

SJR

61

COMMITTEE REPORT

SENATE

3/26/82

FURTHER: None

Date: April 30, 1982

Mr. President:

The Committee on JUDICIARY has had SSSJR 61

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

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SS SJR 61 (INDIVIDUAL)  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
Robert H. Anderson 200 1967 11 19  
William S. ...  
...  
\_\_\_\_\_

CHAIRMAN

As opposed

~~to~~

INSTRUMENTALITIES  
INCLUDED UNDER  
DEFINITION OF "OWNED  
BY STATE"

VIOLATION OF SINGLE SUBJECT  
RULE?

CITE ON SINGLE SUBJECT  
RULES (1976 CASE)

LORENSON - DEAF  
LANGUAGE ON "OR PROGRAM"

Berrier  
4/22/82

Original sponsors: Dankworth and Sturgulewski

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IN THE SENATE BY THE JUDICIARY COMMITTEE  
CS 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 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).

THOSE  
AMENDMENTS

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 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. [INSERT 1]

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

*MARONE*

1 by the State shall be placed in an Alaska resource fund. Up to one-  
 2 <sup>FIFTH</sup> fourth of the balance in the Alaska resource fund may be appropriated  
 3 for any purpose, if <sup>OR APPROPRIATION</sup> the appropriation <sup>IS</sup> approved by the voters in a  
 4 general election as provided by law. The balance <sup>(REMAINING)</sup> remaining in the  
 5 Alaska resource fund after deduction of appropriations approved by the  
 6 voters may be invested as provided by law in <sup>(POSSIBLY OWNED)</sup> capital projects <sup>OR PROGRAM</sup> which are  
 7 owned by the State. Those projects shall return to the Alaska resource  
 8 fund the <sup>(AMOUNT)</sup> amount of the investment, and, <sup>(UNLESS OTHERWISE PROVIDED BY A</sup> unless otherwise provided by a  
 9 specific law for a particular project, shall provide a rate of return on  
 10 the investment <sup>(AT LEAST EQUAL TO THE MARKET RATE FOR GENERAL OBLIGATION</sup> 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. 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.

*OVERS 70 FT*

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9 \* 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 income from the permanent fund  
 16 shall be deposited in the general fund unless otherwise provided by law.

CONFIDENTIAL WITH STATUTES

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

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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.

Berrier  
4/29/82

Original sponsors: Dankworth and Sturgulewski

478

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).

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 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  
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 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.

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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 <sup>YN</sup> 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  
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5 This provision shall not prohibit the continuance of any dedication for  
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7 by the people of Alaska.

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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-  
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18 from mineral leases issued after December 1, 1979, and fifty percent of  
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21 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
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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  
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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  
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23 quarters of the receipts otherwise payable into the Alaska resource fund  
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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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Berrier  
4/16/82

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
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 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
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 21 State for that fiscal year, other than revenues from all mineral lease  
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 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  
 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

*APPROPRIATION TO CLARIFY THIS IS IN AN*

*How Lowenstein*

*Want Multiple Apprs Possible*

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 <sup>is</sup> approved by the voters in a general  
 4 election as provided by law. Money in the Alaska resource fund <sup>(shall)</sup> be  
 5 invested as provided by law in capital projects which are owned by the  
 6 State. Those projects shall return to the Alaska resource fund the  
 7 amount of the investment and, unless otherwise provided by a specific  
 8 law for a particular project, shall provide a rate of return on the  
 9 investment at least equal to the market rate for general obligation  
 10 bonds of similar maturity of the State at the time the investment is  
 11 made. Money remaining in the Alaska resource fund after investments in  
 12 capital projects owned by the State shall be invested at a rate of  
 13 return equal to the market rate of return for similar investments but  
 14 not less than the rate of return provided by obligations of similar  
 15 maturity of the United States government at the time the investment is  
 16 made. Earnings on money <sup>(DEPOSIT)</sup> deposited in the Alaska resource fund shall be  
 17 deposited in the general fund.

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

20 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
 21 license shall not be dedicated to any special purpose, except as pro-  
 22 vided in sections [SECTION] 15 and 17 of this article or when required  
 23 by the federal government for state participation in federal programs.  
 24 This provision shall not prohibit the continuance of any dedication for  
 25 special purposes existing upon the date of ratification of this section  
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27 \* Sec. 3. Article IX, section 15, Constitution of the State of Alaska, is  
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 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  
 8 State from mineral leases issued after December 1, 1979, and fifty per-  
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 11 cipal of the permanent fund [ , THE PRINCIPAL OF WHICH] shall be used  
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*TRANSITION CONGRESS*

1 fore the voters of the state at the next general election in conformity with  
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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

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16 assure that amount is not exceeded. *TOTAL APPROPRIATIONS*

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2 <sup>FOURTH</sup> [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  
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5 invested as provided by law in capital projects which are owned by the  
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7 amount of the investment and, unless otherwise provided by a specific  
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9 investment at least equal to the market rate for general obligation  
10 bonds of similar maturity of the State at the time the investment is  
11 made. Money remaining in the Alaska resource fund after investments in  
12 <sup>THE BALANCE</sup> capital projects owned by the State shall be invested at a rate of  
13 return equal to the market rate of return for similar investments but  
14 not less than the rate of return provided by obligations of similar  
15 maturity of the United States government at the time the investment is  
16 made. Earnings on money <sup>PLACED</sup> [deposited] in the Alaska resource fund shall be  
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11 cipal of the permanent fund [, THE PRINCIPAL OF WHICH] shall be used  
12 only for [THOSE] income-producing investments specifically designated by  
13 law as eligible for permanent fund investments at the <sup>COMPETITIVE MARKET</sup> market rate of re-  
14 turn for similar investments. All income from the permanent fund shall  
15 be deposited in the general fund unless otherwise provided by law.

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

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

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

29 \* Sec. 5. The amendments proposed by this resolution shall be placed be-

1 fore the voters of the state at the next general election in conformity with  
2 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
3 of the state.

4 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
5 ments proposed by Legislative Resolve No. 1, First Special Session of the  
6 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
7 section 3 of that resolution that the amendments proposed by that resolution  
8 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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STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 30, 1982

SUBJECT: Constitutional spending limitation  
(CSSSSJR 61)

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

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

I have prepared the committee substitute for the resolution as requested.

Deletion of the phrase "investments in" on line 14, page 2, creates a substantial ambiguity.

Without that phrase it cannot be textually determined what the voters must be asked to approve.

This can best be illustrated by example. Assume money from the Alaska resources fund were to be used to purchase mortgages held by Alaska Housing Finance Corporation established under AS 18.56.

The "program administered by the state" would be the programs of AHFC authorized by that chapter. On a clear language interpretation the question the voters would have to approve is the substantive law in this title or perhaps the substantive law in the title which established each of the several ASHA programs established by this title. Presumably once the substantive program is approved continued investments could be made without further voter approval.

The more likely interpretation is that all that needs voter approval is the investment and that continued investments would require voter approval if they exceeded the amount originally approved.

Senator Patrick M. Rodey  
Page 2  
April 30, 1982

In my opinion the ambiguity invites litigation, the outcome of which cannot confidently be predicted.

BGB:ljb

Enclosure



Official Business

# Alaska State Legislature

## Senate

### Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MINUTES OF THE SENATE JUDICIARY COMMITTEE

OF

APRIL 30, 1982

Butrovich Committee Room, State Capitol Juneau, Alaska

#### Legislation Before Committee:

- HB 849 - "An Act relating to electric and telephone cooperatives."
- HB 621 - "An Act providing for the issuance of certificates of birth for persons born outside the United States and adopted by Alaska residents."
- SJR 61 - 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 CCS SJR 4).
- HB 591 - "An Act making corrective amendments in the Alaska Statutes as recommended by the revisor of statutes; and providing for an effective date."

