General Funds</u>	3,798.9

State Revenues

<u>Total State Revenues</u>	4,133.7
<u>Petroleum Revenues</u>	3,606.6

ATTACHMENT A-3 Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus</u> Loan Appropriations	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2

Total	3336.4
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Capital Budget	715.1
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Total Operating and Capital	4051.5
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Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B
In Thousands

SJR 61
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C
Beaufort Sea Revenues

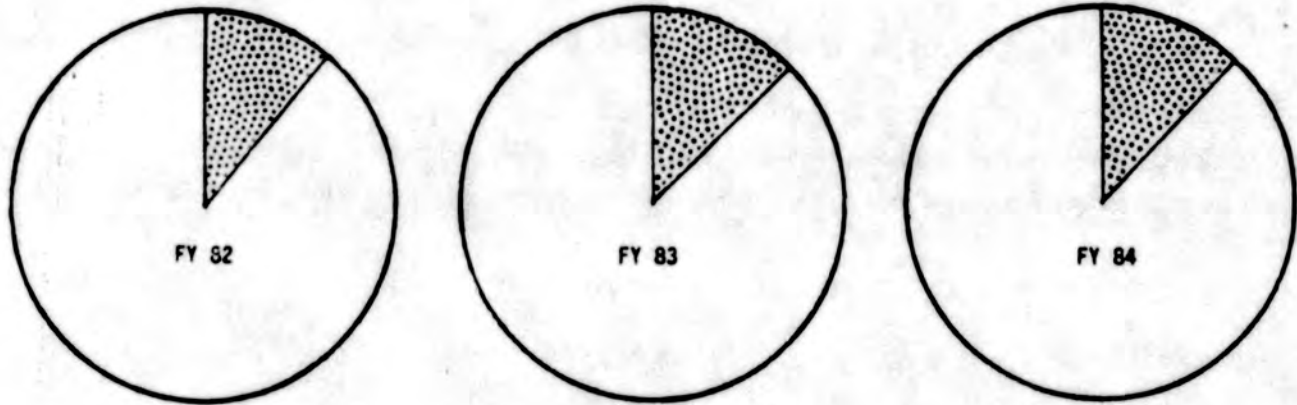
<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

UNRESTRICTED REVENUE FORECAST
 FY82, FY83, FY84
 (Millions of Dollars)



Total Non-Petroleum Revenue -- shaded
 Total Petroleum Revenue -- unshaded

	FY82	FY83	FY84
Tax Revenue	\$ 210.1	\$ 212.1	\$ 222.4
Investment Revenue	280.3	315.0	375.0
Total Non-Petroleum Revenue	490.4	527.1	597.4
Total Petroleum Revenue: ¹	3845.5	3606.6	4407.9
Severance Tax	1718.7	1819.7	2214.1
Royalties ¹	1258.8	1325.2	1608.8
Corporate Tax	713.0	304.0	360.0
Property Tax	155.0	157.7	225.0
TOTAL ¹	\$ 4335.9	\$ 4133.7	\$ 5005.3

¹ Figures shown are net of 25 percent Permanent Fund Contribution.

Introduced: 1/27/82
Referred: Judiciary

1 IN THE HOUSE

BY METCALFE

2 SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 66

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 dedication of proceeds of a sever-
8 ance tax on oil or gas production.

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

10 * Section 1. Article IX, sec. 7 of the Constitution of the State of
11 Alaska is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in Sections [SECTION] 15 and 16 of this article or when required
15 by the federal government for state participation in federal programs.
16 This provision shall not prohibit the continuance of any dedication for
17 special purposes existing upon the date of ratification of this section
18 by the people of Alaska.

19 * Sec. 2. Article IX of the Constitution of the State of Alaska is amended
20 by adding a new section to read:

21 SECTION 16. DEDICATION FOR MUNICIPAL PURPOSES. The proceeds of a
22 state severance tax on oil or gas production in excess of twelve percent
23 of the gross value at the point of production shall be dedicated to the
24 organized boroughs and cities of the State for municipal purposes. The
25 legislature shall establish a method of distributing the proceeds dedi-
26 cated by this section among organized boroughs and cities by law.

27 * Sec. 3. The amendments proposed by this resolution shall be placed
28 before the voters of the state at the next general election in conformity
29 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election

1 laws of the state.

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ATTACHMENT A-1
 Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level, 1</u>	2,800.0
Operating	<u>1,867.6</u>
Capital Projects and Loans	932.4

Operating Budget

<u>Formula Programs, Total²</u>	875.5
General Funds	<u>809.4</u>
<u>Non-Formula Programs, Total</u>	1,415.5
General Funds	<u>1,002.7</u>
<u>Total Appropriations, Total³</u>	2,291.0
General Funds	<u>1,812.1</u>
<u>Additional Appropriations⁴</u>	59.5
General Funds	<u>55.5</u>
<u>Total Operating</u>	2,350.5
General Funds	<u>1,867.6</u>

Capital Budget

<u>Loans Appropriations⁵</u>	392.6
General Funds	<u>392.6</u>
<u>Other Capital Appropriations⁶</u>	715.1
General Funds	<u>465.6</u>
<u>Additional Appropriations⁷</u>	74.2
General Funds	<u>74.2</u>
<u>Total Capital/Loans</u>	1,181.9
General Funds	<u>932.4</u>

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
General Funds	<u>150.4</u>
<u>Debt Service⁸</u>	141.7
General Funds	<u>141.7</u>

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
<u>Capital Projects, Total (Book II)¹⁰</u>	297.6
General Funds	<u>297.6</u>
<u>Additional Appropriations¹¹</u>	0.0
General Funds	<u>0.0</u>
<u>Permanent Fund Contribution, Total¹²</u>	0.0
General Funds	<u>0.0</u>

<u>Prior Year Appropriations, Total¹³</u>	409.2
General Funds	<u>409.2</u>

<u>Total Appropriations</u>	4,531.3
General Funds	<u>3,798.9</u>

State Revenues

<u>Total State Revenues</u>	4,133.7
Petroleum Revenues	<u>3,806.6</u>

Introduced: 1/19/82
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61
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 creating a
8 capital investment fund.

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

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

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in
13 a fiscal year no more than three-fourths of the revenue of the State re-
14 ceived in that fiscal year from sources other than lease or disposal of
15 state lands, or interest in state lands, for operating expenses of state
16 government and not more than one-fourth of the revenues received by the
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State
19 received from lease or disposal of state lands, or interests in state
20 lands, other than revenue that is required by law to be deposited in the
21 permanent fund established in Section 15, Article IX of this constitu-
22 tion, shall be placed in the capital investment fund. Money in the fund
23 shall be invested as provided by law. The legislature may annually
24 appropriate no more than ten percent of the balance in the fund at the
25 close of the previous fiscal year for capital projects. Additional
26 amounts from the fund may be appropriated for capital projects if the
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an
29 interest in state lands include, but are not limited to, all revenues

Principal

1 from the sale or lease of land, mineral lease rentals, royalties,
2 royalty sale proceeds, federal mineral revenue sharing payments and
3 bonuses received by the State.

