

COMMITTEE REPORT
HOUSE

FURTHER:

2/21/83

(Waived From Judiciary)

Date:

4/14/83

Mr. Speaker:

The Committee on

FINANCE

has had

SSHH 45

An Act relating to the use of income of the Alaska permanent fund (AS 37.131); repealing the permanent fund dividend program (AS 43.33); and providing for an effective date.

under consideration and reports it back as follows:

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

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

_____ (Rec)

_____ No rec

CHAIRMAN

Introduced: 2/11/83
Referred: State Affairs,
Judiciary and Finance

1 IN THE HOUSE

BY SZYMANSKI

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 85
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the use of the income of the
7 Alaska permanent fund (AS 37.13); repealing the
8 permanent fund dividend program (AS 43.23); and
9 providing for an effective date."

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

11 * Section 1. AS 09.20.050(b) is amended to read:

12 (b) The jury list shall be based on a list of all persons who
13 purchased a resident trapping, hunting or fishing license during the
14 preceding calendar year which showed an Alaskan address (to be pre-
15 pared by the Department of Fish and Game), [A LIST OF ALL PERSONS WHO
16 FILED FOR A DISTRIBUTION OF ALASKA PERMANENT FUND INCOME UNDER AS 43.-
17 23.010 - 43.23.100 DURING THE PRECEDING CALENDAR YEAR WHICH SHOWED AN
18 ALASKAN ADDRESS (TO BE PREPARED BY THE DEPARTMENT OF REVENUE),] a list
19 of all persons who have registered to vote in this state (to be pre-
20 pared by the director of elections), and, if considered necessary by
21 the administrative director of courts, a list of all persons who hold
22 a valid Alaska drivers' license (to be prepared by the Department of
23 Public Safety). The departments and the director of elections shall
24 submit their respective lists to the Department of Administration not
25 later than January 15 of each year. To the extent that it is avail-
26 able, the lists submitted by the departments and the director of
27 elections shall contain the following information for each person on
28 the list for the preceding calendar year: first name, middle initial,
29 and last name; residence address as well as mailing address, including

1 the zip code for each; birth date; and the number of years and months
2 the person has been a resident of the state. The lists submitted by
3 the departments and the director of elections shall be recorded on
4 magnetic tape compatible with Department of Administration data pro-
5 cessing equipment.

6 * Sec. 2. AS 37.13.145 is amended to read:

7 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each
8 fiscal year, an amount sufficient to offset the effect of inflation on
9 principal of the Alaska permanent fund during that year, as measured
10 by a nationally recognized index, shall be transferred from net income
11 as defined in AS 37.13.140 [, EXCLUDING INCOME ON THE UNDISTRIBUTED
12 INCOME ACCOUNT IN THE ALASKA PERMANENT FUND,] to the principal of the
13 Alaska permanent fund for reinvestment. The balance of the net income
14 as defined in AS 37.13.140 shall be transferred to the undistributed
15 income account in the Alaska permanent fund and then shall be returned
16 to the principal of the Alaska permanent fund to be treated as prin-
17 cipal of the permanent fund in all respects. [MONEY IN THE UNDISTRI-
18 BUTED INCOME ACCOUNT SHALL BE INVESTED IN INVESTMENTS AUTHORIZED UNDER
19 AS 37.13.120. INCOME FROM THE INVESTMENT OF THE UNDISTRIBUTED INCOME
20 ACCOUNT SHALL BE TREATED AS AN ADDITION TO THAT ACCOUNT.]

21 * Sec. 3. AS 43.23 is repealed.

22 * Sec. 4. Money and other assets held in the dividend fund (AS 43.23.-
23 045) repealed by sec. 3 of this Act, except for money needed to pay 1982
24 permanent fund dividends due but not paid on the effective date of this Act
25 shall be transferred to the Alaska permanent fund (AS 37.13) on the effec-
26 tive date of this Act.

27 * Sec. 5. This Act is retroactive to January 1, 1983, and applies to
28 permanent fund dividend distributions for years after 1982.

29 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-

1 10.070(c).

The following individuals are expected to testify on HB 85:

Representative Mike Szymanski, prime sponsor

along with

Scott Goldsmith, Institute of Social and Economic Research

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No: SSHB 85
 Title: Use of Permanent Fund income.
 Sponsor: Rep. Szymanski
 Requestor: State Affairs, Jud. & Fin.

II. FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-

CAPITAL	-	-	-	-	-	-
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REVENUE	-	-	-	-	-	-
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FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-
Permanent Fund	+213	+178	+205	+230	+257	-
Undistributed Income Account	-43	-56	-36	-15	-11	-
Permanent Fund Dividend Fund	-170	-122	-169	-215	-246	-

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Vincent D. Wright *VW*
 Division: Revenue - Research

Phone: 465-2174
 Date: 2/15/83

Approved by Commissioner: Joseph K. Donohue *JD*
 Department: Revenue

Date: 4/4/83

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

Analysis of SSHB 85

The proposed bill provides for inflation proofing the principal of the permanent fund. The remainder of any income as defined in AS 37.13.140 folds into the undistributed account and is then transferred to the permanent fund.

The Administration supports repealing the permanent fund dividend program.

OIL BARONS OF THE NORTH

Dear Editor or "My Turn",

The other 49 States of America see us as oil barons, that each of us has an oil well in our back yard, (I wish this were true.) and they also think that we live mostly in "Igloos". (Another myth.)

One of my sons, stationed in the Army years ago, had this to say to his German friends:

"In Alaska, I was a commercial fisherman and I also tried constructing apartment buildings for sale, but I went broke."

How come? What happened? He had built it out of ice during the winter but it warmed up before he could sell and it melted away. (Don't melt away my cash dividend!)

It does not matter to the other States what we do or don't do with our oil money. The mere fact that we have it is enough for them to cry "foul".

The \$1,000 cash dividend given in 1982 brought headlines all over the States. "They are crazy up there!"

What never makes major headlines is our State Loan Programs. If you have money, then move up to Alaska ~~and~~ you can get a loan by becoming a resident. Put up your own money, secure a loan from the State at a low interest rate and get bigger and bigger in business.

The small business loans program allows you to be given a State subsidized loan up to a half-million dollars.

Now, if you want a larger loan, we have another agency to handle you. It's called the Alaska Industrial Development Authority where you can receive a million or more. The rich, or semi-rich go there as a half-million is peanuts. "They're big time only."

If anyone in his right mind thinks we will see thousands move up here for a few hundred dollars a year, they had better think again and again. They will come up anyway and have been doing so! Many are already here with their money in the bank or invested and will, after becoming a resident, apply and get one or more million dollars (and loans) and maybe become billionaires "with my money and yours".