The meeting of the Senate Judiciary Committee was called to order by Chairman Rodey at 1:30 P.M. Committee members present were: Senators Rodey, Parr, Anderson. Senators Bennett and Ray were absent.

001 - Call to order.

003 - Chairman Rodey brought HB 849 before the committee.

010 - Mr. Hutchins testified in favor of HB 849.

098 - Senator Rodey made the following amendments: On Page 1, Line 25, insert a "." after the word "mail". On Page 1, Line 25, delete [except that] and insert "However". On Page 1, Line 26, delete [may] and insert "shall", delete [if] insert "unless otherwise", insert "for" between "provided" and "by", delete [by] and insert "in". Also on Page 2, after Subparagraph (2), add a new subparagraph (3) to include attorney client privilege. There was no objection.

117 - For the record Senator Ray entered the meeting.

595 - Senator Parr moved on Page 2, subsection (d) delete [Reasonable]. On Page 2, Line 19, insert "of the board of directors" after "meetings". Insert "as provided for in each cooperatives bylaws" after "directors". Delete [required to be open under this section.] There was no objection. Senator Parr also moved that a new section 1 be added to the bill which would read, Sec. 10.15.005. Purposes for which cooperatives may be organized. A cooperative may be organized under this chapter for any lawful purpose, except for the purpose of [BANKING OR INSURANCE OR] the furnishing of electric or telephone service. (3 ch 107 SLA 1959).

604 - Senator Anderson moved to adopt the committee substitute. There was no objection.

609 - Senator Anderson moved to pass HB 849 with individual recommendations. There was no objection.

628 - Chairman Rodey next brought SB 621 before the committee.

630 - After brief discussion, Senator Parr asked to work as a sub-committee on SB 621. There was no objection.

635 - Next Chairman Rodey brought SJR 61 before the committee.

645 - Senator Ray moved on Page 2, Line 14, "investments in" be deleted. There was no objection. Senator Ray also moved that on line 6, page 2, the word "in" be inserted between the words "and" and "programs".

721 - Senator Rodey moved to pass SJR 61 with individual recommendations. There was no objection.

742 - The last item on the agenda was HB 591.

748 - Mr. Walker, Revisor of Statutes, testified in favor of HB 591.

823 - After brief discussion, Chairman Rodey adjourned the meeting at 2:30 P.M.

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 *BGB*  
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

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU ALASKA 99511  
907 455-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 28, 1982

SUBJECT: Single subject applied to CSSSSJR 61 (Jud)

TO: Senator Patrick M. Rodey  
Chairman, Senate Judiciary Committee  
Attn: Kevin Bruce, A.A.

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

You have asked whether in our opinion inclusion of the new Section 26 of Article XV causes CSSSSJR 61 (Judiciary) to violate the single subject rule.

In my opinion it does not.

The single subject rule is contained in Section 13, Article II, Constitution of the State of Alaska which provides:

SECTION 13. 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."

By its terms the reference is to "Every bill".

Amendments to the constitution are provided for in Sec. 1 of Article XIII which reads:

SECTION 1. Amendments to this constitution may be proposed by a two-thirds vote of each house of the legislature. The lieutenant governor shall prepare a

April 28, 1982

ballot title and proposition summarizing each proposed amendment, and shall place them on the ballot for the next general election. If a majority of the votes cast on the proposition favor the amendment, it shall be adopted. Unless otherwise provided in the amendment, it becomes effective thirty days after the certification of the election returns by the lieutenant governor.

This section contains no requirement that the amendment be confined to a single subject. Since the governor may veto bills and the section explicitly authorizes the amendments to be proposed by the legislature without official participation by the governor it is clear that the amendment is not proposed by a bill.

Corpus Juris Secundum states:

Generally, no proposed amendment should contain more than one subject and matters properly connected therewith, and if the proposed amendment is double or multifarious, the defect is substantive, and the amendment will be void even if adopted. Where two or more unrelated propositions are submitted as one amendment, the proposed amendment violates the rule forbidding amendments to relate to more than one subject, but generally a single constitutional amendment may cover several propositions if they are not distinct or essentially unrelated, and if each provision of a proposed amendment is an integral part of a general plan, the amendment is not plural.

Case law does not appear to support this proposition however. The Court in Graham v. Miller, 84 N.W.2d 46 (Mich. 1957), stated in discussing the claim that an amendment contained more than one subject:

"It is claimed that this is fatal to validity of an amendment submitted as a single question, citing 15 McQuillin on Municipal Corporations (3d ed.), § 40.09, House v. City of Saginaw, 334 Mich. 241, 54 N.W.2d 314, and Livingstone v. Board of Election Commissioners of Wayne County, 174 Mich. 485, 141 N.W. 122. Livingstone holds merely that several constitutional amendments may not be submitted on one, but must be placed on separate

ballots. Here but one amendment is involved. House involved the propriety of submission to the voters as a single proposition of a city charter amendment limiting the ad valorem tax on property and providing for an income tax. Our holding that opportunity should have been afforded to vote separately on the two tax proposals, even though they might be held to be related propositions, was predicated on the provision of the home rule act, with respect to charter amendments, which reads as follows:

'Any proposed amendment shall be confined to 1 subject and in case a subject should embrace more than 1 related proposition, each proposition shall be separately stated to afford an opportunity for an elector to vote for or against each such proposition.' C.L. 1948, § 117.21 (Stat. Ann. 1949 Rev. § 5.2100).

"There is no comparable provision in the Michigan Constitution limiting the subject matter of a constitutional amendment or prohibiting the inclusion in one amendment of proposals for more than one purpose. In *City of Jackson v. Commissioner of Revenue*, 316 Mich 694, 26 N.W.2d 569, we rejected as without merit the claim that the sales tax diversion amendment (Michigan Constitution 1908, art. 10, z 23) was void because it contained proposals for more than one purpose, . . ."

The Hawaii court in *Kahalekai v. Doi*, 590 P.2d 550 (Hawaii 1979):

"Intimately related to the ballot bias issue is the question of duplicity. The plaintiffs argue, for example, that Question No. 1 on the ballot (12 Member Jury; Civil Case Amount) ought to have been presented as two separate propositions instead of one, inasmuch as the question as presented contained two different subject matters: (1) a proposal to raise the minimum amount for jury trials in civil cases, and (2) a proposal to guarantee an accused, charged with a serious criminal offense, a jury of twelve persons. They contend that in this and in other similar respects, the ballot violated the prohibition against the incorporation of different subjects into a single ballot proposition. We disagree.

"Unless otherwise provided in the Constitution 6/, there is no limitation on the number of subjects that may be included in a proposed constitutional amendment. State v. Brown, 10 Ohio St.2d 139, 226 N.E.2d 116 (1967); Opinion of the Justices, 335 So.2d 373 (Ala 1976); People v. Sours, 31 Colo 369, 74 P. 167 (1903). See also City and County of Denver v. Mewborn, 143 Colo. 407, 354 P.2d 155 (1960). There is nothing in the Hawaii Constitution that will support a reasonable conclusion that a single amendment to the constitution proposed by a constitutional convention can contain no more than one subject, purpose or object. And while Article III, § 15, of the Hawaii Constitution, expressly prohibits the enactment of legislation embracing more than one subject, such a proscription is not applicable to constitutional amendments. State v. Brown, *supra*; State v. Lyons, 1 Terry 77, 40 Del. 77, 5 A.2d 495 (1939); Cooney v. Foote, 142 Ga. 647, 83 S.E. 537 (1914); Bonds v. State Department of Revenue, 254 Ala. 553, 49 So.2d 280 (1950).