4 * Sec. 2. The amendments proposed by this resolution shall be placed
5 before the voters of the state at the next general election in conformity
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
7 laws of the state.

8 * Sec. 3. The amendments proposed by this resolution supersede the amend-
9 ments proposed by Legislative Resolve No. 1, First Special Session of the
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained
11 in section 3 of that resolution that the amendments proposed by that resolu-
12 tion be placed before the voters of the state.

FY 1983
Estimate
January

GENERAL FUND REVENUES

Taxes

Income

Corporate-General 35,000
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500
Fish-Canned Salmon 6,000
Fish-Shorebased 11,000
Fish-Floating 4,000
Salmon Enhancement 2,400
Insurance Companies 11,500
Other 1,400

Severance

Gravel, Timber, etc. 2,500
Oil & Gas Production 819,000
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000
Fuel Taxes-Aviation 4,500
Fuel Taxes-Highway 18,500
Fuel Taxes-Marine 3,800
Tobacco Products 1,900

Other

Estate 500

Total Taxes 399,100

Licenses & Permits

Business 11,000
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-
Investment Earnings 315,000
Rents 5,500
Royalties 325,200
Sale of State Property 5,500

Facilities Related Charges

Airports 1,200
Ferry System-Southeast 26,300
Ferry System-Southwest 3,800
Other 4,500

Service Related Charges

Court System 3,300
Other 4,500

Total State Resources
Revenues

1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

1,700,700

715.1

3336.4
2048.4

5384.8
4133.7

1251.1

4,133.7

mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

(3) any other money appropriated to or otherwise allocated by law to the Alaska permanent fund.

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

Legislative history reports. — For the House Journal, Supplement No. 7, April 2, 1980.
Free Conference Committee Report on ch. 18, SLA 1980 (FCCSSB 161), see 1980

Sec. 37.13.020. Findings. The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) the corporation should provide a means of conserving a portion of the state's revenues from mineral resources to benefit all generations of Alaskans;

(2) the corporation's goal should be to maintain safety of principal while maximizing total return;

(3) the corporation should be used as a savings device managed to allow the maximum use of disposable income from the corporation for purposes designated by law. (§ 5 ch 18 SLA 1980)

Sec. 37.13.030. Purpose. It is the purpose of AS 37.13.010 — 37.13.210 to provide a mechanism for the management and investment of those permanent fund assets allocated to the Alaska Permanent Fund Corporation in a manner consistent with the findings in AS 37.13.020. (§ 5 ch 13 SLA 1980)

Sec. 37.13.040. Alaska Permanent Fund Corporation. There is established the Alaska Permanent Fund Corporation. The corporation is a public corporation and government instrumentality in the Department of Revenue managed by the board of trustees. The purpose of the board is to manage and invest the assets of the corporation in accordance with AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo W. Waring
RE: SJR 61

Senator Dankworth requested that I share with him those changes which could be made in SJR 61 to correct problems which were identified during my analysis of the resolution. With your permission, I will send a copy of this memorandum to him.

Based on my analysis of SJR 61, I would suggest that the following items be considered for amendments to that resolution.

1. Make provision for appropriations to meet disasters as an exception to the appropriation limitation. Also exempt federal funds.
2. Use in Sec. 17 the exact same language as appears in Sec. 15. Amend further so that AS 37.13 is not annulled.
3. Provide that funds for projects from the Capital Investment Fund which are not approved by the voters automatically get contributed to the Permanent Fund.
4. Provide that income from the Capital Investment Fund goes to the general fund.
5. Allow funds from the Capital Investment Fund to be used for the operation and maintenance of capital projects.
6. For purposes of the Capital Investment Fund, allow special appropriations to the Permanent Fund to be defined as capital projects.

I believe that these changes are consistent with the intent of the legislation as explained to me by Senator Dankworth, and would correct either problems in the legislation or emphases which are unintentional. In addition, it should be noted that these changes establish a balance between the Permanent fund and the Capital Fund and provide for voter choice between the two as different ways of investing state funds, each with its own benefit--either increased dividends or new facilities.

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo Waring
RE: SJR 61

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 61. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SE 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

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Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

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It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

ATTACHMENT A-1
Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit
Allowable General Fund Appropriation Level, 1
Operating
Capital Projects and Loans

2,800.0
1,867.6
932.4

Operating Budget

Formula Programs, Total 2
General Funds

875.5
809.4

Non-Formula Programs, Total
General Funds

1,415.5
1,002.7

Total Appropriations, Total 3
General Funds

2,291.0
1,812.1

Additional Appropriations 4
General Funds

59.5
55.5

Total Operating
General Funds

2,350.5
1,867.6

Capital Budget

Loans Appropriations 5
General Funds

392.6
392.6

Other Capital Appropriations 6
General Funds

715.1
465.6

Additional Appropriations 7
General Funds

74.2
74.2

Total Capital/Loans
General Funds

1,181.9
932.4

Appropriations Not Subject to Spending Limit
Exempt Appropriations

Permanent Fund Dividends
General Funds

150.4
150.4

Debt Service 8
General Funds

Appropriations Subject to Voter Approval
General Funds Available for Voter Approval

141.7
141.7

Capital Projects, Total (Book II) 10
General Funds

298.0

Additional Appropriations 11
General Funds

297.6
297.6

Permanent Fund Contribution, Total 12
General Funds

0.0
0.0

Prior Year Appropriations, Total 13
General Funds

0.0
0.0

Total Appropriations
General Funds

409.2
409.2

State Revenues

4,531.3
3,798.9

Total State Revenues
Petroleum Revenues

4,133.7
3,606.6

ATTACHMENT A-2

Governor's FY 83 Budget Under SJR 61

Operating Budget

Operating Budget	2350.5
<u>Plus Loan Appropriations</u>	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/>	
Total	3336.4

Capital Budget

Capital Budget	723.1
Capital Investment 10%	132.6
Capital Investment Principal	1192.7
<hr/>	
Total	2048.4

Draft

ATTACHMENT B
In Thousands

	<u>Operating Budget</u>	<u>Total Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4903.0	4657.3
FY 90	4744.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on information provided by Senator Dankworth's staff.