If the people understand or read our Constitution they will see that we are stockholders in our State's wealth and are equally entitled to "equal shares" of our wealth and not any select group (one above the other.).

Quote: "Juneau Empire - Feb. 15, 1983 ---Although allegations have been made that Sheffield Enterprises had received another state loan in excess of \$1 million from the revolving loan program in the early 1970's according to Al Parrish, President and Chief Executive Officer,

2)

Parrish said he couldn't recall such a loan."

- My comment to Mr. Al Parrish:

I consider Bill Sheffield a very good business man and you must be or you wouldn't be where you are!

I won't swallow the above quote.

Leave my cash dividend alone! I need it to lobby for the ones who can't. Namely my family and friends.

According to the Ketchikan Daily News, Oral Freeman said he received information from the Department of Revenue showing that Sheffield received three 20-year loans from the State totalling more than two million dollars.

If the Department of Revenue employee is wrong, he owes the Governor an apology.

The paper printed Oral Freeman's article on this, Feb. 12, 1983, *in the Ketchikan Daily News*
I want all the cards on the table, "please".

I'll omit the name of the building in Anchorage and the names of *the* ~~10~~ people who received a small business loan for that building as it would not be fair without publishing all the others I have: Six judges, law firms, coal mines, doctors, some churches, etc., etc..

I will point out that they received 10 loans with the possibility of getting 1/2 million dollars apiece. This totals 5 million dollars.

This is my print-out of state loans; pages 99 and 100, "Loan File Name and Address list by Short Name, 6/16/82.

Yours,

Leo Land

Phone 766 - 1466

Leo Land
Box 122
Haines, Alaska 99827

P.S. The judges loans are under Veterans' loans. Some, if not all, were attorneys before being appointed judges. As Veterans, they are entitled to a loan. They've earned it! They've paid their dues to the U.S. and Alaska!

636 Schoenbar Rd.
Ketchikan, Alaska 99901
February 28, 1983

State of Alaska
House of Representatives
Chairman, Finance Committee
Juneau, Alaska 99811

Sir:

I am just a private citizen who has lived in Ketchikan for thirty three years and whose father and grandfather before me have lived in Ketchikan. I hope my seven year old son continues to live here if he so chooses. I think it can be said that I have a long term interest in the state.

From this perspective, it is my view that the legislature should keep its hands off the permanent fund dividend program. I have seen the legislature literally throw money away time after time to no benefit. Re: The state paving of Tongass avenue, Ketchikan once with substandard material that wore off in less than a year, the repaving again with more substandard material at a cost of millions of dollars. All this was done with the knowledge that the street would be torn up in less than a years time for a sewer project. A grant to the Borough for a boat dock at the airport in the amount of \$675,000.00. This dock is not worth near the amount paid and it duplicates an existing dock that could have been shared at no cost. This list could go on and on, but I am sure that you get the point.

It seems that the state has set up many programs to subsidize the wealthy (i.e. loans at reduced rates such as the Governor's two million fifty thousand, the interest savings alone represent \$40,000.00 per year to him. Prime state land leased at rediculously low rates. Boat loans to fishermen earning huge gross amounts as in Bristol Bay at lowered interest rates, etc.)

Under the intent of the law that the people of Alaska voted on we were all to share the wealth of at least some of the permanent fund. It was not to be the exclusive property of the Bureaucrats and the Wealthy.

It would be unwise to listen to the local government lobbyists and representatives and think them representative of their constituency. They were elected to deal with local matters not to interfere in state affairs. In their lobbying to abolish the dividend program they represent petty bureaucrats not the wishes of the majority of the state residents.

I also wish to clarify another project that the local government has thrown away state funding on. That is the studies and the eventual construction of a bridge to Gravina Island and the airport. On every vote, and there have been two or three, to my knowledge, the people of Ketchikan have put the bridge project as the lowest of the listed priorities. It would have been dropped

altogether but that was not offered on the ballot as an option.

A few local vocal people have pushed this project in Juneau as though the people wanted it. Hundreds of thousands of dollars have been spent on studies and other related projects. It is just another example of selfish greed and the propensity of spending government money whenever available for little good. The more money made available for a government entity the more will be spent.

At this time the Airport Ferries service the airport with a potential to more than adequately do the job. If the Ketchikan terminal was moved directly across from the airport terminal, the number of round trips could be doubled. If the docks were passive floating type, instead of the mechanical (motor and pulleys) trips could be further increased and maintenance reduced to almost nothing. Two ferries are now available and could run alternately, again doubling the capacity. We therefore, have a potential of more than quadrupling the passenger carrying capacity, and the ability to tailor it to the peak load periods. A turn around time of less than six minutes possible on two boats means a wait of less than three minutes to the next trip. We also have the added advantage of a user supported service, rather than everyone paying for the majority use by only a few.

In contrast the bridge would take up much needed and valuable land in access and in its own built in needs. A bridge is an ongoing high maintenance structure. Corrosion prevention, metal replacement, structural strength testing, and resurfacing are all high cost items. Not to mention snow removal and sanding for ice. It also limits accessibility of the channel to shipping.

This town has had about the same population for the last fifty years and does not look forward to any dramatic increases for the foreseeable future. Therefore we are talking about a tax base of possibly 2500 people paying for a 100 million dollar project. Even with matching funds, a very gross burden. I would like to drive a Rolls Royce but common sense says I can not afford it so I will make do with a Ford. Both will get me from point A to point B equally well, just as we can equally well get to and from the airport without throwing away money that could better be spent on education and a myriad of other far far more pressing and necessary matters.

Thank you for your time and the opportunity to express my views and the views of many day to day working people like myself.

Sincerely,



Douglas J. Thompson

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

February 25, 1983

The Honorable Al Adams
Representative
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: HB 11 and HB 85

Dear Representative Adams:

At the request of your staff assistant, Louann Cutler, I am notifying you in writing of the Department of Revenue's views on HB 11 and HB 85. Addressing both HB 11 and HB 85 the Department of Revenue supports the concept of repealing the existing dividend program. However, these particular bills do not go far enough.