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"6/ The cases cited by the plaintiffs on the issue of duplicity were decided on the basis of express constitutional provisions proscribing the inclusion of multiple subjects in a single ballot proposition. In Kerby v. Luhrs, 44 Ariz. 208, 36 P.2d 549 (1934), for example, the Arizona constitution expressly provided that '[i]f more than one proposed amendment shall be submitted at any election, such proposed amendments shall be submitted in such manner that the electors may vote for or against such proposed amendments separately.' The modern test for duplicity is whether or not the propositions contained in the amendment are all germane to a common object and purpose. Idaho Water Resource Board v. Kramer, 97 Idaho 535, 548 P.2d 35, 52 (1976); Keenan v. Price, *supra*. An example of the application of this rule is to be found in Barnhart v. Herseth, 88 S.D. 503, 222 N.W.2d 131 (1974). There it was held that a constitutional amendment which made several changes in the executive branch of state government including, inter alia, extending the term of the governor, reducing the number of governmental departments, authorizing the governor to reorganize

April 28, 1982

departments of government, and deleting the office of state superintendent of public instruction, contained matters all rationally related to the overall plan of making the executive branch of state government more efficient and responsible, and thus was properly submitted to the voters as one amendment."

There are numerous cases on the single subject rule as it applies to constitutional amendments but I have found none holding that the rule is required absent specific constitutional direction.

However in Alaska the question is not addressed in the constitution but is addressed by statute. AS 15.50.010 provides:

PREPARATION OF PROPOSITION FOR CONSTITUTIONAL AMENDMENT. The lieutenant governor shall prepare a proposed ballot title and proposition for each amendment to the state constitution proposed by the legislature or by a constitutional convention. Each amendment shall be confined to one subject. Within 30 days of the date of adjournment of a legislative session or of the date of adjournment of a constitutional convention, the lieutenant governor shall provide one copy of the proposed ballot title and proposition for each amendment to each member of the legislature and shall make copies available to the public. (Emphasis added)

While this obviously does not rise to the status of a constitutional requirement it does establish a directory standard. In Boucher v. Bomhoff, 495 P.2d 77 (Alaska 1972) our Court overturned an election which called for a constitutional convention and stated:

- . "The determinative standard to be applied in judging any election contests in Alaska has been established by our legislature in AS 15.20.540(1). In the case at bar, in order for appellees to have successfully contested the vote on the constitutional referendum question, they had the burden of proving

malconduct . . . on the part of an election official sufficient to change the result of the election.

April 28, 1982

"This statutory standard parallels the 'directory' view that statutes prescribing election procedures and ballot forms are directory and that they therefore establish a desirable rather than a mandatory norm. Under the 'mandatory' view, any deviation from the statutorily prescribed form of ballot results in a void election.

"Thus, in the case at bar, it was incumbent upon the appellees to show more than a lack of total and exact compliance with the constitutionally and statutorily prescribed form of ballot. Here appellees had the dual burden of showing a significant deviation from the prescribed form and that such departure was of a magnitude sufficient to change the result of the referendum election."

This has been the standard our Court has used in election conduct cases. In Hammond v. Hickel, 588 P.2d 256 (Alaska 1978), our Court stated:

"Boucher v. Bomhoff, 495 P.2d 77 (Alaska 1972), held that 'malconduct,' as used in AS 15.20.540, means a significant deviation from statutorily or constitutionally prescribed norms. Boucher involved a ballot proposal whose wording introduced 'significant bias' into the vote, in addition to being a significant deviation from constitutionally and statutorily prescribed norms. Id. at 80 -81. If a bias has been introduced into the vote, we read Boucher as holding that 'malconduct' exists if the bias can be shown to be the result of a significant deviation from lawfully prescribed norms.

"In the case before the court, we find no evidence of any irregularity causing bias in the vote. All irregularities were random in their effect, if any, on the casting of votes. Irregularities containing no element of bias, even if they amount to significant deviations from the prescribed norms, do not necessarily constitute malconduct. Significant deviations which impact randomly on voter behavior will amount to malconduct if the significant deviations from prescribed norms by election officials are imbued with scienter, a knowing noncompliance with the law or a reckless indifference to norms established by law."

April 28, 1982

While our Court has never had before it the question of application of the single subject rule to constitutional amendments it has on several occasions had the rule before it in connection with statutes.

The primary aim of the rule has been stated by our court to be restraint of the log-rolling process in the legislature and describes log-rolling as deliberately inserting in one bill several dissimilar or incongruous subjects in order to secure the necessary support for passage of the measure. Suber v. Alaska State Bond Committee, 414 P.2d 546 (1966).

The test which broadly stated:

"Ultimately the decision in cases of this kind must be made on a basis of practicality and reasonableness. In determining whether a bill is confined to one subject we agree with the statement:

'All that is necessary is that the act should embrace some one general subject; and by this is meant, merely, that all matters treated of should fall under some one general idea, be so connected with or related to each other, either logically or in popular understanding, as to be parts of, or germane to, one general subject.'"

was adopted in Gellert v. State, 522 P.2d 1120 (Alaska 1974), and has been quoted in each subsequent case in point in Alaska with approval. It is therefore well settled that this broad language is the standard against which compliance with the single subject rule is to be tested.

The question of whether the single subject rule has been violated has been before our court on four occasions and in each no violation was found.

Suber was a case where the asserted violation was inclusion in a program for grants to owners of property destroyed in the 1969 earthquake of a criminal penalty for giving false information to secure relief under the act.

Gellert involved a general obligation bond proposition which included bonds for both flood control projects and boat harbor projects. The Court found that all were part of a cooperative water resources development program.

April 28, 1982

Another case in the series is North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978). The Court here described the act in question:

It has eight sections. Sections one, three and four pertain to tax credits against the Alaska net income tax under AS 43.20 for residential fuel expenses and the cost of residential improvements which result in fuel conservation. Section five amends the state excise tax on cigarettes, AS 43.50.090, excluding from taxation cigarettes sold through United States military outlets. Sections six and seven amend AS 29.53.055 and AS 29.58.180 as discussed in part II of this opinion. Section eight makes sections six and seven retroactive to January 1, 1976 and section nine provides for an effective date.

AS 29.53.055 and AS 29.58.180 provide that the tax limitation on local governments does not apply to tax levied to repay bonded indebtedness. The Court held that inclusion of material relating to local taxation and state taxation in one bill does not violate the single subject rule.

Short v. State, 600 P.2d 20 (Alaska 1979), was a case involving general obligation bonds for construction of public safety facilities and correction facilities. In this case the Court expanded somewhat on the language in Gellert stating:

A particularly important reason alluded to in Gellert v. State, 522 P.2d 1120 (Alaska 1974), for according legislation a presumption of constitutional validity under the one-subject rule is the need to give the legislature great latitude in enacting comprehensive legislation. The one-subject provision should not be construed so as to unnecessarily restrict the scope and operation of laws, or to multiply their number excessively, or to prevent the legislature from embracing in one act all matters properly connected with one general subject.

It is clear that the Court has adopted a construction of the single subject rule which is very broad as to what matters may be included within a single bill and gives the legislature great latitude in enacting comprehensive legislation. Each fact situation must be examined on its own merits and no

Senator Patrick M. Rodey

Page 9

April 28, 1982

mechanically applicable rule exists. Since the Court has not found a violation of the provision, the outer parameters of the liberal construction are difficult to determine.

In my opinion, while the authorities are not directly on point, a two stage analysis would be used. It first must be determined whether the single subject rule has been violated and the probable test is that used in Gellert. If a violation is found the standard used in determining whether the deviation would result in a void election would be that standard set out in Boucher.

The general subject of the bill is restriction on use of state revenues. This is accomplished by an appropriation limitation for each fiscal year and by creating and amending trust funds which are not available through the normal appropriation process.