ATTACHMENT C
Beaufort Sea Revenue Projection

<u>FY</u>	<u>Contributions in in excess of 25% \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

September 22, 1981

Wilson L. Condon
Attorney General
Department of Law
Pouch 1
Juneau, AK 99811

Dear Mr. Condon:

The Free Conference Committee Substitute for SJR 4, proposing amendments to the constitution of the State of Alaska relating to limiting increases in appropriations, will undoubtedly need statutory language to carry out certain provisions, as several phrases seem in need of interpretation.

With that view in mind, I would appreciate some advice from you regarding:

1. the meaning of the term "capital projects"
2. the meaning of the term "loan appropriations"
3. the meaning of the clause "public corporations of the State that issues revenue bonds." Specifically, for this item, I am concerned whether to be eligible under this exemption the corporation needs statutory authority to issue revenue bonds or whether it must actually issue such bonds.
4. the application of the clause, "appropriation of money received from a non-state source in trust for a specific purpose" (emphasis added). A question has been raised whether this language covers the assessments made for the non-profit fish hatcheries.

Your attention to this matter will be appreciated. If there are any questions, please contact Margo Waring of my staff (3818).

Sincerely,

Senator Arlis Sturgulawski, Chairman
Legislative Budget and Audit Committee

Free Conference CS for Senate Joint Resolution No. 4
Definitions Needed

1. "appropriations of revenue bond proceeds" (p. 1; l. 12-13)
2. "appropriations of money received from a non-State source in trust for a specific purpose" (p. 1; l. 14-15)
3. "including revenues of a public enterprise or public corporation of the State that issues revenue bonds," (p. 1; l. 15-17)
4. "appropriations from the treasury" (p. 1; l. 17)
5. "the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981." (p. 1; l. 18-20)
6. "capital projects and loan appropriations." (p. 1; l. 21)
7. "bills for appropriations for capital projects, whether of bond proceeds or otherwise," (p. 1; l. 23-24)
8. "approved by the voters as prescribed by law." (p. 1; l. 27-28)
9. "Each bill for appropriations for capital projects in excess of the limit" (p. 1; l. 28-29)
10. "capital projects of the same type," (p. 1-2; l. 29-1)
11. "as provided by law, be informed of the cost of operations and maintenance of the capital projects." (p. 2; l. 1-2)
12. "state of disaster declared by the governor as prescribed by law" (p. 2; l. 4)
13. "unexpended and unappropriated balance" (p. 2; l. 5)

pk pf do
gob - sub. 4
deferral

Dona Lehr suggested adding:

"Alaska permanent fund dividends"
"general obligation bonds"

does it include alternatives to the dividend
does it include defeasance

Original sponsor: Rules/Governor

Offered: 7/14/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska relating to limit-
7 ing increases in appropriations.

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

9 * Section 1. Article IX, Constitution of the State of Alaska, is amended
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
12 Alaska permanent fund dividends, ¹[appropriations of revenue bond pro-
13 ceeds], appropriations required to pay the principal and interest on
14 general obligation bonds, and ²[appropriations of money received from a
15 non-State source in trust for a specific purpose], ³[including revenues of
16 a public enterprise or public corporation of the State that issues
17 revenue bonds], ⁴[appropriations from the treasury] made for a fiscal year
18 shall not exceed \$2,500,000,000 by more than ⁵[the cumulative change,
19 derived from federal indices as prescribed by law, in population and
20 inflation since July 1, 1981]. Within this limit, at least one-third
21 shall be reserved for ⁶[capital projects and loan appropriations]. The
22 legislature may exceed this limit in bills for appropriations to the
23 Alaska permanent fund and in ⁷[bills for appropriations for capital
24 projects, whether of bond proceeds or otherwise], if each bill is ap-
25 proved by the governor, or passed by affirmative vote of three-fourths
26 of the membership of the legislature over a veto or item veto, or
27 becomes law without signature, and is also ⁸[approved by the voters as
28 prescribed by law]. ⁹[Each bill for appropriations for capital projects
29 in excess of the limit] shall be confined to ¹⁰[capital projects of the

1 same type,] and the voters shall, [as provided by law, be informed of the
2 cost of operations and maintenance of the capital projects.] No other
3 appropriation in excess of this limit may be made except to meet a
4 [state of disaster declared by the governor as prescribed by law.] The
5 governor shall cause any [unexpended and unappropriated balance] to be
6 invested so as to yield competitive market rates to the treasury.

7 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended by
8 adding new sections to read:

9 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
10 majority of those voting on the question at the general election in
11 1982 approve the ballot proposition for the total cost to the State of
12 providing for relocation of the capital, no additional voter approval
13 of appropriations for that purpose within the cost approved by the
14 voters is required under the 1982 amendment limiting increases in
15 appropriations (art. IX, sec. 16).

16 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
17 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases
18 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the
19 ballot title and proposition for the amendment to be placed on the
20 ballot again at the general election in 1986. If the majority of those
21 voting on the proposition in 1986 rejects the amendment, it shall be
22 repealed.

23 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limit-
24 ing appropriation increases (art. IX, sec. 16) applies to appropria-
25 tions made for fiscal year 1984 and thereafter.

26 * Section 3. The amendments proposed by this resolution shall be placed
27 before the voters of the state at the next general election in conformity
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
29 tion laws of the state.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

RECEIVED

DEC 7 1981

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

BUDGET/AUDIT
COMMITTEE

December 4, 1981

SUBJECT: Change to resolution proposing a
constitutional amendment

TO: Senator Arliss Sturgulewski
Attn: Margo Waring

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked whether a resolution proposing a constitutional amendment adopted during a special session of a legislature may be repealed or changed during the following second session and if so what would be the mechanism.

Section 1 of Article XIII of the Constitution of the State of Alaska provides:

Amendments to this constitution may be proposed by a two-thirds vote of each house . . .

The mechanism for implementing this power is established by AS 24.30.130(a) which provides:

(a) The legislature may propose amendments to the state constitution through the adoption of a joint resolution by an affirmative vote of two-thirds of the membership of each house. Resolutions proposing constitutional amendments shall be treated as bills.

and by Rule 49(a)(5) and (b) of the Uniform Rules which provide:

"(5) A joint resolution is the most formal type of resolution and is adopted by both houses and then signed by the governor as a ministerial formality. The joint resolution is treated in all respects as a bill but it is not subject to veto. It is usually reserved

for addressees outside the state. This resolution is used mainly to express the view or wish of the legislature to the President, the Congress or agencies of the United States Government or the governments of other states. It is required for proposing or ratifying amendments to the U.S. Constitution, proposing amendments to the State Constitution under provisions of Sec. 1, Art. XIII, of the State Constitution, and for disapproval of local government boundary changes recommended by the Local Boundary Commission under provisions of Sec. 12, Art. X, of the State Constitution. Approval of a joint resolution requires a majority vote of the full membership of each house.