Governor Sheffield, in his State of the State address, proposed alternative uses of the earnings of the Permanent Fund. He was more specific in his budget address, and said he would like to see money reserved in the following amounts:

Alaska Investment Fund - \$130.0 million;
Revenue Sharing and Municipal Assistance - \$140.0 million
Longevity Bonus - \$30.0 million
Reinvestment in the Permanent Fund itself - \$100.0 million

Just as Governor Sheffield's proposed FY 84 budget already reflects the repeal of the existing dividend program, he will introduce legislation shortly which repeals the fund and proposes creation of the Alaska Investment Fund and funding for Municipal Assistance, Longevity Bonus, and reinvestment in the Permanent Fund. If I can provide you with any further information, please let me know.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH:MCR:jas

MSG 83-00010487 PRTY 1 02/23/83 14:12:45 ORIG: LI00 IN= 0006
FROM: DOROTHY IN DILLINGHAM TO: GAIL/JUNEAU
TARGET: LJ20 SUBJ: TESTIMONY FOR PERM. FUND HEARING

PAGE 0001

BELOW IS TESTIMONY TO THE HOUSE FINANCE COMMITTEE MEMBERS CONCERNING
THE REPEAL OF THE PERMANENT FUND PROGRAM
FROM: WAYNE SCHROEDER, BOX 116, DILLINGHAM, ALASKA 99576 TELEPHONE 842-5984
I OPPOSE THE HB 85 AND HB 11 DUE TO THE FACT THAT IT IS A GREAT PROGRAM.
WHO KNOWS HOW TO SPEND MY MONEY MORE THAN ME. MY DAUGHTERS INTEND TO USE
THEIR MONEY FOR COLLEGE. I CONSIDER THAT ONE HECK OF AN INVESTMENT. HOW
CAN THE REPEAL OF THE PROGRAM MATCH INVESTMENT PLANS BETTER THAN THAT?
THANK YOU.

NXT MSG U/R/S _ PREV MSG U/R/S _ RESEND _ CANCEL _

Teleconference Subject: HOUSE BILL 11
2/23/83

Chairman: Rep. Al Adams

Joanne Ningealook -Testimony

"I feel that the dividend program should be continued because it helps people with no income , also, it benefits the here in Shishmaref.

"I also have a question here, from time to time we here at the City help local people with 1040 tax forms etc. and we get unexpected questions. My question is: if the permanent fund dividend is funded for 1983 or future years, will it be reported as taxable income on tax forms? "

MEMORANDUM

State of Alaska

TO: Louann Cutler
Professional Assistant
House Finance Committee

DATE: February 23, 1983

FILE NO:

TELEPHONE NO: 465-2302

FROM: Joseph K. Donohue *JK Donohue*
Deputy Commissioner, Taxation
Department of Revenue

SUBJECT: PFD Appropriations

At your request, I have prepared the attached chart tracing the appropriations made to the PFD program from inception to date.

JKD:EJ:ms

Appropriation History of PFD Program

FY 81 Ch 120 SLA 80 Sec. 52

TOTAL Appropriations for 1979 Dividend Payments	\$129,330,300
Administrative Cost Allocation from Fiscal Note SB 122 Ch. 21 SLA 80	
Enforcement Division	\$378,100
Audit Division	12,100
Admin. Services	<u>440,100</u>
 TOTAL Administrative Cost	 (830,300)
 Supplemental Ch. 92 SLA 81 for 1979 Dividend Payments	 <u>12,500,000</u>
 Available for 1979 Dividend Payments	 <u>\$141,000,000</u>

FY 82 Ch 82 SLA 81

Total Appropriation for 1980 Dividend Payments	\$149,961,800
The balances of administrative costs from FY81 were carried forward in FY82.	
Refundable Credits (Included in total)	<u>(1,632,000)</u>
 Available for 1980 Dividend Payment	 <u>148,329,800</u>

A supplemental for \$419,000 was received, Ch 101 SLA 82 Sec. 52, for administrative costs associated with PFD processing.

FY 83 Ch 101 SLA 82 Sec. 18

Total Appropriations for 1981 Dividend Payments	\$150,400,000
Administrative Cost Allocation from Fiscal Note SB 842 Ch 102 SLA 82	
Enforcement Division	\$777,200
Public Services	824,900
Treasury Division	159,800
Administrative Services	<u>834,400</u>
 TOTAL Administrative Costs	 (2,596,300)
 Available for 1981 Dividend Payments	 <u>\$147,803,700</u>

Chapter 101 SLA 82 Sec. 17 reappropriated Ch 120 SLA 80, Ch 82 SLA 81, and Ch 92 SLA 81 for the purpose of making 1979 and 1980 Permanent Fund Dividend Payments.

Chapter 101 SLA 82 Sec. 19 further appropriated the above for the purpose of making Permanent Fund Dividend payments under any bill passed by the Twelfth Legislature in event the original Permanent Fund Dividend Program was invalidated by the US Supreme Court.

The Supreme Court ruled the original program invalid. Senate Bill 842 was signed and became Chapter 102 GLA 82. This established the new Permanent Fund Dividend program.

The total available for \$1,000 dividend payments as a result of reappropriation was: \$437,133,500

FY 84

At the recommendation of the Office of Management and Budget, the Department of Revenue reflected the FY84 administrative cost of the PFD distribution program in the operating costs of the Department. This was done in recognition of the PFD program as an on-going function of this Department. The net result was to reflect the \$2.6 million in the FY84 budget as continuation.

In preparing the FY84 Executive Budget, OMB chose to reflect the repeal of the PFD program. In so doing, the administrative costs of each affected BRU was reduced as follows:

Enforcement	(\$ 689,700)	
Admin. Services	(654,800)	
Public Services	789,400)	
Treasury	(160,600)	
	TOTAL Reduction	(2,294,500)

The total to be distributed in FY84 is approximately \$170 million, the sum of one half the FY82 earning of the Permanent Fund and one-half the estimated FY83 earnings of the Permanent Fund.

FY 85

The estimated amount to be distributed in FY85 under current law is \$122 million.

Breakdown ON Reduction MADE TO GOVERNOR'S PROPOSED FY 84 BUDGET FOR REPEAL OF PFD PROGRAM

Attachment D

Reduction due to Dividend Repeal

<u>Division</u>	<u>\$</u>	<u>PFT Positions Deleted</u>	<u>PPT/Temp. Positions Deleted</u>
<u>Administrative Services</u>	654.8		
Personal Services	205.0		15
Contractual Commodities	447.7 2.1		
<u>Enforcement</u>	689.7		
Personal Services	568.5	7	
Travel	43.5		
Contractual Commodities	72.6 5.1		
<u>Public Services</u>	789.4		
Personal Services	356.8		14
Travel	68.9		
Contractual Commodities	360.5 3.2		
<u>Treasury</u>	160.6		
Personal Services	57.8	1	1
Travel	4.2		
Contractual Commodities	95.4 3.2		
Total Impact	2294.5	8	30

ZEROX and give to members

Adams

MSG 83-00010492 PRTY 1 02/23/83 14:17:36 ORIG: LA08 IN= 0015 OUT= 0028
FROM: CANDY/ANCHORAGE TO: GAIL
TARGET: LJH4 SUBJ: PERM. FUND T/C

PLEASE LET THE COMMITTEES KNOW THAT MICHAEL ROBINSON/AK RADIO NETWORK
IS LISTENING IN TO THE T/C FROM THE RADIO BAY. (FOR THEIR INFORMATION)

Excerpt from Attorney General's Opinion Re: Appropriation Limit
Questions, Pertinent to the Permanent Fund Dividend Program

dends;

- (2) an appropriation of revenue bond proceeds;
- (3) an appropriation to pay principal and interest on general obligation bonds;
- (4) an appropriation of money received from nonstate sources in trust for a specific purpose, including revenues of a public corporation that issues revenue bonds; and
- (5) an appropriation to meet a state of disaster declared by the governor.