There is a direct relationship between the exemption from voter approval of appropriations for relocation of the capital contained in the proposed new Section 26 of Article XV and the requirement of voter approval of appropriations contained in the proposed new Section 17 of Article IX.

Therefore in my opinion the resolution does not violate the single subject rule.

BGB:ljb



# Alaska State Legislature

## Senate

### Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MINUTES OF THE SENATE JUDICIARY COMMITTEE

OF

APRIL 28, 1982

Butrovich Committee Room, State Capitol Juneau, Alaska

#### Legislation Before Committee:

- HJR 77 - Proposing an amendment to the Constitution of the State of Alaska relating to annulment of regulations by the legislature.
- HB 848 - "An Act reenacting the law relating to the marital deduction in testamentary transfers; and providing for an effective date."
- SJR 61 - 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).

The meeting of the Senate Judiciary Committee was called to order by Chairman Rodey at 1:40 P.M. Committee members present were: Senators Rodey, Ray, Parr, and Anderson. Senator Bennett was absent.

003 - Call to order.

008 - Chairman Rodey brought HJR 77 before the committee.

019 - Phil Holdsworth, representing Miners Assoc., & Coal Operators, testified in favor of HJR 77.

045 - Art Peterson, Assistant Attorney General, testified in opposition of HJR 77.

415 - Mr. Peterson proposed the following amendments: On Page 1, Line 15 delete "on" and insert "30 days after". On Page 1, Line 16, after the word "by" insert "a 2/3 vote of each house". On Page 1, Line 17 after "." add the following sentences: Every such resolution must be restricted to a single subject. The vote on such resolutions shall be recorded.

565 - Representative Malone testified in favor of HJR 77.

600 - Senator Ray moved to adopt 30 day clause offered by Mr. Peterson. There was no objection.

649 - HJR 77 laid on the table.

654 - HB 848 was brought before the committee.

665 - Steve Levi, of Speaker Hayes office, testified in favor of HB 848.

754 - HB 848 was laid on the table.

805 - Senator Ray distributed an amendment to SJR 61 for committee member's consideration. There was no objection to the amendment and it was adopted.

991 - Ron Lorensen, Deputy Attorney General, offered an amendment to Page 1, Line 9, after ";" insert "providing for effective date for those amendments". There was no objection to the amendment.

048 - Senator Rodey offered an amendment to Page 2, Line 10, to insert a "." after the word "investment".

085 - After discussion, Senator Rodey reconsidered his amendment.

243 - The meeting was adjourned at 2:50 P.M.



Official Business

# Alaska State Legislature

## Senate

### Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MINUTES OF THE SENATE JUDICIARY COMMITTEE

OF

APRIL 23, 1982

Butrovich Committee Room, State Capitol Juneau, Alaska

#### Legislation Before Committee:

- SB 437 - "An Act relating to the confidential communications between students and teachers."
- HB 409 - "An Act relating to hunting; and providing for an effective date."
- SB 861 - "An Act relating to rights of persons who report violations of law; and providing for an effective date."
- SJR 61 - 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).

The meeting of the Senate Judiciary Committee was called to order by Chairman Rodey at 1:05 P.M. Committee members present were: Senators Rodey, Ray, Parr, and Anderson. Senator Benneke was absent.

003 - Call to order.

009 - Chairman Rodey brought SJR 61 before the committee.

013 - Mr. Bruce explains the changes in the committee substitute.

088 - Representative Malone testified stating that the language in the committee substitute was somewhat limiting and offered attached amendments.

120 - Tom Williams, Commissioner of Revenue, testified, answering questions by the committee.

560 - Senator Parr asked for opinions from the Attorney General's office and Legislative Affairs regarding the need for Sec. 26 of Sec. 4.

SIDE TWO

235 - Senator Ray moved the Representative Malone's amendment #1 be adopted. There was no objection. (see attached amendments.)

245 - Senator Ray reconsidered his motion. There was no objection. Senator Rodey moved that on Page 2, Line 3, "or appropriations are" be inserted between the words "appropriation" and the word "approved". The word "is" is to be struck. There was no objection and it was adopted.

673 - The committee discussed the other amendments at length, but took no further action.

678 - SJR 61 returned to file for committee review.

687 - Chairman Rodey brought SB 437 before the committee.

736 - Bob Cooksey, NEA, testified in favor of SB 437.

TAPE #2

106 - Mr. Kirk, Ak. Statewide Student Assoc., testified in favor of the bill and submitted written testimony.

180 - Senator Anderson states that this legislation would be a threat to parents. Senator Ray objected to the confidentiality privilege being extended to teachers.

210 - Senator Anderson requested that SB 437 be tabled at this time. There was no objection.

244 - SB 437 laid on the table.

252 - Chairman Rodey next brought HB 206 before the committee.

268 - Senator Ray moved that HB 206 be passed from committee with individual recommendations. There was no objection.

277 - Chairman Rodey brought HB 409 before the committee.

323 - Senator Ray moved that on Pg. 1, Line 18, the word "alien" be inserted after "non-resident". There was no objection.

362 - Mr. Zibel, Department of Public Safety testified in favor of HB 409, and requested that the words "Class A" be inserted between the words "or" and "guide" on Line 13, Page 1. Senator Ray moved the amendment. There was no objection.

383 - Senator Anderson moved to include Sec. 2 of the House Rules Committee substitute. There was no objection and it was adopted. Senator Anderson moved to pass the Judiciary committee substitute as amended. There was no objection.

491 - The last item on the calendar was SB 861.

512 - After brief discussion, it was moved to return SB 861 to State Affairs committee.

532 - Adjourned at 3:00 P.M.

1142020

# Resource Fund SEC 17 CONSTITUTION

P2 L3

DELETE [ IF THE APPROPRIATION IS ]

( MAKES IT CLEAR THAT  
SEVERAL APPROPRIATIONS  
ARE POSSIBLE )

---

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

SEC 16

## GENERAL FUND

PAGE 1

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 15PAGE 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,

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 1Y 83 \$
1984	3063.1	353.3	3416.4	2233.8	192.4	--		3739.1	353.3	2068.3
1985	3509.1	598.6	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	3089.0	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	6940.0	--	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	8190.0	--		11524.2	1128.1	944.0

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:

MIU 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)
Fiscal Year	Revenue	Interest	Total Revenue	Section 16 Revenue	Resource Fund Balance	Resource Fund Interest	Section 17 Voter Approval	Permanent Fund Balance	Permanent Fund Interest	Section 16 Revenue FY 83 \$
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	2290.5
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	3825.3	4270.7	238.5	919.5	7043.6	663.2	2410.6
1990	4627	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	9244.3	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:  
 MIT 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	461.9	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	2514.2	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	6940.0	--	1930.0	10153.7	903.0	745.6
1996	3184.9	--	3184.9	1720.9	7979.4	--		10578.3	83.0	632.8
1997	3348.5	--	3348.5	1801.4	7071.4	--	1994.8	11038.6	1030.8	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:

MIT Barker  
 Legislative Finance  
 4-23-82

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

3795

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

01591712 JJK 61

"THE STATE OF COLORADO'S SPENDING LIMITATION"  
Senator James Kadlecsek, Colorado

Speech presented at "The Challenge of Plenty '82", December 5, 1982  
Common Sense for Alaska - Anchorage, Alaska

I want to thank you very much for extending an invitation for me to be up here. This is my first trip to Alaska. I enjoyed the trip up and I am looking forward to the tour later today and tomorrow so I can learn a little bit more about your state.

The experience that Colorado has had in limiting spending is what I hope to share with you today. I do not intend to advise you on what you should do in Alaska - that would be presumptuous of me. I simply want to relate to you what has happened in Colorado, and then perhaps you can take from that whatever might apply to your situation here in Alaska.