"(b) All resolutions passed by one or both houses are sent to the governor as a matter of information and for permanent filing with the lieutenant governor. The lieutenant governor sends enrolled copies of joint resolutions to the federal and other state officers, agencies and jurisdictions. The transmittal of copies of all other resolutions to designated addressees is the responsibility of the Legislative Affairs Agency."

The obvious reason for using a resolution which is treated as a bill rather than using a bill is that a bill is subject to veto by the Governor and he is given no role by the constitution in proposing amendments to the constitution.

In my opinion the power to propose an amendment includes the power to withdraw the proposal prior to it being acted on by the voters. There seems to be no reason that this would be an exception to the general rule that a body has power to repeal that which it has power to enact.

There has been substantial scholarly discussion on whether a state may withdraw a resolution calling for an amendment to the United States Constitution. The comment made by the Special Constitutional Convention Study Committee of the American Bar Association in its 1974 study Amendment of the Constitution by the Convention Method under Article V (1974) that:

"There is no law dealing squarely with the question of whether a state may withdraw an application seeking a constitutional convention, although some commentators have suggested that a withdrawal is of no effect.

* * *

"Since a convention should reflect a 'contemporaneously-felt need' that it take place, we think there should be no such limitation. In view of the importance and comparatively permanent nature of an amendment, it seems desirable that state legislatures be able to set aside applications that may have been hastily submitted or that no longer reflect the social, economic and political factors in effect when the applications were originally adopted. We believe Congress has the power to so provide."

appears well founded.

In addition this is an internal matter to the state not affecting Congress or the other states.

The only method I can think of for withdrawing a proposal for a constitutional amendment would be by adoption of a joint resolution withdrawing the amendment since it would appear that the formalities necessary to adopt the proposal apply equally to withdrawing it.

BGB:jdn

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

Alaska State Legislature



Senate

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Legislative Budget & Audit
Community & Regional Affairs
Finance
Resources

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 18-E

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3318

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo Waring
RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

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OTHER ISSUES

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FY 1983
Estimate
January

GENERAL FUND REVENUES

TaxesIncomeCorporate-General 35,000
Corporate-Petroleum 304,000Gross ReceiptsAlaska Business Licenses 5,500
Fish-Canned Salmon 6,000
Fish-Shorebased 11,000
Fish-Floating 4,000
Salmon Enhancement 2,400
Insurance Companies 11,500
Other 1,400SeveranceGravel, Timber, etc. 2,500
Oil & Gas Production (A) 819,000
Oil & Gas Conservation 700PropertyOil & Gas (5) 157,700
Vehicle Registration 200Sale/UseAlcoholic Beverages 9,000
Fuel Taxes-Aviation 4,500
Fuel Taxes-Highway 18,500
Fuel Taxes-Marine 3,800
Tobacco Products 1,900Other

Estate 500

Total Taxes 399,100Licenses & PermitsBusiness 11,000
Non-Business 13,000Total Licenses & Permits 24,000Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource RevenueSale/UseBonus Sales -0-
Investment Earnings 315,000
Rents (5) 5,500 } AVAILABLE FOR
Royalties 1,325,200 } PERMANENT FUND &
Sale of State Property 5,500 } CAPITAL INVESTMENT
FUND
Total: \$1,336,200Facilities Related ChargesAirports 1,200
Ferry System-Southeast 26,300
Ferry System-Southwest 3,800
Other 4,500Service Related ChargesCourt System 3,300
Other 4,500Total State Resources
Revenues 1,694,800Miscellaneous Revenues

5,900

Total Unrestricted Revenues4,133,700AVAILABLE FOR CAPITAL
& OPERATING BUDGET
SJR 61\$4,113,700
- 1,336,200
2,797,500

ATTACHMENT A-2
Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level</u>	2,800.0
<u>Operating</u>	1,867.6
<u>Capital Projects and Loans</u>	932.4

Operating Budget

<u>Formula Programs, Total</u>	875.5
<u>General Funds</u>	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
<u>General Funds</u>	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
<u>General Funds</u>	1,812.1

<u>Additional Appropriations</u>	59.5
<u>General Funds</u>	55.5

<u>Total Operating</u>	2,350.5
<u>General Funds</u>	1,867.6

Capital Budget

<u>Loans Appropriations</u>	392.6
<u>General Funds</u>	392.6

<u>Other Capital Appropriations</u>	715.1
<u>General Funds</u>	465.6

<u>Additional Appropriations</u>	74.2
<u>General Funds</u>	74.2

<u>Total Capital/Loans</u>	1,181.9
<u>General Funds</u>	932.4

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
<u>General Funds</u>	150.4

<u>Debt Service</u>	141.7
<u>General Funds</u>	141.7

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
---	-------

<u>Capital Projects, Total (Book II)</u>	297.6
<u>General Funds</u>	297.6

<u>Additional Appropriations</u>	0.0
<u>General Funds</u>	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
<u>General Funds</u>	0.0

<u>Prior Year Appropriations, Total</u>	409.2
<u>General Funds</u>	409.2

<u>Total Appropriations</u>	4,531.3
<u>General Funds</u>	3,798.9

State Revenues

<u>Total State Revenues</u>	4,133.7
<u>Petroleum Revenues</u>	3,606.6

ATTACHMENT A-3 Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus</u> Loan Appropriations	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/> Total	<hr/> 3336.4

Capital Budget	715.1
<hr/> Total Operating and Capital	<hr/> 4051.5

Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B
In Thousands

SJR 61
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C
Beaufort Sea Revenues

<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

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Alaska State Legislature



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MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski
FROM: Margo W. Waring *MW*
RE: SJR 61

Senator Dankworth requested that I share with him those changes which could be made in SJR 61 to correct problems which were identified during my analysis of the resolution. With your permission, I will send a copy of this memorandum to him.

Based on my analysis of SJR 61, I would suggest that the following items be considered for amendments to that resolution.

1. Make provision for appropriations to meet disasters as an exception to the appropriation limitation. Also exempt federal funds, permanent fund dividends and general obligation bond debt service.
2. Use in Sec. 17 the exact same language as appears in Sec. 15. Amend further so that AS 37.13 is not annulled.
3. Provide that funds for projects from the Capital Investment Fund which are not approved by the voters automatically get contributed to the Permanent Fund.
4. Provide that income from the Capital Investment Fund goes to the general fund.
5. Allow funds from the Capital Investment Fund to be used for the operation and maintenance of capital projects.
6. For purposes of the Capital Investment Fund, allow special appropriations to the Permanent Fund to be defined as capital projects.

I believe that these changes are consistent with the intent of the legislation as explained to me by Senator Dankworth, and would correct either problems in the legislation or emphases which are unintentional. In addition, it should be noted that these changes establish a balance between the Permanent fund and the Capital Fund and provide for voter choice between the two as different ways of investing state funds, each with its own benefit--either increased dividends or new facilities.