You have requested our interpretation of exceptions (1) and (3) set out above.

A. Alaska Permanent Fund Dividend Exception

The appropriation limit provides: "Except for appropriations for Alaska permanent fund dividends ... appropriations from the state treasury made for a fiscal year shall not exceed \$2,500,000,000...." A question obviously arises as to whether "Alaska permanent fund dividends" means only those cash payments provided to individuals under AS 43.23 or if the word "dividend" encompasses other concepts for the distribution of income earned by the Alaska permanent fund.

We believe the answer to your question concerning appropriations for permanent fund dividends depends on whether the exceptions will be construed strictly or liberally. Usually,

provisions in a state constitution are construed liberally using the same rules of construction prescribed for other laws with regard given to the broader object and scope of the constitution as a charter of popular government. Eghert v. Dunseith, 24 N.W.2d 907 (N.D. 1946); 168 A.L.R. 621. Professor Sutherland explains the modern view for construing express exceptions as follows:

The older rule strictly interpreted both exceptions and provisos but today the prevailing view favors determining the effects of such provisions according to the usual criteria of decision applicable to other kinds of provisions as well without the use of any artificial presumptions to the effect that qualifying language should be strictly construed.

SUTHERLAND STATUTORY CONSTRUCTION § 47.11 (4th ed. 1974)(footnotes omitted). The FCC did not express an intent to limit this exception to only appropriations to finance cash payments to individuals under AS 43.23.

The appropriation limit must be interpreted consistently with the permanent fund amendment contained in article IX, section 15. Section 15 provides that the legislature may dispose of the income of the Alaska permanent fund "as provided by law." Each legislature may reexamine existing law and enact different laws providing for the use of income earned by the Alaska permanent fund. If section 16 were interpreted so that the exception to permanent fund dividends applied only to appropriations to finance cash dividends under AS 43.23, the legislature would essentially be denied the flexibility to adjust to changing philoso-

phies concerning the propriety of making cash payments directly to residents which section 15 expressly reserves to it. 2/ In interpreting and applying the constitution, it must be remembered that the constitution is not a lifeless or static instrument whose interpretation is confined to conditions and outlooks which prevailed at the time of its adoption. Yakus v. United States, 321 U.S. 414 (1944); Warwick v. State, 548 P.2d 384 (Alaska 1976).

The word "dividend" has no precise legal meaning. Trustees of University v. North Carolina R. Co., 13 WORDS AND PHRASES 107 (Permanent ed.); 22 Am. Rep. 671. Webster defines "dividend" as follows: "an individual share of something distributed among a number of recipients." We are not aware of any legal principle which would preclude the characterization of other distribution programs as "dividends." Rather, the words used

2/ The Thirteenth Legislature may reject direct cash distribution in favor of a plan which it determines will promote public purposes more effectively. During the period of consideration and adoption of the appropriation limit, the permanent fund dividend law was undergoing considerable scrutiny and change by both the legislature and the courts. The legislature adopted the proposed appropriation limit amendment on July 15, 1981. At that time the question of the constitutionality of the permanent fund dividend program as it was then structured was on appeal to the United States Supreme Court. On June 14, 1982, the United States Supreme Court issued an opinion which found the method established for determining the amount of dividends under that program void because the method promoted discrimination based on length of residence in the state. On August 13, 1982, amendments to the dividend law took effect. The people were undoubtedly aware that the dividend law in effect on election day in 1982 was not chiseled in marble.

by the drafters of the amendment afford broad latitude to the legislature to enact new distribution programs which will not be impaired by the appropriation limit.

It is well-settled law that a provision of a state's constitution must receive a liberal, practical construction to meet changed conditions and growing needs of the people. County of Alameda v. Sweeney, 312 P.2d 419, 424 (Cal. 1957). Under the permanent fund amendment, the discretion granted to the legislature to enact, amend, or repeal the present dividend program under AS 43.23 to meet the growing needs of the people is unfettered. However, the operation of exceptions from the appropriation limit must be interpreted consistent with the intent of the framers of the organic law and of the people adopting it. State v. Lewis, 559 P.2d 630, 637 (Alaska 1977).

One important consideration should be carefully observed. The Alaska Supreme Court has found that the purpose of the existing dividend program is to force the legislature to consider the reimposition of taxes when the decline of oil revenue encourages resort to permanent fund income to finance state government. Williams v. Zobel, 619 P.2d 448, 454 (Alaska 1981), rev'd 451 U.S. 905 (1982). The people can be expected to vigilantly protect their dividends by forcing the legislature to seek sources other than the permanent fund to finance state government. If a substitute distribution program accomplishes the same

purpose, it will more likely qualify under the exception in section 16 than if it fails to achieve that purpose. If the constituency benefitted by a dividend is narrow, the dividend may not be a dividend in the sense intended by the drafters of section 16 and the people who adopted it. Proposals soon to be considered by the legislature include replacing the existing distribution to all residents with a distribution of part of the permanent fund income to municipalities and as a substitute for the existing longevity bonus, and use of a part of the income to finance large capital projects.

A vast majority of the population of the state resides in or is served by municipal governments. It is also a fact that we all seek security for our "golden years." The constituents of these proposals seem broad enough to satisfy the purpose of the current dividend law. The use of permanent fund income to finance large capital projects presents a closer question. The character of each project must be considered to determine if it serves a state public purpose, rather than a local special purpose. Additionally, if the project is viewed as merely an alternate way of financing state government operations, the basic intent of the dividend law might not be served.

We cannot advise with certainty whether the financing of large capital projects with permanent fund income would constitute a dividend of the Alaska permanent fund for purposes of

the appropriation limit. Some may argue that the benefits provided by "public works" projects are too localized to approximate the benefits provided by the existing dividend law. However, in State v. Lewis, 559 P.2d 630 (Alaska 1977), the Alaska Supreme Court decided that "[l]egislation need not operate evenly in all parts of the state to avoid being classified as local or special." Lewis at 643. A definite answer will come only when the courts interpret article IX, section 16 of the Alaska Constitution. However, we believe that if the legislature enacts a distribution program which is consistent with the intent of the permanent fund dividend law, any appropriation to implement that program will be exempt from the appropriation limit.