I am certain that everyone is familiar with "Parkinson's Law--"Work expands to fill available time." There is a corollary to that which applies to our subject today called "Wicker's Corollary." You may not have heard of it, but it states "Government expands to absorb all available revenue and then some." Having served now for seven years in the Colorado State Senate, with five years as a member of the joint budget committee--which in Colorado is the legislative budgeting arm for the State--and having had the opportunity to speak with legislators around this nation on various panels on the subject of spending limitations, I can tell you without much fear of contradiction that the pressure to spend more and more is unrelenting. There is never a scarcity of legislative and executive branch and interest group proposals to spend. In every state, there is always a myriad of perceived and actual problems, needs and wants, which, of course, all require dollars to make them work. As an aside, I have a cartoon which I have posted in my legislative office in Denver, which pictures Moses on a mountain holding his tabloid, looking very depressed, and under it is the caption, "What about funding?"

Many of the proposals are presented so well, so technically correct, so thoughtful, that it is hard for legislators to turn them down unless there is a reason to do so. That reason is what we are talking about today--the notion of spending limitations. In looking over the material which was provided to me from your last year's "Challenge of Plenty" Conference, it does appear that there are some similarities between our two states. Certainly both are growing, both are rich in natural resources, both will undoubtedly continue to be attractive to investments and further development. Revenue growth before adjustments in Colorado, while certainly not as dramatic as that which you have experienced, has increased on an average of 15 - 18% a year for the past several years. Even during the period when the nation has undergone recession, Colorado has still maintained a fairly strong revenue growth. So we have had the issue of budget surpluses with us for a number of years. Actually, when I first ran for office in '74, that was a campaign issue and it has continued to be an issue in Colorado.

While our severance and mineral extraction taxes are a relatively small part of our revenue picture--some \$30 million--out of a total general fund state tax sources of about \$1.4 billion, nevertheless, that revenue growth overall has been substantially beyond any reasonable public sector need for services from our state government.

As I understand it, your state is now debating the pros and cons of the concept of spending limitations. Thus, my purpose here today is to tell you a little more about Colorado's limit and then, perhaps, to present some of my own views about what seems to work effectively and what does not.

In Colorado in 1977, the Legislature adopted a statutory spending limitation for purposes of controlling state spending growth and provide tax relief. At that point in Colorado's legislative history, there was quite an outcry over the level of property taxes.

The motivation behind the passage of the spending limitation--beyond getting control of spending--was to provide some sort of tax relief, particularly for property tax payers. That was the motivating factor behind our spending limitation.

I have studied most of the spending limits that had been applied in various states around the country, and there was no question but what Colorado limits, which may be a comment on its author (myself) was the simplest of the various limits adopted by states. It simply limits general fund spending to no more than a 7% increase over the previous year's spending base. Excess revenues or surplus are to be used for tax relief. In other words, if we collect more than we need, we devise some means of returning it back to folks, or we devise a means not to collect it in future years so that a surplus does not develop.

Additionally, we provide for a reserve requirement of at least 4% of anticipated expenditures as a buffer against the possibility, primarily, of revenue fluctuations. Economic changes, obviously, can affect revenues since most of our taxes come from sales and income taxes and, thusly, what we do in essence is budget no more than 96% of anticipated revenue.

Expenditures from other revenue sources, from federal funds or from what we call "cash funds" which include tuition fees, and so forth, are not subject to the limit. It applies only to expenditures from the state's General Fund, which I indicated are primarily sales and income taxes. We have now budgeted for four years under the limit and I think it's possible to review its affect with some degree of accuracy. And, perhaps, by doing so, we can provided some benefits to those of you here today who are interested in devising a form of limitation which might best fit your state.

The big question is, of course, has it worked? Has its effect been positive or not? That depends on whom you want to ask in Colorado. Some legislators and some of my colleagues--usually those who have had a pet program or project that didn't get funded--might well claim that vital state programs have been damaged, that the

limit is a disaster. Others will tell you that the imposition of the 7% limit is the best thing that has happened to Colorado in 50 years, that it has restricted state government growth, that it has encouraged consolidation and efficiencies, and that it has lowered the tax burden of Coloradans. As the legislator who offered the limit in the first place, my honest answer undoubtedly lies somewhere in between those two extremes. Despite the fears of some--and there were many who feared the notion of the limit--the state is still perking along; vital programs are still functioning quite well; it seems healthy. It is true, agencies don't get their budget requests but rather a lesser amount. It is true, most new programs offered have been rejected for lack of funds. But all things considered, the limit has worked and even its critics reluctantly concede that it has had some benefits.

First, the spending limitation pushed the legislature into reducing taxes in Colorado by over \$500 million over this four year period. It eliminated the sales taxes on food which had existed; it eliminated the state inheritance tax; we indexed our personal income tax; we passed a number of smaller tax measures in addition to providing some property tax relief through the public school system.

Secondly, the limit has unquestionably enabled the legislature to keep appropriation growth in state agencies substantially below the previous year averages. I was interested to note the comments in the earlier presentation about the new state positions created in Alaska. For the past four years in Colorado, even though our population growth is about the same as yours--30% from 1970 to the 1980 census--the number of state employees has remained relatively constant. There has not been a significant change in the number of people on the state payroll over this four year period. And the per capita spending has stayed relatively constant.

Another interesting effect of the limit in Colorado has been the budget requests by the executive branch which have moderated considerably, primarily because of the political necessity of the executive to keep within the limit. Since current public opinion includes a general feeling that government has grown too large, it is obviously not politically popular for a governor to oppose fiscal conservatism. On the other hand, in Colorado, the current Governor has only reluctantly endorsed the limit. He really has not endorsed it- he has been forced to live with it. He has not, unfortunately, used it as a lever to reorganize, a method to control state bureaucracy.

Any limit that you pass is not a panacea for state problems and it will not be fully successful in enforcing improvements and efficiencies unless its purpose is embraced by those who are running things.

Unquestionably, the limit in Colorado has gotten legislators, governors, and people in public office much more deeply involved in the budget and in the revenue forecasting process. Often, in our legislature, there was a tendency to deal with a myriad of various bills. We were overcome with about a 1,000 to 1,500 bills being

introduced in a session. Since the advent of the limit we still have too many bills, (we are a citizen legislature and most of us have other occupations which support us). The legislature is now spending a great deal more of its time on budgetary and fiscal matters, paying more attention to oversight issues rather than coming up with new things which will cost more money.

Unquestionably, because of the limited dollars and the perception of finite limits, we are doing more internal examination of what is going on than before. Prior to the limit, my perception was that agencies and programs were generally loosely controlled. I think now because this limit exists, managers within the agencies are a great deal more cognizant of--and believe the limitations of--the budget.

Another aspect of what has happened in Colorado under the limit and under the heading of "tax relief" is that we have transferred state revenues to locals, particularly public schools, in exchange for reductions in local property tax mil levels. In effect, we have created, without formally recognizing it as such, a state-operated local government revenue-sharing program. There are mixed views about the intelligence of that move but, nevertheless, I am trying to report to you honestly what the effect of the limit has been, and that has been one effect.

Also, while it is hard to quantify, I believe the limits caused pressures within the state government for reorganization and examination of extensive functions. For example, we have a very cumbersome state personnel system which has developed over the past 100 years that needed to be re-examined. It is difficult to get the political support to do so, but the existence of the limit forced a re-examination. Last year, we cast a vote which was a major reorganization implementing what we call in Colorado a "pay for performance plan." We have not eliminated the personnel system. I personally believe we have improved it dramatically. The fact that we had a limit forced that re-examination to occur.