TAX REVOLT

A - See Antedey
pgs 2 + 5

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Assessing the Tax Revolt

Born Again Special Assessments and Other Creative Development and Public Finance Techniques in California*

By Donald G. Hagman,
Professor of Law, UCLA

The state surplus is now almost exhausted; the federal government is substantially cutting aid to states and localities; Proposition 13 has "stood up." There will, therefore, be massive attempts to punch bigger holes in the limitations directed against taxes and government spending by Jarvis and Gann. I'm reminded of some observations I made in a 1978-79 orgy of writings about tax and expenditure limitations (TELS). The following among them now warrant further reflection:

•These limitations are legal creampuffs in the hands of clever lawyers. Getting around limits is as easy as fishing in a hatchery. "Where Californians Went Wrong," *Christian Science Monitor*.

•If traditional special assessments were meant to be banned by Proposition 13, it was a dumb idea. "How to Comply with Property Tax Limitations and Raise Taxes on Property at the Same Time," *Real Estate Issues*.

•The property tax on the homeowner-resident-voter . . . is the best tax from a conservative-efficiency perspective. "Proposition 13: A Prostitution of Conservative Principles," *Tax Review*.

•It is not unfair that the existing community require new development to pay its full infrastructure [public works, etc.] costs. "Reliance on Infrastructures Fees Indicates Resurgent Interest in

Growth Control," *Los Angeles Times*.

Legal Creampuffs

Both the legislature and the courts have been busy authorizing loopholes in the TELS. For example, San Francisco was in danger of running afoul of its spending limit because that limit decreases with population, and San Francisco was losing population. No problem, the legislature defined San Francisco's population to be that of the Bay

"Both the legislature and the courts have been busy authorizing loopholes in the TELS."

area. Redevelopment authorities were having problems because spending limits are tied to previous expenditures. A redevelopment agency in an expanding phase of redevelopment activity could have been prevented from increasing expenditures by its spending limit. No problem, the legislature provided that revenues derived from property tax increments, the major source of redevelopment funds, were not subject to a redevelopment authority's spending limit. That should have made the increment subject to some other government's spending limit, but that is not the case under the legislature's imaginative statute.

The courts have also hardly been caught up in the spirit of 13. While Proposition 13 requires a two-thirds vote before special taxes can be im-

posed, the appellate courts so far neither have defined the term special tax nor have included various government revenues as special taxes. While once laughable, it is now thinkable that only property taxes which go into a special fund are subject to the two-thirds vote.

Special Assessments, Charges, Fees, Exactions, Impact "Taxes"

Even if the courts decide various taxes are "special," a big loophole will remain. Most of the end-runs around TELS have resulted from characterizing governmental impositions as special assessments, charges, fees, exactions, or impact "taxes." Generically, these imposts are not taxes at all. Rather, they are payments due because the impost payer either is creating a need for services or facilities for which he should pay, or is causing a public harm which he should relieve with his payments, or is receiving a benefit for which he should pay.

It is not difficult to change a few words and make a tax impost into a non-tax impost. For example, since courts broadly defer to legislative bodies, courts will approve a special assessment where the amount one pays is allocated on the basis of benefit received as measured by the value of the property. The allocation is exactly the same as it would be under a property tax where the burden is allocated on a theory of ability to pay as measured by property value. Thus, the legislature has provided in recent years, and the courts have accepted (or will accept), the financing of services or capital expenditures by special assessment for police, fire, schools, refuse, infiltration, sewerage, drainage, flood control, rapid transit (such as subways, buses) harbors, streets, lighting, irrigation, park-

* This paper was originally prepared for Current Legal and Legislative Issues in Property Assessment and Taxation; IAAO Legal Seminar, Orlando, Florida, March 19-21, 1981. 1981 © Donald G. Hagman

ing, and redevelopment. In fact, it is very difficult to think of services and public works which could not be paid for by a special assessment, charge, fee, exaction, or impact "tax." For example, I think developers could be required to provide low income housing in their projects or to pay a fee in-lieu thereof as a benefit-based or as a harm-avoidance impost.

Conservative Plaudits

While some of these end-runs raise the hackles of knee-jerk conservatives, the schemes are almost text-book applications of conservative thought. For example, the legislature has provided that many of these imposts be billed with property taxes, thus saving administrative costs. The imposts can be "zoned" and can thus be precisely based on benefit received. You get what you pay for, and you pay for what you get. There is no opportunity to demand unlimited services at someone else's expense. At least in theory, there is no redistribution of wealth from rich to poor featured in these devices, so conservatives should be happy about that.

A government such as a city or a county or a special district is an institution on which one can hang as many special service areas for as many kinds of services as wanted at whatever level desired. Two efficiencies flow from such an arrangement. First, there is a common institutional arrangement permitting economies of administration and scale. Second, people need not pay for what they don't want but can receive and pay for what they do want. Many of the schemes are controllable by landowner voting. As a result, they are good mechanisms landowner-developers can use to finance infrastructure. They also provide a means whereby the propertied class can keep better control than when decisions are in the hands of representative government or are made under one-person, one-vote rules.

As a by-product, these schemes also cure what economists call market failure. Market failure often arises when groups try to achieve a common end, and government is usually called on to remedy the failure. Not infrequently, the governmental cure is worse than the disease. Market failures go by such names as free riders (getting a service without paying for it); hold outs (everybody but one or a few go along); commons tragedies (everyone is so paranoid about getting his that the resource is exhausted). The TELS end-run schemes, however, involve government only modestly. They constitute more privatized and decentralized methods for curing market failure, yet they allow groups to join together for private as well as common benefit.

Developers are happy with these schemes once they realize they ultimately do not pay these imposts. Moreover, they'd rather be building than sitting on their hammers because there are no general governmental funds

available to build the infrastructure necessary for development. There's another reason why developers can take delight when they pay for infrastructure by special assessments. Such payments are virtually the only way they can vest a right to develop in California despite a change in law which would otherwise make development impossible.

Once properly educated, prospective homeowners will applaud because a large part of housing costs are attributable to infrastructure which can be financed by tax-exempt bonds paid off by one of the TELS end-run schemes. What homeowner wants to pay about 20 percent interest on private borrowings for his house when he could in effect borrow some one-third of the needed amount at some 13 percent?

The end-run schemes have other tax advantages. Some types of special assessment imposts for current services are deductible from the federal personal income tax. The state legislature has even begun to make some charges deductible from the state income tax. Why would home or condominium owners ever want to pay their association fees with after-tax dollars for maintenance of common areas, swimming pools, outdoor lighting, etc., when, with a little imagination, they could use a TELS end-run scheme and deduct the imposts from their federal income tax?