B. Appropriations Required to Pay the Principal and Interest on General Obligation Bonds

Under AS 43.18.100 -- 43.18.135 the state, subject to available appropriations, reimburses municipalities for the payment of a percentage of principal and interest to retire general obligation bonds issued by the municipality to finance school construction costs. Although they have been amended from time to time, these statutes have been in effect since 1971. You have asked whether appropriations to retire municipal general obligation debt are within the exception stated to the appropriation limit.

The exception reads as follows: "Except for ... appro-

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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Juneau, Alaska 99611
(907) 465-3720

April 5, 1983
For Immediate Release

Contact: Rep. Joe Hayes
465-3720
David Dittman
274-0648

STATEWIDE POLL SHOWS LESS THAN MAJORITY FAVOR DIVIDEND PLAN

A statewide poll shows 65% of Alaskan residents favor alternative uses for earnings of the permanent fund to a direct cash dividend distribution. The poll, conducted by Dittman research was commissioned by House Speaker Joe Hayes. The poll was conducted between March 18 and 27 and consisted of 486 interviews. The question provided 6 options for uses of the dividend earnings. (Detailed results are included on the following pages.)

Hayes noted that the House Finance Committee is to begin hearings this week on legislation that would eliminate the dividend plan in 1983. He added that the poll should provide some guidance to legislators.

"Because of the many conflicting letters, messages and testimony we have received on this issue, I felt it was necessary to obtain a professional sampling of Alaskans' preferences. While I voted against the plan last year, the amount of mail received on this issue led me to believe that there possibly was more support for the program than I perceived. However, the results indicate what I had supposed

from the beginning. While the cash dividend is the most preferred single option, the majority of Alaskans believe that there are greater long term benefits to be obtained from the earnings. The options that have the most support are major construction projects and reinvestment into the fund," Hayes said.

25% of those polled favored construction of major projects with the money and 17% favored reinvestment of the earnings into the fund.

"With declining revenues, I think more people realize that a portion of these earnings must return to the fund to keep it fiscally healthy and provide Alaska with a stable cash flow in the future, as the Permanent fund was originally intended to do. A significant number of people also realize a portion of those earnings could be used to provide better roads, cheaper power and necessary statewide improvements that will help to stimulate the economy in the future as well. Using the permanent fund earnings for such expenses as municipal assistance and cash dividends will not provide the long term benefits the fund should have." Hayes added.

"It's my hope that the Finance committee will act quickly on this measure. I think the most prudent course of action this year is elimination of the cash dividend program so the permanent fund will continue to grow. This poll finally provides me with the direction I need on the program, and it was my intention in commissioning the poll that the results would provide that same direction for legislators that have legitimate questions about the popularity of the dividend program," Hayes added. # # # #

Alaska State Legislature



Speaker of the House of Representatives

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Juneau, Alaska 99811
(907) 465-3720

Dittman Statewide Poll

486 persons interviewed apportioned to state population
Interviews conducted March 18-27, 1983

QUESTION: When the money from the Permanent Fund is invested, the interest on the earnings from investments become available for use. Recently, there have been several different suggestions regarding how the earnings from the Permanent Fund should be used. Of the following suggestions, which do you support the most?

- (1) Providing cash grants to local governments
- (2) funding major projects including Susitna Hydro
- (3) pay off bonded indebtedness
- (4) distribute cash dividends to individual Alaska residents
- (5) reinvest back into the Permanent fund
- (6) funding major construction projects/not including Susitna
- (7) other

The poll areas were divided into Rural, Central, SouthCentral, Anchorage and Southeast. SouthCentral includes all of that region without including Anchorage. SouthCentral includes the Kenai Peninsula, Palmer, the Mat Valley, Seward, Homer, Cordova, Valdez and surrounding communities. Central includes the greater Fairbanks area.

The results are on the following pages.

	Grants/ Local Govt.	Major Projects & Susitna	Payoff Bonds	Dist. Cash Dividends	Reinvest in PF.	Major Projects no Susitna	Other
<u>in rounded percentages</u>							
RURAL	13	19	15	39	11	0	4
CENTRAL	6	24	9	27	23	8	2
SOUTHCENTRAL	3	19	9	53	13	1	1
ANCHORAGE	4	26	14	33	16	4	2
SOUTHEAST	23	4	11	31	23	3	3
<u>TOTAL</u>	8	21	12	35	17	4	2

SEX: Of the 486 persons interviewed, 53% were male and 47% were female.

MALE	7	20	14	37	16	3	2
FEMALE	9	22	10	34	18	4	2

POLITICAL AFFILIATION: Of the 486 persons interviewed, 24% were registered democrats, 23% were registered Republicans, 43% were registered non partisan and about 9 per cent were unregistered.

DEMOCRAT	10	19	11	32	24	3	1
REPUBLICAN	8	21	13	37	16	3	1
NON PARTISAN	7	20	11	37	16	5	2

Grants/ Local Govt.	Major Projects & Susitna	Payoff Bonds	Dist. Cash Dividends	Reinvest in PF.	Major Projects no Susitna	Other
---------------------------	--------------------------------	-----------------	-------------------------	--------------------	------------------------------------	-------

in rounded percentages

EMPLOYMENT: Of the 486 persons interviewed 9% worked for the federal government, 10% worked for the state government, 6% worked for local government, 54% were employed in the private sector and 20% were not part of the workforce.

FED. GOVT. EMPLOYEES	14	9	14	35	23	2	2
STATE GOVT. EMPLOYEES	14	12	16	16	29	8	2
LOCAL GOVT. EMPLOYEES	14	11	14	29	25	7	0
PRIVATE SECTOR	6	25	12	37	15	3	3

ANNUAL INCOME

\$0-20,000	8	13	14	43	18	0	2
\$20-45,000	6	18	10	39	17	5	3
\$45-60,000	10	25	14	27	17	3	2
\$60,000 +	10	26	13	31	16	5	0

	Grants/ Local Govt.	Major Projects & Susitna	Payoff Bonds	Dist. Cash Dividends	Reinvest in PF.	Major Projects no Susitna	Other
--	---------------------------	--------------------------------	-----------------	-------------------------	--------------------	------------------------------------	-------

in rounded percentages

AGE

18-24	10	21	7	39	19	3	0
25-40	8	19	14	36	15	4	4
41-55	7	24	12	32	20	2	1
55+	8	25	13	32	17	6	0

YEARS OF RESIDENCE IN ALASKA

0-4	7	21	14	35	15	5	2
5-7	6	14	13	40	23	1	1
8-13	6	27	13	33	16	4	2
14-19	8	19	11	37	19	2	3
20+	12	22	10	34	15	5	2

Alaska State Legislature
House of Representatives

Al Adams
Chairman
Committee on Finance

WHILE IN SESSION
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3706
OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320
1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

Official Business

February 23, 1983

MEMORANDUM

TO: House Finance Committee Members
FROM: Al Adams, Chair *APA*
House Finance Committee
SUBJ: Comparison of HB 11 and SS HB 85

Similarities

Both bills would repeal the permanent fund dividend program for 1983 and subsequent years.