Finally, and this one is also hard to quantify, but is perhaps the principle advantage of having a limit, is that it makes the public more aware of what their tax dollars are spent for. As the limit constrains growth and programs, the natural reaction is that the constituency groups that are affected are heard from. The legislature debates it, the media reports that controversy, and I think the result is an improved public perception about what goes on in the government.

Needless to say, the limit in Colorado has not worked perfectly. Nor has it been without its critics. The results of political change of this type are rarely ever what their friends hope or what their foes fear. There have been some "end runs" around the limit for certain types of projects, usually for capitalizing water projects or highways. There have been bills introduced to legalize exceptions to the limit. But most of those attempts have failed. Editorial writers, university presidents, agency heads, even the Governor and Lt. Governor have denounced the limit at one time or another in the past four years, but it has held. And largely because there is one major saving grace: the public wants it. Every poll that has been conducted in Colorado indicates that the general public wants to retain the existing limitation despite some of the criticisms that

might have some validity. Most citizens understand very directly that their own personal funds are limited and they believe it's a very salutary exercise for their government to have to live within a reasonable limit as well.

So what lessons can be learned from Colorado's and other states' experience? As I participated in the many battles in Colorado and as I have had a chance to talk to the legislators and citizens around the country about limits, there are some conclusions that I have reached as to how a limit can work most effectively. Please understand, as I said earlier, that as an outsider here, I don't presume to advise you as to what form will work best but there are some observations I make based upon what experience I have had in this area.

First, put it in the Constitution so that it is on a more solid and permanent ground. Even if it is only a general policy statement, it should have a constitutionally, publicly mandated basis involved. Although Colorado's limit is statutory and has generally worked, times, personalities and situations are going to change. And if the state's people really believe that governmental activities in general should be restrained in some manner, then it is much more likely to be preserved as a permanent principle if it is in the constitution.

Secondly--and this one is very hard to explain with almost every group I have talked to--tie the lid to either some flat percentage amount of maximum increase or proportional mechanism which tries to tie the size of government expenditures to some measure of the total economy of the state. Population increase adjustments are probably alright. We do not have one in Colorado, but that would probably be a reasonable adjustment to make. But I would avoid using inflationary increase indices or so called inflationary indexes such as the Consumer Price Index. First, because such indices accuracy and applicability to government expenditures is highly arguable. And secondly, because a flat dollar limit is so much simpler. Everyone understands what you have to spend. You do not spend half the legislative session trying to decide what the Consumer Price Index increase should be and how it should be adjusted. You avoid a great deal of the potential manipulation of the total dollar amount by having a flat dollar figure.

Thirdly, I would tie the expenditure limit to tax reductions. Having the spending limit is only half the equation. Unless there is some very good reason to accumulate funds for say, capital reserves, there is very little justification for government to collect more taxes than it really needs to cover budget expenditures.

I would apply the limit to expenditures from all sources of revenue. The principle weakness, frankly, of Colorado's limit is that it only applies to spending from state tax sources. If the public policy adopted by your state is to keep government under some sort of an overall-sized parameter, then all state sanctioned programs should be covered, regardless of how they are funded. It makes sense, and this is something I've tried to change in my own amendment in Colorado and have not been successful thus far, to include all state spending.

Senator James Kadlec, Colorado

Finally, and this may well be the most important element for the limit, and I have never seen it in a constitutional proposal, make sure you have a tight, legislatively controlled budget process. The principle reason we have had some success with the limit in Colorado is that the Joint Budget Committee, in the process that is set up makes it work. We put together six fairly conservative, hard-nosed, nasty people in one room who love to turn down budget requests and we have got a system that works. They are going to get "rolled" from time to time, but most of the time they are going to be successful. And if their challenge is to keep control of things, they are going to do it. In Colorado, the legislative budget committee's job is to watchdog state dollars. And we all take it very seriously. Generally, it has worked.

I also recommend that the committee be small. The larger you get the committee the more money you are going to spend. It's that simple. Colorado has six budget committee members, three from the House and three from the Senate.

I also recommend that the budget committee be staffed by sharp, preferably young, aggressive folks who are independent, non-partisan and hired on the basis of their analytical qualifications to look at budgets. If you do that, you can go a long ways toward controlling spending, whether or not you have a limit in the law or the constitution. The process is very important.

Finally, I just want to say that I think the concept has worked in Colorado, not perfectly, but it has worked. And I think it has worked in other states that I have visited as well. I believe that the positive effects of the limits philosophy far outweigh the negative. In Colorado, it is a conservative fiscal policy that is consistent with our generally conservative traditions. And it may also be a common sense policy.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL  
JUNEAU, ALASKA 99811

March <sup>25</sup> 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. CONDOX  
ATTORNEY GENERAL

By:

  
Ronald W. Lorensen

Deputy Attorney General

RWL:cjs

cc: Honorable Ed Dankworth  
Senator



Official Business

# Alaska State Legislature

*Senate*

*Committee on Finance*

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Senator Rodey

From: Senator Dankworth *1/24/82*

DATE: April 19, 1982

RE: CSSSSJR 61(Jud)

---

I would like to recommend two minor changes be made in this Resolution. All changes have been recommended by the Governor and Attorney General and are technical in nature.

- (1) Section 1, Page 2, Line 4  
Change (shall) to may
- (2) Section 1, Page 2, Line 16  
Change (deposited) to placed

Thank you for your consideration.

ED/1a1



Official Business

# Alaska State Legislature


Senate

Committee on Finance

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Senator Patrick Rodey  
Chairman of the Senate Judiciary Committee

FROM: Senator M.E. Dankworth 

DATE: April 17, 1982

RE: CSSSSJR 61 (Jud)

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

---

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

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

The governor is responsible to reduce spending if actual revenues are below that appropriated by the legislature.

This will prevent deficit spending and allow the legislature to "balance the books" at the beginning of each session.

SECTION 17. This section establishes the Alaska Resource Fund.

All revenue received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses, that are not required by law to be deposited in the permanent fund, are placed in the Alaska Resource Fund.

This fund is used in the following ways:

- (1) The legislature may appropriate one-fifth (20%) of the balance in the fund for any purpose if the appropriation is approved by the voters in a general election.
- (2) Money in the fund may be invested in capital projects which are owned by the state. These projects shall return to the fund the amount of the investment and a rate of return at least equal to the market rate for general obligation bonds of similar maturity of the state unless otherwise provided by a specific law for a particular project. (G.O. Bond rate is approximately 10%.)
- (3) Money remaining in the fund shall be invested at a rate of return equal to the market rate for similar investments.
- (4) Earnings on the fund are deposited in the general fund.

SECTION 2. Amends Article IX, Section 7, of the Constitution of the State of Alaska.

This section exempts the permanent fund and the resource fund from the dedicated fund section of the constitution.

SECTION 3. Amends Article IX, Section 15, of the Constitution of the State of Alaska.

This section places the existing law regarding permanent fund contributions in the constitution to eliminate any conflicts on the percentage of funds to be placed in the permanent fund and the resource fund.

SECTION 4. Amends Article XV by adding new Sections 26 and 27.

Section 26 eliminates the possibility of a second vote on the appropriation for relocation of the Capitol.

Section 27 is the effective date, July 1, 1983.

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

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

This document provides the following pieces of information:

- 1) Forecasted revenue and operating budgets under the Dankworth proposal for 1983 through 1998 using:
  - a) the mean petroleum revenue forecast; and
  - b) the 30th percentile petroleum revenue forecast.
- 2) The 1983 through 1998 royalty and severance forecasts prepared by the Department of Revenue, Petroleum Revenue Division.
- 3) The mean forecast price for Saudi medium crude, 1983-1998.

Note: The 30th percentile forecast of royalties and severance taxes is used for official budgetary purposes.