I stand by my earlier observation that the property tax is the best *tax* from a conservative-efficiency perspective. The non-tax, TELS end-run schemes, are even better from that perspective.

Fairness

Pointy-headed liberals are likely to reject these end-runs as regressive, and joining with knee-jerk conservatives, they will oppose many of them on the ground they add to housing costs. But these non-tax imposts may neither be regressive nor be passed on to housing consumers. Some, such as a special assessment on land, have the same economic incidence (jargon for who really pays) as property taxes on land. Land taxes are classically thought to be paid by landowners. The theory of tax capitalization, namely, that increased imposts decrease land values, reinforces the lesson that landowners really pay. If landowners really pay, the imposts are not regressive. That happens because landowners are wealthier on average than non-landowners. So imposts may well be progressive in result although they are benefit-based and are not in theory redistributive of wealth.

In Conclusion

Thank you Mr. Jarvis. Thanks, Mr. Gann. Your TELS have stimulated imaginative end-run schemes which may be more efficient and more equitable than what we had before. Good for you, legislatures and courts. Let the open season on TELS loopholing begin.

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Turning Point in the Real Estate Industry*

By M. Leanne Lachman
President, Real Estate
Research Corporation

We are at a turning point in real estate, and the '80s are going to be different from the '70s. Dramatic changes have occurred in the industry since interest rates went up in December, 1979. Real estate finance has been totally restructured—for *nonresidential* construction and investment. Residential markets, which account for the bulk of assessment parcels, are almost stagnant now. But big changes are coming, and the next few years are going to see radical adjustments on the part of American households.

All of the changes that I'm going to cover affect assessment officers directly. They affect the prices being paid for properties, and therefore your valuations. They affect new construction, and therefore the speed with which your tax base grows from that source. And they affect the attitudes of taxpayers and the directions from which appeals and public protests will come. The good news is that residential appreciation is no longer intense. In fact, prices are stable—or even declining in major markets. So the homeowner pressure over increased valuations is subsiding. The bad news is that residential tax bases will not be expanding—just when local governments are being cut off from federal funding and are really being squeezed for higher local revenue generation.

We are coming to view the late '70s as the perfect time in real estate. Values were rising. Demand was strong for all land uses. Construction volumes were high. And mortgages were

readily available at fixed rates. Then the prime rate soared to 20% in December, 1979. After six months of shock, the real estate industry set about changing its ways. In the last 12 months, we have seen a phenome-

"We will see the beginning of some dislocation within the real estate industry in 1982."

nal and nearly total restructuring of real estate finance for investment properties. We are now seeing cash, or equity, financing instead of debt. Joint ventures between developers and investors are a way of life, as is the equity financing—which is coming from pension funds, foreign investors, private limited partnerships, public syndications, and insurance companies. (Increasingly, though, the insurance companies are asset managers and intermediaries—not the actual sources of funds.)

Adjusting to joint ventures has been difficult for developers, who have not been used to sharing their rewards. However, most developers have adapted in the last year. Now they are appreciating the staying power of their deep-pocket partners. (As overbuilding emerges in a number of markets over the next 12 months, the deep pockets will be even more important.)

Real Estate Research Corporation

(RERC) prepares an annual report for the First National Bank of Chicago titled *Emerging Trends in Real Estate*.** We cover a lot of information in each year's report, and it is presumptuous to summarize trends in an industry as huge and diversified as real estate in a short article. But I'll provide a lightning overview.

For each *Emerging Trends* report, RERC conducts about 75 hour-long, face-to-face interviews with key actors in the industry—investors, developers, lenders, and trade association representatives. This year, we were startled by the optimism of the group—until we realized that they were reflecting the calm that follows the storm. They are relieved that the restructuring of the commercial real estate environment has taken place. It is still difficult to make deals pencil out, but money is available through joint venture partners, and the requirements of the partners are understandable.

There is little current hope that interest rates will come down much, but people have learned how to work with high rates by looking to more equity and less debt financing. The interviewees envision a drop of 2 to 3 points in long-term rates and a reduction of 3 to 5 percentage points in short-term rates.

RERC's respondents identified clear signs of overbuilding, but hastened to point out that cycles are normal in real estate. We are reaching the end of a commercial building cycle—and that always means some overbuilding—but they didn't find this alarm-

* Ms. Lachman's article is essentially the keynote speech that she delivered in Louisville at the 47th International Conference on Assessment Administration.

** Copies of the 1982 report can be ordered by sending \$5.00 per copy to Real Estate Research Corporation, 72 W. Adams Street, Chicago, Illinois 60603.

ing. Although this sanguine attitude ignores the individual developers and lenders who are hurt by slow lease-ups or high vacancy rates at the end of a cycle, I think it takes account of the staying power that is behind so much new construction today. The institutional joint venture partners are strong and can withstand modest and even negative income streams. They may not like them—and I think some are going to be quite taken aback—but they are unlikely to panic and will not have to liquidate. So there is no danger of a 1974-75 real estate "bust."

Office Space

The overbuilding is going to be the most extreme in the office market. Right now, supply and demand are in reasonably good balance, with vacancy rates very low. Six to twelve months down the road, however, the markets will not be so tight because new buildings will be opening.

The volumes of office space coming on stream over the next two years in a number of cities are truly staggering. For example, 10.5 million square feet will be completed in Manhattan in late 1981 and 1982, and at least another 20 million are in various planning stages. Manhattan was slow to begin office building after the last slump, and there is enormous pent-up demand. However, other markets that lack the depth of New York are experiencing incredible construction. Up to 10 million square feet are in the pipelines of Washington, D.C., Dallas, Houston, Chicago, Denver, San Francisco, and Los Angeles. Smaller but equally impressive booms will affect such markets as Atlanta, Miami, Phoenix, Boston, Pittsburgh, Seattle, Portland, San Diego, San Antonio, Austin, Charlotte, and Minneapolis-St. Paul.

As these examples demonstrate, many office markets will be showing signs of weakness by late 1982 and early 1983.

Because new projects are still being announced in many of the large markets—and often at better locations than buildings already coming out of the ground—the eventual space overhang could take several years to absorb. Occupancy rates will drop—in some cases sharply—but rent levels will probably not decline. One reason is the institutional ownership—and therefore the staying power of the owners. As mentioned before, this type of investor stability was not present in the downturn of 1974-75.

Shopping Centers and Stores

Retailing is in terrific flux—because of changing demographics, population redistribution, expansion and contrac-

tion of chains, selective but serious overbuilding, and less enthusiastic investor attitudes than we are seeing about office, hotel, and industrial properties.