Both bills contain a section regarding compilation of jury lists (section 4 of HB 11 and section 1 of SS HB 85). Each section would delete use of the Department of Revenue's list of individuals who filed for a permanent fund dividend in compiling names of individuals for jury duty.

Differences

The most significant difference in the two bills concerns the fate of the income from investment of the principal. Under current law, 50% of net income is transferred to the permanent fund dividend account to pay dividend checks. Additionally, an amount sufficient to offset inflation reverts back to the principal, and the remaining income goes to the undistributed income account for reinvestment.

HB 11 leaves the statute regarding computation of net income (AS 37.13.140) and disposition of income (AS 37.13.145) intact. Therefore, after "inflation proofing" the principal, all the rest of the net income would go to the undistributed income account.

SS HB 85, on the other hand, provides that, after a brief stopover in the undistributed income account, all the income would revert back to the principal "to be treated as principal of the permanent fund in all respects".

PLEASE REFER TO YOUR FILE ON HB 11 FOR MORE BACK UP
REGARDING REPEAL OF THE PERMANENT FUND DIVIDEND
PROGRAM.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

January 20, 1983

COPY

MEMORANDUM

TO: Hon. Mike Szymanski
House of Representatives

FROM: Milt Barker ^{MB}
Fiscal Analyst

SUBJECT: Permanent Fund Earnings Retention

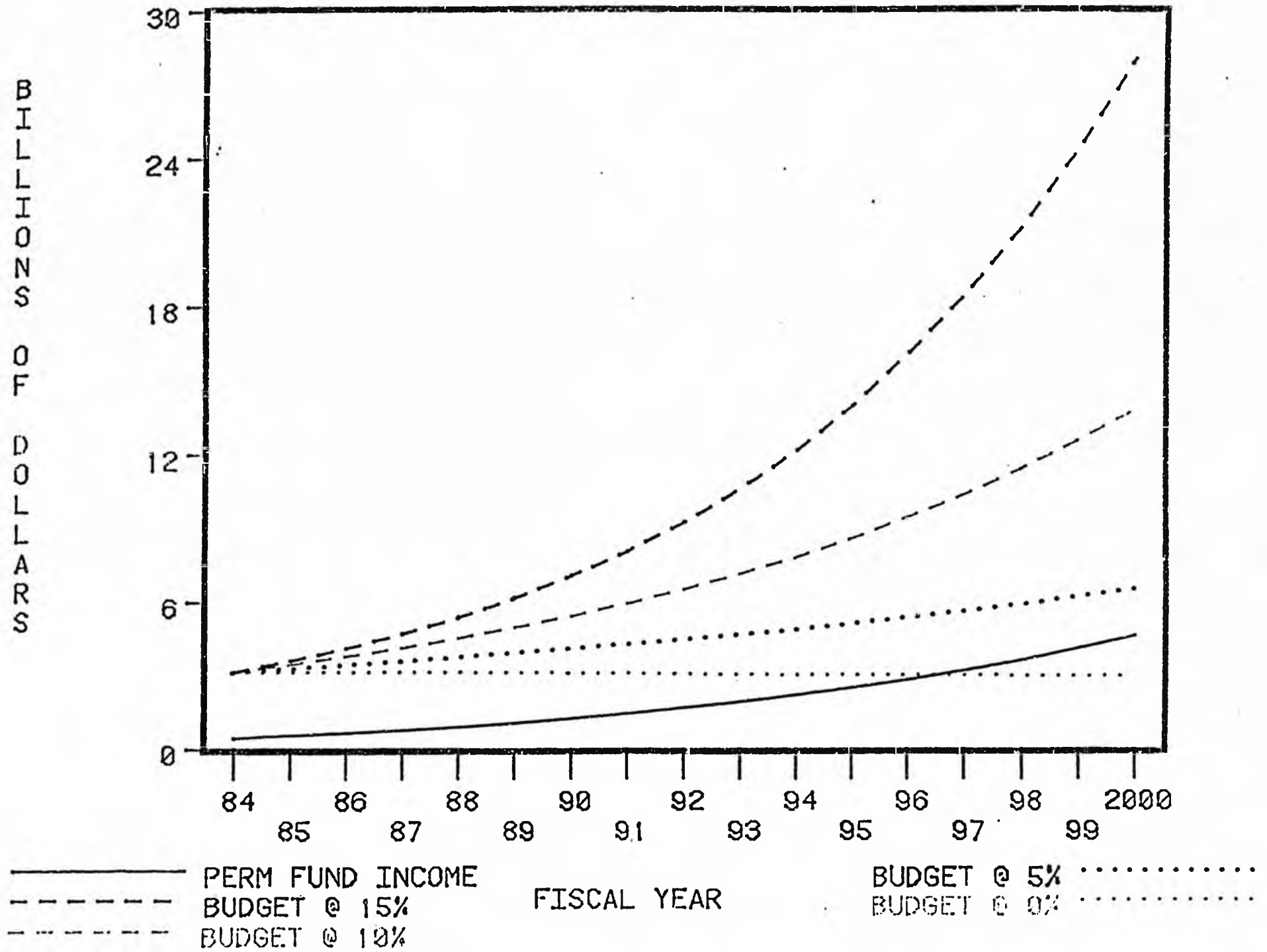
The attached graphs compare projected Permanent Fund earnings to projected operating and total general fund budgets. The budgets are projected assuming 0%, 5%, 10%, and 15% annual increase. The Permanent Fund is assumed to earn a 12% annual return in all cases. All earnings are retained in the fund.

The amounts for operating and total budgets and the Permanent Fund balance (as well as other items) are shown in the attached computer runs for each case.