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  
Petroleum Production Revenue Forecast

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	GENERAL FUND EXPENDITURES	NET GENERAL FUND EXPENDITURES	SECTION 17 CAPITAL EXPENDITURES	RESOURCE FUND BALANCE
1983	2934	2661	1661	1358	0	0
1984	3188	2889	1532	1228	0	1357
1985	3778	3423	1886	1579	578	2314
1986	4357	3944	2180	1871	0	4078
1987	5185	4700	2656	2345	1224	4898
1988	5445	4912	2675	2361	0	7135
1989	6190	5603	3151	2834	1917	7669
1990	5656	5125	2885	2566	0	9909
1991	5478	5002	2987	2666	2384	9539
1992	5406	4933	2944	2620	0	11527
1993	5280	4845	3012	2686	2672	10688
1994	5074	4656	2890	2561	0	12454
1995	5134	4733	3036	2704	2830	11320
1996	4752	4384	2819	2484	0	12885
1997	5089	4700	3060	2723	2905	11620
1998	5106	4703	3012	2672	0	13311

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  
Petroleum Production Revenue Forecast

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND INCOME	RESOURCE FUND INCOME	REAL NET GENERAL FUND EXPENDITURES	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND EXPENDITURES	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND EXPENDITURES
1983	2773	273	0	1358	0.0	18.8
1984	3072	298	1357	1147	0.0	21.7
1985	3428	355	1536	1379	7.9	17.9
1986	3841	412	1763	1527	10.6	15.7
1987	4325	484	2044	1789	15.3	14.4
1988	4858	533	2237	1683	18.3	16.1
1989	5445	587	2451	1888	22.6	15.4
1990	5977	531	2239	1598	26.5	18.8
1991	6453	475	2014	1551	33.1	19.9
1992	6926	473	1988	1425	32.2	21.9
1993	7361	434	1832	1365	38.2	22.9
1994	7779	418	1765	1216	36.9	25.4
1995	8181	401	1696	1200	41.0	25.6
1996	8549	368	1564	1030	40.1	29.0
1997	8938	388	1639	1056	42.0	27.9
1998	9341	403	1690	968	38.5	29.6

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 Petroleum Production Revenue Forecast

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	GENERAL FUND EXPENDITURES	NET GENERAL FUND EXPENDITURES	SECTION 17 CAPITAL EXPENDITURES	RESOURCE FUND BALANCE
1983	2934	2661	1661	1358	0	0
1984	3446	3118	1675	1370	0	1443
1985	4064	3675	2036	1729	616	2465
1986	4717	4261	2369	2060	0	4357
1987	5633	5097	2898	2586	1311	5245
1988	5977	5380	2952	2638	0	7674
1989	6890	6219	3514	3198	2075	8302
1990	7043	6354	3645	3326	0	11011
1991	7116	6446	3849	3527	2721	10887
1992	7156	6474	3862	3538	0	13499
1993	7530	6831	4202	3876	3225	12902
1994	7646	6923	4242	3913	0	15582
1995	7604	6921	4380	4048	3624	14408
1996	7362	6690	4213	3878	0	16975
1997	8007	7291	4668	4330	3919	15679
1998	8145	7394	4661	4321	0	18411

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 Petroleum Production Revenue Forecast

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND INCOME	RESOURCE FUND INCOME	REAL NET GENERAL FUND EXPENDITURES	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND EXPENDITURES	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND EXPENDITURES
1983	2773	273	0	1358	0.0	18.8
1984	3101	327	1443	1281	0.0	19.8
1985	3491	389	1638	1510	7.7	16.7
1986	3946	455	1892	1681	10.4	14.7
1987	4482	535	2198	1973	15.0	13.6
1988	5079	596	2428	1881	17.7	15.1
1989	5751	671	2704	2131	21.8	14.4
1990	6439	688	2708	2071	22.7	15.7
1991	7109	669	2597	2053	28.6	16.7
1992	7790	681	2612	1924	28.1	18.4
1993	8490	699	2628	1970	32.1	18.5
1994	9213	723	2680	1859	30.4	20.0
1995	9896	682	2540	1797	35.5	21.0
1996	10568	672	2477	1709	34.4	23.4
1997	11285	716	2622	1679	36.3	22.6
1998	12036	750	2732	1566	33.6	24.2

Preliminary Long Range\*  
 Revenue Projections  
 (millions of current \$)

Fiscal Year	Severence Tax 30th perc	Severence Tax mean	Royalties 30th perc	Royalties mean
83	1120	1120	1081	1081
84	1200	1343	1182	1297
85	1395	1536	1408	1545
86	1606	1774	1638	1809
87	1865	2068	1924	2130
88	1753	1979	2119	2374
89	1852	2240	2335	2672
90	1574	2241	2113	2739
91	1399	2104	1888	2665
92	1345	2063	1881	2713
93	1167	2074	1723	2783
94	1086	2103	1658	2878
95	1013	1901	1592	2717
96	869	1774	1458	2674
97	917	1914	1540	2851
98	957	1965	1598	2987

Saudi Medium\*\*  
 Crude  
 price per barrel  
 (current \$)

Fiscal Year	Price
83	23.58
84	25.88
85	28.60
86	31.00
87	34.68
88	37.66
89	40.91
90	44.45
91	48.33
92	52.57
93	57.21
94	62.29
95	67.85
96	73.94
97	80.62
98	87.95

\* Department of Revenue, April 8, 1982

\*\* Department of Revenue, Division of Petroleum Revenue

## DEFINITION OF TERMS

Total Revenue	=	Non Petroleum Revenue + Interest Income + Petroleum Revenue
Total Revenue Net of Permanent Fund Contributions	=	Total Revenue - All Permanent Fund Contributions
General Fund Expenditures	=	Non Petroleum Revenue + Severance Tax Revenue + Interest Income
Net General Fund Expenditures	=	General Fund Expenditures - Debt Service - Permanent Fund Dividends
Section 17 Capital Expenditures	=	20% of Resource Fund; Withdrawn every other year
Resource Fund Balance	=	Total Revenue - Permanent Fund Contributions - General Fund Expenditures - Section 17 Capital Expenditures + Resource Fund balance from previous fiscal year

Permanent Fund Balance = 25% of Oil and Gas Severance Taxes +  
Special Appropriations + Fund balance  
from previous fiscal year

Permanent Fund Income = 25% of Oil and Gas Severance Taxes +  
Special Appropriations

Resource Fund Income = Total Revenue - Permanent Fund  
Contributions - General Fund  
Expenditures

Real Net General Fund Expenditures = Net General Fund Expenditures  
expressed in 1983 dollars using A  
7% Annual Inflation Rate

Resource Fund Interest as a Percent of General Fund Expenditures = Resource Fund Interest divided by  
General Fund Expenditures

Permanent Fund Interest as a Percent of General Fund Expenditures = Permanent Fund Interest divided by  
General Fund Expenditures

Resource Fund Interest = Rate of Return Multiplied by  
previous fiscal year balance in the  
Resource Fund

Permanent Fund Interest = Rate of Return multiplied by previous  
fiscal year balance in the Permanent  
Fund

Rate of Return = 1983 = 12.5%, 1984 = 12%, 1985 = 11%,  
1986, 1986 to 1998 = 10%

DO VOTERS HAVE TO APPROVE <sup>finance</sup>  
THE RATE OF RETURN IF  
EXEMPTED ~~FROM~~ BY LAW FOR  
SPECIFIC PROJECTS

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 <sup>placed</sup> deposited in the Alaska resource fund shall be deposited in the general fund.

WHAT IS MEANT BY G.O. BOND RATE?

WHAT TO  
PREVENT RLP PROJECTS  
FROM BEING  
EXEMPTED  
FROM THE  
MARKET RATE  
STANDARD.  
CAN WE  
MAKE THAT  
STANDARD  
HIGHER?

