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BILL #	ITEM	DOLLAR AMOUNT
Governor Freeman, HB 1	Permanent Fund	\$ 1.8 billion
Randolph, HB 24	Personal Loans	1.0 billion
Ferguson, SB 33 Moss, HB 85	Education Endowment	5.0 billion *
Kerttula, SB 26	Power Project Fund	4.6 billion **
Governor	Bond Defeasance (Colletta, SB 13, \$290 million)	905 million
Fischer, SB 159	Knik Arm Crossing	1.1 billion
Governor SB 141	Fisheries Revolving Fund	100 million
Governor	Municipal Assistance	133 million
Governor, SB 67	Cash Distribution of Oil Bonuses	77 million
Governor	Housing Assistance (Total Loan Programs, \$400 million)	289 million
Governor	Rainy Day & Litigation Escrow	650 million
Governor	Operating Budget (Total: 2.2 billion)	1.8 billion
		17.45 billion

\* of which 4.0 billion is in future years' appropriation

\*\* of which 3.0 billion is in future years' appropriation

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10.45 billion  
this year

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
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### MEMORANDUM

DATE: February 5, 1981

TO: Honorable Sam Cotten  
Chairman  
House Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJ: Funds Available for Appropriation

The attached Table I is a simplification of page 7 in the FY 82 Executive Budget which shows the amount of general funds available for appropriation as presented by the Governor.

However, based on the two attached legislative finance memos, the amounts in Table I could be increased as follows:

	<u>Available for Appropriation</u>	<u>Cash</u>
Table I	\$6,014.1 million	\$5,665.2 million
Decontrol	185.2	185.2
	<u>\$6,199.3</u>	<u>\$5,850.4</u>
Underestimates		
Petroleum Corporate		
Income Tax	596.0	596.0
Interest Income	<u>170.5</u>	<u>170.5</u>
	<u>\$6,965.8 million</u>	<u>\$6,616.9 million</u>

Total petroleum corporate income tax receipts through FY 82 are estimated at:

"Revenue Sources"	\$2,433.0 million
Decontrol	51.1
	<u>\$2,484.1</u>
Underestimate	596.0
	<u>\$3,080.1 million</u>

These amounts are subject to litigation.

attachment

MB:bf

TABLE I  
GENERAL FUND BALANCES  
(\$ MILLIONS)

	<u>Available for Appropriation</u>	<u>Cash</u>
General Fund Balance 6/30/80	\$2,221.6	\$1,438.7
<u>FY 81</u>		
Unrestricted Revenue (Net of Permanent Funds)	3,631.0	3,631.0
Appropriations	(4,793.6) <sup>1</sup>	(4,341.6)
Illiquid Investment	<u>                    </u>	<u>( 18.0)</u>
General Fund Balance 6/30/81	\$1,059.0	\$ 710.1
<u>FY 82</u>		
Unrestricted Revenue (Net of Permanent Funds)	<u>\$4,955.1</u>	<u>\$4,955.1</u>
General Fund Balance (Before 1981 Session Appropriations)	\$6,014.1	\$5,665.2

Footnote:

1. Certain appropriations to AHFC, AIDA, and for fish processing loan guarantees were made from illiquid assets.

PREPARED BY:  
Legislative Finance Division  
February 5, 1981

SENATE STATE AFFAIRS COMMITTEE HEARING

ON

1. DEPOSITS IN THE PERMANENT FUND: 2. PAYING CASH FOR CAPITAL IMPROVEMENTS

February 21, 1981

Testimony by Harold E. Pomeroy

Our future is bright if we don't spend billions and billions of dollars unproductively trying to create an artificial destiny for Alaska.

Right now we are misreading the signals.

There is popular belief that if we just do the right things we can achieve a prosperous, diversified and renewable resources economy, including renewable resource production and processing-manufacture. This means, of course, producing goods for export.

We are negligible producers of processed-manufactured goods - with few exceptions, relative to our resource production and services economy, due to far higher costs here than elsewhere - costs that cannot be cured by spending money. Where the potential for competitive position in the market is lacking, direct and indirect aid is only creating artificial viability that can last only until the money runs out.

The wrong signal is that somehow, if we just put enough money into artificial viability in the direction of diversification and renewable resource processing we can turn a liability into an asset. The result is the false assumption that taxes generated out of these areas of activity will be able to make up for less oil income in the future.

The hard fact is that there is no basis whatever for believing the aggregate of all tax revenue from all sources, other than oil production will increase the approximate 1/10 of our expenditures such revenues now pay, by an appreciable amount, if at all - unless taxes are raised drastically.

Testimony, 2/21/81

Harold E. Pomeroy

Take the molybdenum mine soon to be established near Ketchikan. Though one of the largest deposits anywhere, molybdenum won't be made there; the concentrate will go Outside for processing for reasons of economy. Would we increase taxes on the plant two or three or more times in the future to make both ends meet due to less oil income?

Our future economic stability rests heavily on the reason the question has to be asked.

There will be a few individual exceptions to the revenue potential overall - plants with profits coming from huge investments and very few workers.

We can be encouraged about the future if we take the right signal from the dramatic increase in the amount of oil income from even two years ago. A Permanent Fund that generates a substantial part of future needed revenue is practical - with room also for such benefits as no personal income tax and some desirable capital improvements that are cost effective.

Our tremendous good fortune in quantity of oil money is that we can make massive early years deposits in the Permanent Fund, accumulate the interest and arrive at a total of as much as \$125 billion to produce \$13 billion or \$14 billion in annual revenue from then on.

We should place the highest priority on action to secure as strong a financial future as possible, rather than to grab more toward a taxless society and what amounts, indirectly, to colossal price support for economic enterprise that simply isn't economically viable in the open market.

PERMANENT FUND

BUDGET GROWTH

Yrs	PERMANENT FUND		BUDGET GROWTH	
	I. \$2 Billion at 11% compounded	II. \$4 Billion at 11% compounded	III. \$2 Billion - at 11% rate of increase	IV. \$2 Billion - at 15% rate of increase
5	\$3.37	\$6.74	\$3.37	\$4.02
10	\$5.68	\$11.36	\$5.68	\$8.09
15	\$9.57	\$19.14	\$9.57	\$16.27
20	\$16.12	\$32.29	\$16.12	\$32.73

- I. At the end of 20 years the \$16.12 would produce \$1.67 billion yearly - from then on.
- III. The \$1.67 billion would not go very far toward funding the \$16.12 billion budget.  
The 11% rate of increase may not be enough for inflation and population growth and would allow zero for real growth.
- IV. At 15% growth, \$120 billion in the Permanent Fund would produce about \$13 billion in earnings revenue toward the \$32.73 billion budget

February 21, 1981

Harold E. Pomeroy