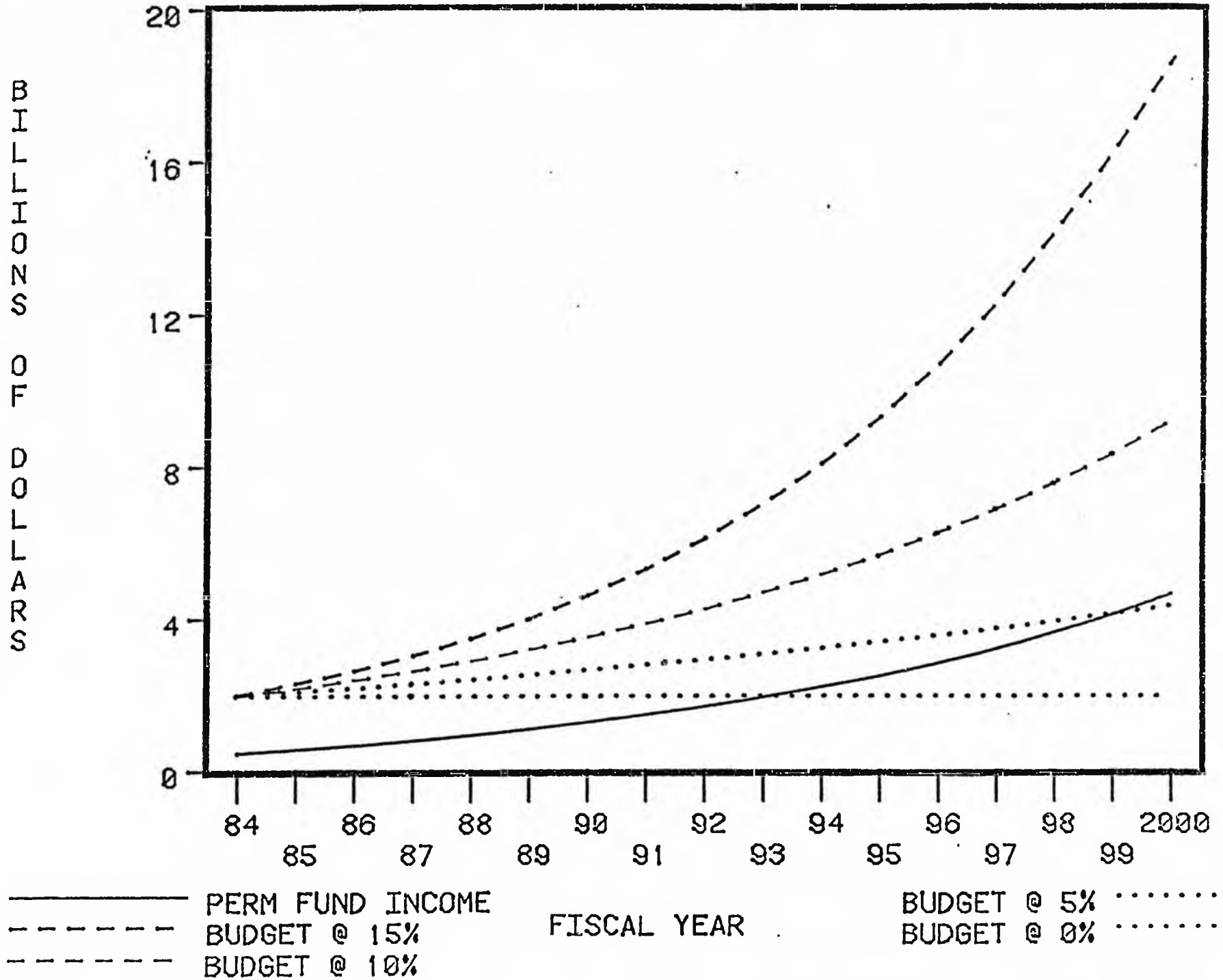
The amount of Permanent Fund earnings (not displayed in the runs) would be the same in all cases and was estimated as follows (\$ millions):

<u>Fiscal Year</u>		<u>Fiscal Year</u>	
1984	\$ 473	1993	\$1938
1985	565	1994	2209
1986	671	1995	2511
1987	792	1996	2847
1988	932	1997	3224
1989	1093	1998	3646
1990	1275	1999	4120
1991	1474	2000	4655
1992	1694		

PERMANENT FUND INCOME VS. TOTAL BUDGET AT VARIOUS GROWTH RATES



PERMANENT FUND INCOME VS. OPERATING BUDGET AT VARIOUS GROWTH RATES



JANUARY 20, 1983

STATE OF ALASKA
 LEGISLATIVE FINANCE WORKING DOCUMENT
 BUDGET FORECASTING MODEL

*** ACTUAL DOLLARS IN MILLIONS ***

JAN 83 DEPT OF REVENUE ESTIMATES
 ALL PERMANENT FUND EARNINGS RETAINED IN FUND
 NO PERMANENT FUND DIVIDENDS
 NO BUDGET GROWTH

FISCAL YEAR	REVENUE	INTEREST	TOTAL REVENUE	OPERATING BUDGET	CAPITAL BUDGET	DEBT SERVICE	PERMANENT	TOTAL BUDGET	SURPLUS	PERM-ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REC	
							DIVIDENDS		OR DEFICIT			FOR GF BAL	
												OF \$	0 MIL
1983										3790	282		
1984	2703	184	2887	2000	1000	167	0	3167	-281	4558	1	0	
1985	2775	180	2955	2000	1000	165	0	3165	-210	5425	0	209	
1986	3029	194	3223	2000	1000	164	0	3164	59	6433	59	0	
1987	3112	207	3319	2000	1000	156	0	3156	163	7573	222	0	
1988	3456	251	3706	2000	1000	150	0	3150	557	8896	778	0	
1989	3540	330	3870	2000	1000	140	00	3140	730	10420	1506	00	
1990	3300	410	3700	2000	1000	120	00	3120	580	12100	2084	00	
1991	3000	460	3470	2000	1000	100	00	3100	370	13940	2452	00	
1992	2890	500	3390	2000	1000	70	00	3070	320	15990	2772	00	
1993	2700	530	3230	2000	1000	60	00	3060	160	18250	2936	00	
1994	2610	550	3170	2000	1000	30	00	3030	140	20780	3076	00	
1995	2520	560	3080	2000	1000	20	00	3020	50	23590	3131	00	
1996	2380	560	2940	2000	1000	20	00	3020	-80	26720	3051	00	
1997	2440	560	2990	2000	1000	20	00	3020	-20	30230	3027	00	
1998	2510	560	3070	2000	1000	10	00	3010	50	34180	3079	00	
1999	2660	570	3230	2000	1000	10	00	3010	220	38620	3302	00	
2000	2800	610	3410	2000	1000	00	00	3000	410	43620	3714	00	
TOTALS:	48410	7220	55640	34000	17000	1410	00	52410	3220			210	

JANUARY 20, 1983

STATE OF ALASKA
 LEGISLATIVE FINANCE WORKING DOCUMENT
 BUDGET FORECASTING MODEL

*** ACTUAL DOLLARS IN MILLIONS ***

JAN 83 DEPT OF REVENUE ESTIMATES
 ALL PERMANENT FUND EARNINGS RETAINED IN FUND
 NO PERMANENT FUND DIVIDENDS
 5% ANNUAL BUDGET GROWTH