WHAT ARE US BONDS PAYING?

WHAT IS ANTICIPATED REVENUE FROM RESOURCE FUND?

WHY NOT PLACE BACK INTO FUND? (INFLATION PROTECTIVE)

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

ARR 4-5-82

Original sponsor: Dankworth

3/19/82

IN THE SENATE

BY THE FINANCE COMMITTEE

RESOLUTIONS 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 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.

~~...of the State for each fiscal year, other than revenue from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses, if the governor determines that the amount of appropriations taking effect in a fiscal year will exceed the amount authorized by this section, he shall reduce the amount of 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.

~~invested 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 as 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 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~~ <sup>remain</sup> 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.

FUNDS AVAILABLE FOR OPERATING & CAPITAL BUDGETS

SJR-61

IN THOUSAND OF CURRENT DOLLARS

	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <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
<b>Total Taxes</b>	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses &amp; Permits</u>		
<u>Business</u>	11,000	12,100
<u>Non-Business</u>	13,000	13,500
<b>Total Licenses &amp; Permits</b>	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>		
Federal Shared Revenues (6)(7)	9,900	10,000
Investment Earnings	315,000	315,000
<u>Facilities Related Charges</u>		
Airports	1,200	1,200
Ferry System-Southeast	26,300	28,900
Ferry System-Southwest	3,800	4,100
Other	4,500	4,700
<u>Service Related Charges</u>		
Court System	3,300	3,500
Other	4,500	4,800
	<u>43,600</u>	<u>47,200</u>
<u>Miscellaneous Revenues</u>	5,900	6,000
<b>Total</b>	2,797,500	3,385,500

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

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

April 6, 1982

The Honorable Patrick M. Rodey  
Chairman  
Senate Judiciary Committee  
Room 125 - Capitol Building  
Juneau, Alaska

Re: CS for Sponsor Substitute for Senate  
Joint Resolution No. 61 (Finance)

Dear Senator Rodey:

CS for Sponsor Substitute for Senate Joint Resolution No. 61 (Finance), 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), was referred on March 26, 1982 by the Senate Finance Committee to the Senate Judiciary Committee.

For the consideration of the Senate Judiciary Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Robert W. Elliott, Research Analyst, Research Section, Department of Revenue concerning the Committee Substitute.

Sincerely,



R. D. Stevenson  
Special Assistant

Enclosures

cc: Thomas K. Williams  
Commissioner  
Department of Revenue

Joseph K. Donohue  
Deputy Commissioner  
Department of Revenue

Robert W. Elliott, Research Analyst  
Research Section  
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: CSSSSJR 61 (Fin)  
 Title: Constitutional amendment relating to Al Resource Fund.  
 Requested by: Senate Judiciary Committee Date: 04/02/82

II. FISCAL DETAIL

Agency Affected:  
 Program Category Affected:  
 BRU, Program, or Subprogram(s) Affected:  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

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

FUNDING (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)						
AK Permanent Fund	-	-	297,600	352,300	-	-
AK Resource Fund	-	-	892,800	1,056,900	-	-

POSITIONS

FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

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

IV. DATE: 04/02/82

PREPARED BY: Robert W. Elliott  
 AGENCY: Revenue  
 PHONE: 465-2173

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

SJK-61

(1) Add new Section 2 as follows:

\* Sec. 2. Article IX, section 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.

(2) Reorder remaining sections accordingly.

(3) Revise language in new Section 4 adding new Section 27 to Article IV, Constitution of the State of Alaska to read:

SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1962 amendments to article IX of this constitution adding sections 16 and 17, relating to appropriations and the Alaska resource fund, amending section 7, relating to dedicated funds, and adding section 15, relating to the Alaska resource fund, take effect July 1, 1963.

(1) Add new Section 2 as follows:

\* Sec. 2. Article IX, section 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.

(2) Renumber remaining sections accordingly.

(3) Revise language in new Section 4 adding new Section 27 to Article XV, Constitution of the State of Alaska to read:

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 resource fund, amending section 7, relating to dedicated funds, and amending section 15, relating to the payment fund, take effect July 1, 1983.

Archives June 4/20

# Fund plan needs work, Senate group says

by R/E White  
Times Juneau Bureau

Juneau — Despite it's high-powered backings, a proposal to create a multibillion-dollar fund for building dams, ports and other costly projects needs work before going to voters for approval, a Senate committee was told Monday.

Rep. Hugh Malone, D-Kenai, said the proposal could give the governor or the state Revenue Department power to use funds for the large projects rather than getting the Legislature to appropriate money.

"I would not want to give the appropriation authority to the executive," he said.

Malone said the proposal, despite popular belief, is not a spending limit. "It's an allocation of a stream of state revenues to particular pur-

poses."

The proposal puts into two funds most of the state's non-tax revenues, or about one-third of all state income.

Half of the state's oil royalties, bonuses and rentals would go to fund the state's permanent fund, a nest-egg savings account for future Alaskans. The permanent fund gets about a fourth of that income now.

The other half would be placed into a new Alaska Resource Fund, which would be the vehicle for building expensive projects. It could pay for the costs of moving the capital to Willow if voters approve that action in November.

If approved by the Legislature, the proposal would appear on that same ballot with the capital-move proposal. It's aimed at replacing a

fund would go into the general state spending pot. Every two years one-fifth of the fund could be spent on voter-approved construction projects that make a market-rate return to the state.

But as the bill is being discussed now in the Senate Judiciary Committee, the one-fifth share may be invested in any voter-approved project, whether or not it makes money. Money remaining in the fund must be invested at market rates, under the proposal.

Malone and Miller said liquidity of investments could pose a problem. If one-fifth of the fund can't be converted into cash fast, money from the fund couldn't be used for building large projects.

Malone also said the state should

(See FUND, page A-5)

## Fund

(Continued from page A-1)

look into a long-term oil leasing policy in considering this proposal. The state could seek more money for the fund by leasing areas of the state potentially rich in oil.

Another problem is that any project built now that doesn't make a return to the state above its costs might have to be maintained in the face of falling future revenues, he said.

Dankworth calls the proposal "the most important piece of legislation this Legislature will act on this year." Dankworth is architect of a \$5 billion to \$10 billion plan for building dams around the state to provide cheap hydroelectric power to most Alaskans. This bill would provide funds for that without straining the state budget, he said.

Sen. Bill Ray, D-Juneau, in a Judiciary Committee meeting Monday questioned a section of the proposal stating that voters needn't approve appropriations to move the capital if they agree in November to move it.

That section doesn't belong in the proposal or the constitution, he said.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

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

March 9, 1982

The Honorable Don Bennett  
The Honorable M. E. Dankworth  
Co-Chairmen  
Senate Finance Committee  
Room 525 - Capitol Building  
Juneau, Alaska

Dear Senators Bennett and Dankworth:

Re: Sponsor Substitute for Senate  
Joint Resolution No. 61

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, was introduced in the Senate on January 29, 1982 and was referred to the Senate Finance and Judiciary Committees.

For the consideration of the Senate Finance Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Anselm C. Staack, Treasury Comptroller and Mr. Robert W. Elliott, Research Analyst, Department of Revenue concerning the subject Resolution.

Sincerely,

R. D. Stevenson  
Special Assistant

Enclosures

cc: The Honorable Patrick M. Rodey  
Chairman  
Senate Judiciary Committee

Joseph K. Donohue  
Deputy Commissioner  
Department of Revenue

Anselm C. Staack  
Treasury Comptroller  
Department of Revenue

Robert W. Elliott, Research Analyst  
Research Section  
Department of Revenue

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  
 cc: Budget and Management

PHONE 465-2350

Prime Sponsor (First Legislator Named)

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

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		(1.345)	(1.630)			
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)

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)