The retail industry is trying to come to grips with fluctuating and increasingly stratified consumer markets. The mass markets of the '50s and early '60s have disappeared. Far fewer than 50% of the households in the U.S. contain children, and the proportion is dropping steadily. The profile of total households now includes significant numbers of single persons of all ages, adult couples with one or two incomes, single-parent families, traditional one-wage-earner families, two-income and even three-income families, and a wide range of combinations of adults and families. This diverse assortment, with its attendant consumer preferences, is further segmented by broad differences in buying power. It is easy to see why retailers are confused.

The most identifiable market split is between households with high dis-

"We are coming to view the late '70s as the perfect time in real estate."

cretionary incomes (generally, adult households) and the lower-income purchaser group, which is heavily skewed toward child-oriented households. Responding to current demographics, retailers at both the high and low ends are expanding aggressively and encroaching on middle-market competitors. Witness the proliferation of K-Marts, catalog stores, Ventures, and Targets and the moves into many new metropolitan areas of such high-end specialty stores as Lord and Taylor, Neiman-Marcus, Saks, and Brooks Brothers. The retailers hurt most by these expansions have been the middle-of-the-road people, especially traditional department stores.

There is still potential for regional shopping center development, but it is far more selective than at any time in recent memory. A number of America's largest metropolitan areas are at or near saturation.

Opportunities for new construction exist in closer-in and older suburban markets that were bypassed in earlier waves of development. We are also seeing expansion of strong and successful existing centers where adjacent land is available. In addition, there is significant opportunity for retenanting and overall upgrading of

well-located older regional centers. When Sears closed at Country Club Plaza in Kansas City, for example, it was replaced with a wide range of specialty shops to create an entirely new ambience.

A fourth area of opportunity is downtown retailing, though these projects generally require public subsidy and multiuse development because of high land values. Over 85% of this year's interviewees were positive about central business districts and were convinced that the decline trend of the last 15 to 20 years had ended.

No matter what the location is, new regional shopping centers of the '80s will tend to be smaller than in recent years, more heterogeneous in terms of tenant mix, and focused more on restaurant and entertainment space. They may also integrate more adjacent uses than in the past—for example, office, hotel, free-standing convenience retail, or even housing developments. We'll see a lot more mixed-use projects.

Hotel Expansion

Hotel inventories have also increased dramatically. Because of the extremely high construction costs in major cities, new hotels are of necessity in the luxury class. So there has been a proliferation of high-end rooms at higher- and higher-end rates. RERC's index of Luxury Hotels has risen at well over twice the rate of inflation since 1975. For single rooms in luxury hotels, the rate increase from 1975 to 1981 was 128%, or 21.3% annually.

In comparison with other types of hotels, rate increases in luxury hotels were 80% higher than the increases at airport and CBD hotels generally. Better performance of up-end properties has produced a "rush to elegance" among many of the large, middle-tier chains. Rodeway now has its Summit Hotels, Ramada introduced Renaissance facilities; and Quality Inns come in three levels, with Quality Royale at the top.

As in the cases of offices, there are clear signs of hotel overbuilding, most visibly in Boston, New York and Houston. Because of the high replacement costs of hotels, the sales prices are also high. Hence, investment returns are narrowing, and this trend is expected to continue through 1982. For hotels, as for office buildings, we now have a sellers' market for existing facilities. Investor demand is exceeding the supply of investment-grade real estate, and high prices are being paid. Capitalization rates have been dropping, and half of our interviewees believe they will go even lower in 1982. (That half tended to be people who planned to sell. I disagree

with them and think we will start to see cap rates rising again. Already, the flow of pension fund monies into real estate is slowing down.)

Industrial Development

Developers of industrial properties can gauge their markets more accurately and respond faster to both upturns and downturns than their counterparts in other commercial land uses. Hence, industrial supply and demand stay in closer balance.

Two significant trends in investment-grade industrial development have emerged in the last few years. The first is downsizing of industrial parks. As in all types of land development, heavy infrastructure and carrying costs make large-scale and long-term projects unattractive. The exceptions are: (1) land holdings that have been owned for a long time and have a low enough basis to make incremental new development profitable; and (2) very high-end developments featuring lakes, extensive open space, architectural controls, etc. Examples would include McCormick Properties' development in suburban Baltimore, Oakmead in Sunnyvale near San Jose, and Rauenhorst's Opus 2 Park in Minnetonka, Minnesota.

The second trend is a reduction in speculative industrial development. Because rents have not kept up with inflation in most markets, developers have focused on a build-to-suit approach. Many speculative builders switched to "business park" development, which features small offices attached to small distribution facilities, incubator space for firms with products of high enough value to justify the rents, and repair and service outlets. Predictably, speculative developers attracted to the high potential rents have built too enthusiastically, and business park vacancy rates are high in such dynamic markets as Dallas, Houston, Denver, Tucson, and Los Angeles.

Although industrial space is not as glamorous as downtown office buildings or regional shopping centers, it can produce a steady and attractive return. Consequently, it has become an appealing vehicle for institutional investors attracted by net leases with prime tenants. So here, too, a national investment market is operating.

Residential Prospects

Housing is going to get increasing attention in 1982. Residential finance has not been sorted out yet, and housing starts are dropping monthly. Vacancy rates are extremely low in the major markets; first-time buyers are frozen out; corporations can't transfer employees; the high-end market that has supported much of the market-rate construction is thinning

out; and the subsidy programs that have supported much of the below-market-rate construction are being cut back. A gloomy picture, but not a hopeless one.

As market saturation forces a slowdown in nonresidential construction, investor and developer attention is going to turn back to residential. We will see some action again in 1982. First of all, we will see construction of new apartment buildings, and we will see some reconsideration of rental housing by institutional investors. Apartment rents have started to move up in the last 12 to 18 months, and this trend will continue and may well accelerate.

The second housing action will be development of a new national financing structure for home mortgages. That structure may well be in place

"There is little current hope that interest rates will come down much, but people have learned how to work with high rates by looking to more equity and less debt financing."

by late 1982. It will probably consist of mortgage-backed securities issued by everyone from Merrill Lynch to Sears and from major banks to major homebuilders. We will see mortgage-backed securities that are both taxable and tax-exempt (for pension funds). The mortgages will have renegotiable rates. Loan origination and servicing will be done by savings and loans and banks, but they will not be the major money sources.

The new financing structure will not help the problem of buyer affordability, which is the third area where we will see action. The action will be a dramatic drop in the sizes of new units, and therefore a lowering of the total price. The average new home in the United States had 1,740 square feet in 1980, down ever so slightly from 1,760 square feet in 1979. By the late '80s, the average figure for new units could be as low as 1,200 square feet—or 550 square feet smaller than today.