ISCAL YEAR	REVENUE	INTEREST	TOTAL REVENUE	OPERATING BUDGET	CAPITAL BUDGET	DEBT SERVICE	PERMANENT FUND DIVIDENDS	TOTAL BUDGET	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF \$	0 MIL.
1983										3790	282		
1984	2703	184	2887	2000	1000	167	0	3167	-281	4558	1	0	0
1985	2775	185	2960	2100	1050	165	0	3315	-355	5425	0	353	
1986	3029	204	3233	2205	1102	164	0	3471	-239	6433	0	239	
1987	3112	214	3326	2315	1158	156	0	3629	-303	7573	0	303	
1988	3456	225	3681	2431	1216	150	0	3796	-115	8896	0	115	
1989	3540	240	3770	2550	1280	140	00	3970	-190	10420	0	190	
1990	3300	250	3540	2680	1340	120	00	4140	-600	12100	0	600	
1991	3000	260	3270	2810	1410	100	00	4320	-1050	13940	0	1050	
1992	2890	270	3160	2950	1480	70	00	4500	-1340	15990	0	1340	
1993	2700	290	2980	3100	1550	60	00	4720	-1740	18250	0	1740	
1994	2610	300	2920	3260	1630	30	00	4910	-2000	20780	0	2000	
1995	2520	320	2830	3420	1710	20	00	5150	-2320	23590	0	2320	
1996	2380	330	2710	3590	1800	20	00	5410	-2700	26720	0	2700	
1997	2440	350	2790	3770	1890	20	00	5670	-2890	30230	0	2890	
1998	2510	370	2880	3960	1980	10	00	5950	-3080	34180	0	3080	
1999	2660	390	3040	4160	2080	10	00	6250	-3200	38620	0	3200	
2000	2800	400	3210	4370	2180	00	00	6550	-3340	43620	0	3340	
TOTALS:	48410	4770	53190	51680	25840	1410	00	78930	-25740			25460	

JANUARY 20, 1983

STATE OF ALASKA
 LEGISLATIVE FINANCE WORKING DOCUMENT
 BUDGET FORECASTING MODEL

*** ACTUAL DOLLARS IN MILLIONS ***

JAN 83 DEPT OF REVENUE ESTIMATES
 ALL PERMANENT FUND EARNINGS RETAINED IN FUND
 NO PERMANENT FUND DIVIDENDS
 10% ANNUAL BUDGET GROWTH

ISCAL YEAR	REVENUE	INTEREST	TOTAL REVENUE	OPERATING BUDGET	CAPITAL BUDGET	DEBT SERVICE	PERMANENT FUND DIVIDENDS	TOTAL BUDGET	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND END OF YEAR	REVENUE REC FOR GF OF \$	REVENUE REC BAL 0 MIL
1983										3790	282		
1984	2703	184	2887	2000	1000	167	0	3167	-281	4558	1	0	0
1985	2775	190	2965	2200	1100	165	0	3465	-500	5425	0	498	498
1986	3029	218	3247	2420	1210	164	0	3794	-547	6433	0	547	547
1987	3112	240	3352	2662	1331	156	0	4149	-797	7573	0	797	797
1988	3456	264	3720	2928	1464	150	0	4542	-822	8896	0	822	822
1989	3540	290	3830	3220	1610	140	00	4970	-1140	10420	0	1140	1140
1990	3300	320	3610	3540	1770	120	00	5440	-1820	12100	0	1820	1820
1991	3000	350	3360	3900	1950	100	00	5950	-2590	13940	0	2590	2590
1992	2890	390	3270	4290	2140	70	00	6500	-3230	15990	0	3230	3230
1993	2700	430	3120	4720	2360	60	00	7140	-4020	18250	0	4020	4020
1994	2610	470	3080	5190	2590	30	00	7810	-4720	20780	0	4720	4720
1995	2520	510	3030	5710	2850	20	00	8580	-5550	23590	0	5550	5550
1996	2380	570	2950	6280	3140	20	00	9440	-6490	26720	0	6490	6490
1997	2440	620	3060	6900	3450	20	00	10370	-7310	30230	0	7310	7310
1998	2510	690	3190	7590	3800	10	00	11410	-8210	34180	0	8210	8210
1999	2660	750	3410	8350	4180	10	00	12540	-9130	38620	0	9130	9130
2000	2800	830	3630	9190	4590	00	00	13790	-10160	43620	0	10160	10160

TOTALS: 48410 7310 55730 81090 40540 1410 00 123050 -67320 67040

JANUARY 20, 1983

STATE OF ALASKA
 LEGISLATIVE FINANCE WORKING DOCUMENT
 BUDGET FORECASTING MODEL

*** ACTUAL DOLLARS IN MILLIONS ***

JAN 83 DEPT OF REVENUE ESTIMATES
 ALL PERMANENT FUND EARNINGS RETAINED IN FUND
 NO PERMANENT FUND DIVIDENDS
 15% ANNUAL BUDGET GROWTH

FISCAL YEAR	REVENUE	INTEREST	TOTAL REVENUE	OPERATING BUDGET	CAPITAL BUDGET	DEBT SERVICE	PERMANENT FUND DIVIDENDS	TOTAL BUDGET	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND END OF YEAR	REVENUE REC FOR GF OF \$	REVENUE REC FOR BAL 0 MIL
1983										3790	282		
1984	2703	184	2887	2000	1000	167	0	3167	-281	4558	1	0	0
1985	2775	195	2970	2300	1150	165	0	3615	-645	5425	0	643	
1986	3029	233	3262	2645	1322	164	0	4131	-870	6433	0	870	
1987	3112	268	3380	3042	1521	156	0	4719	-1339	7573	0	1339	
1988	3456	308	3764	3498	1749	150	0	5397	-1633	8896	0	1633	
1989	3540	350	3890	4020	2010	140	00	6170	-2280	10420	0	2280	
1990	3300	410	3700	4630	2310	120	00	7060	-3360	12100	0	3360	
1991	3000	470	3470	5320	2660	100	00	8080	-4610	13940	0	4610	
1992	2890	540	3430	6120	3060	70	00	9250	-5820	15990	0	5820	
1993	2700	620	3320	7040	3520	60	00	10620	-7300	18250	0	7300	
1994	2610	710	3330	8090	4050	30	00	12160	-8840	20780	0	8840	
1995	2520	820	3330	9300	4650	20	00	13980	-10650	23590	0	10650	
1996	2380	940	3320	10700	5350	20	00	16070	-12750	26720	0	12750	
1997	2440	1080	3520	12310	6150	20	00	18480	-14950	30230	0	14950	
1998	2510	1250	3760	14150	7080	10	00	21240	-17490	34180	0	17490	
1999	2660	1430	4090	16270	8140	10	00	24420	-20330	38620	0	20330	
2000	2800	1650	4450	18720	9360	00	00	28080	-23620	43620	0	23620	
TOTALS:	48410	11470	59880	130150	65080	1410	00	196640	-136760			136470	