The only way we are going to make houses affordable is to drastically reduce their size. Imagine postwar Levittown houses, but turn them into attached townhouses so that you can get even more on an acre. Dramatic downsizing is doing to be a bitter pill for Americans to swallow, even though households are becoming steadily smaller and can easily fit into

less space. We have been able to afford to be profligate with space. No longer.

Four years ago, we used to define a dream house as "one that cost twice as much as you ever dreamed it could." Today, a dream house is "one that costs twice as much as you could ever afford." RERC is not predicting prompt consumer acceptance of the downsizing concept, but it will be the way of the future. In the interim, we will see more doubling and tripling up in both ownership and rental housing, young people returning home or leaving home later, and increased emphasis on renting rather than owning. (We should keep in mind that variable mortgage rates seriously erode a key incentive for home ownership: the appeal of capturing the appreciation in the unit. Now the lender gets that appreciation first—at least up to the level of inflation. The interest rate increase neutralizes much of the investment attraction of ownership housing. As this is recognized by more and more households, they will weigh the rental alternative more seriously. RERC predicts that the proportion of households owning their units will actually drop between now and 1990—for the first time in 50 years.)

Margaret Mead used to say, although change is difficult, the only way to correct it is with more change. That is what is going to have to happen in housing. In the interim, we will see stable home values—and even declines if the below-market financing being taken back by individual sellers is taken into account. At the same time, though, we will see rents going up and value increases for rental properties.

On balance, real estate will not be as golden in 1982 and 1983 as it has been over the last five years. Except in housing, supply and demand are in rough equilibrium nationwide, but there are definite signs of overbuilding, which will become even clearer in 1982. Office markets will be affected most, followed by hotels, retail and speculative industrial.

The high flow of funds to nonresidential real estate has created an overheated and highly competitive market for the limited supply of investment-grade commercial properties. By the end of 1982, when rising vacancy rates are recognized as the harbingers of lower yields, the bidding war is likely to slow down. We will see the beginning of some dislocation within the real estate industry in 1982. However, this downturn will serve as a hiatus after several years of sustained boom and will tend to bring both space markets and risk-reward ratios into healthier balance.

Assessment Practices And Techniques In The 1980s

By Richard R. Almy

In broad terms, the assessment function involves the discovery, description, and valuation of property; the keeping of records linking properties to their respective owners; and the placing of assessed values and owners' names on assessment rolls. Under the best of circumstances, this would be a large and difficult task.

Assessing, however, takes place in an economic and political environment in which assessors, like taxes, are regarded as necessary evils. No matter how hard we may try, property assessment is inextricably intertwined with the political and fiscal affairs of local and state governments. If assessments are out-of-date and inequitable, not only do taxpayers object but fiscal management also is adversely affected. Bringing assessments up-to-date and removing inequities also can prove unpopular. Too often, property tax rate-setting bodies fail to offset large increases in assessed values with decreases in tax rates, thereby causing large, unvoted increases in property tax levies. Major shifts in the share of property taxes borne by homeowners, farmers, business, and industry that follow infrequent reassessments also cause an outcry.

The Legacy of the 1960s and 1970s

The types of problems just described were experienced by literally thousands of assessment jurisdictions during the 1960s and 1970s. At the risk of some oversimplification, most assessors entered the decade of the 1960s with Depression-era assessment systems that relied on manual applications of the cost approach. In many areas real estate markets were booming, and assessors simply were unable to keep pace with changing real estate values. As a result, actual assessment levels lagged far below legal assessment levels, and inequities in assessments abounded.

In the late 1960s computers capable of efficiently storing and processing the masses of data found in assessment record systems became available to local governments. Assessors eagerly embraced the new technology, and several hundred implemented sophisticated computer-assisted appraisal

and assessment systems. With these systems it became possible for assessors to keep pace with rapidly changing market values. It turned out that this capability contributed significantly to the two problems mentioned earlier: large, unvoted increases in property taxes and significant shifts in the composition of the property tax base, with single-family residential property bearing a larger portion. These problems came to a dramatic head in June, 1978, when the voters of California approved Proposition 13.

The course of events in the 1960s and 1970s will have a profound effect on assessing in the 1980s for two and probably three main reasons. First, the so-called taxpayers' revolt reflects a swing away from "liberal, free-spending" government. The obvious implication for assessors—most of whom never realized that they were in an era of easy money—is that they will be competing for a piece of a smaller pie when they make their budget requests. At the same time, they can expect to be involved in the administration of additional property tax relief and incentive measures, each of which will have some administrative cost.

Second, there is a widespread awareness of the possibilities for equitable assessments. For several years the (U.S.) Advisory Commission on Intergovernmental Relations (ACIR) has conducted public opinion polls on what is the worst or least fair tax. For years the property tax was regarded as the worst tax. Now it ranks above the federal income tax.¹ One interpretation of this development is that the public has greater expectations regarding equitable assessments, responsive property tax officials and bearable tax burdens. Taxpayer organizations ranging from groups of "grey guerrillas," the Ralph Nader-sponsored Tax Reform Research Group, and the League of Women Voters, to chambers of commerce now are quite sophisticated in their approaches to calling attention to assessment inequities, advising individuals on how to appeal their assessments, and proposing programs for improving assessment systems that are capable of

producing equitable assessments. Journalists, particularly those of the national press, have made similar strides. Courts appear to have noticed these developments and have been less tolerant of pervasive patterns of the assessment inequities that result from outmoded assessment systems and infrequent reappraisals. Legislatures also have acted in response to court decisions and in recognition of the fact that a legislative program to improve assessment practices can deal simultaneously with related tax policy issues and can be undertaken on a more realistic timetable. In short, assessment jurisdictions that rely on outmoded assessment systems and that do not have a program of frequent reassessments can anticipate their practices being challenged.

A third reason is inflation. Inflation was a dominant factor in the field of property taxation in the 1960s and 1970s. It was the chief stimulus for improvements in assessment administration. It also was the underlying cause of the taxpayers' revolt.² The change in the composition of the tax base can be traced to the differential effects of inflation on residential and business properties. Inflation also fueled much of the increase in public spending and at the same time put the pinch on taxpayers' pocketbooks. Most economic forecasts indicate that high levels of inflation will be with us for the next several years.

Thus, assessing officers—to borrow Robert Strauss's phrase about the reasons for Jimmy Carter's defeat at the polls—are facing a "confluence of events" as they enter the decade of the 1980s. Carrying the confluence analogy a bit further, the currents are so strong that there is no going back. We must respond and adapt.

Assessing in the 1980s.

Responses and adaptations will come in the following areas: accountability; appraisal methods; data collection methods; automation; implementation of social and economic policies; and appeals.

Accountability

A clear implication of recent events is that assessors will be held more ac-