

H B

722

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 722
 Title: Advisory vote on the estab-
 lishment of a major projects fund.
 Sponsor: House Judiciary
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Elections
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -					
CAPITAL	- 0 -					
REVENUE	- 0 -					

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: House Judiciary Phone: 465-4990
 Division: Charlie Buswell Date: _____

Approved by Commissioner: REP. CHARLIE BUSSELL Date: MAY 23, 1984
 Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

MAJOR PROJECTS FUND

DISCUSSION POINTS

Both legislative bodies are proceeding with legislation to provide for a constitutional amendment dedicating state money to a Major Projects Fund that would specifically fund the proposed Susitna dam. While the details are still under discussion, the basic issues have been largely unaddressed. The following paper outlines some of these issues.

Constitutional dedications

The principal issue is, or at least should be, whether it is wise to constitutionally dedicate state funds for a particular purpose. The debate so far has centered on the same petty regional politics that surround the annual division of the capital budget rather than on this major constitutional issue. It would be wise for the legislature and the public alike to remember why the Alaska Constitution includes a prohibition against dedicated funds.

Gordon Harrison explains the prohibition in his A Citizen's Guide to the Constitution of the State of Alaska: "This restriction is intended to prevent the legislature from voluntarily reducing its own freedom and flexibility in financial affairs... The consequence of dedicating tax revenue is that the legislature loses its ability to match expenditures with public needs as these change from year to year. Convention delegates believed that public needs should openly compete for state funds on a regular basis."

The Finance Committee of the Constitutional Convention explained it this way: "Even those persons or interests who seek the dedication of revenues for their own projects will admit that the earmarking of taxes or fees for other interests is a fiscal evil. But if allocation is permitted for one interest, the denial of it to another is difficult, and the more special funds are set up the more difficult it becomes to deny other requests until the point is reached where neither the governor nor the legislature has any real control over the finances of the state."

The one constitutional amendment that Alaskans have approved to allow a dedicated fund is, of course, for the Permanent Fund, a savings account vastly different in concept than the spending plan embodied in the Major Projects Fund.

A constitutionally-dedicated Major Projects Fund is an even more serious affair than the statutorily-earmarked funds that the framers of the Constitution objected to, because this fund would be set in the Constitution and could only be removed by another constitutional amendment.

Alaska's Constitution, we should remember, is the framework for our government. It speaks only to the broad principles of governmental organization and operation. It is a model of simplicity; with its lack of statutory-language clutter, it has seen little need for amendment. It was certainly never intended by its framers to be an appropriations measure.

The problem

The problem that the Major Projects Fund attempts to respond to is that of appropriating enough money for large capital projects. The argument is that the legislature is unable to fund large projects both because legislators don't know far enough in advance what specific projects to appropriate for (to build up a construction account), and because the nature of the appropriation process encourages the funding of district-sized projects rather than regional ones.

To argue that we must have a dedicated fund to build large projects is to say that the legislature is incapable of making sound spending decisions for today or the future. This may well be true of the present legislature. It is not necessarily true of a future legislature that is willing to break from the porkbarrel appropriation process of the recent-past and take responsibility for meeting the present and future needs of Alaskans.

The real intent of the Major Projects Fund seems to be to tie the hands of future legislatures to openly compete for state dollars to serve Alaska's needs by "constitutionalizing" additional pork-barreling for today's favorite large projects.

Given a more fiscally-responsible legislature, there are numerous unexplored ways of financing large capital projects. Appropriations for any purposes can be made now, with a simple majority vote, and special accounts can be set up to save for approved projects. There are, additionally, many creative ways of financing major projects using various kinds of tax-exempt financing, debt restructuring, and leveraged leasing involving private enterprise and federal tax credits. None of these have been explored because of an assumption that the state has an open checkbook from which to write unlimited checks.

Effect on state finances

The Governor's MPF provides for a dedication of 10% of all oil revenues through 1990. Using OMB projections and assuming 50th percentile petroleum revenue forecasts, the fund would accrue \$2.2 billion plus interest by 1990.

However, again using OMB calculations, if you assume the more conservative 30th percentile revenues and a yearly capital budget (for traditional capital items) of \$700 million, the total "surplus" revenues available between now and 1990 are only \$320 million. This translates into less than 2% of oil revenues. Therefore, under this scenario, more than 8% of that dedicated to major projects would not be coming from surplus monies but from the "regular" capital budget (and possibly a shrinking operating budget).

Under any scenario, any amount dedicated after 1990 would seriously impact funds available for any other capital or operating items.

It should be noted that the 10% proposed for the MPF is from total petroleum revenue and equates in dollars to approximately the 25% of oil royalties that are dedicated to the Permanent Fund. The stated reason for choosing 10% was, according to OMB, because 10% "is a concept that is easily grasped, approximates the proportion that is currently dedicated to the Permanent Fund, and the amount should not seem overwhelming" and because "this appears to be enough to consider the possibility of financing Susitna sometime in the future."

Susitna

The MPF has been embraced by the legislature primarily as a means by which to assure the construction of the proposed Susitan Hydroelectric Project.

The Susitna project is still under study by the Alaska Power Authority and no final determination of its economic feasibility has yet been made. The APA expects to have both an update on the project's economics and a proposed financing plan completed later this month.

With a total projected cost for Susitna of \$12-15 billion (nominal dollars), and without a financing plan, the possibility of committing \$2-3 billion to a project that still could not be financed or to partially building a project that could not be completed, is a very serious one. Some legislators have assumed that supplemental federal REA financing will be available, despite the most-current information that it is highly unlikely to be.

By specifying Susitna (or Watana), or even simply hydroelectric projects, in the Constitution, no leeway is allowed for the possibility that full financing may not be obtained, or that other projects, including gas generation from the North Slope, might prove more feasible. (A technological breakthrough in transmitting gas-fired electricity from the North Slope to Fairbanks is entirely possible in the near-future, and would, incidentally, do much more for those tax bases and local employment than Susitna). Any flexibility in responding to public needs, for electricity or anything else, would be lost by enshrining specific projects or types of projects in the Constitution.

Equity

Given that the MPF would be earmarked for major capital projects most likely to be located in the Railbelt, and that Susitna alone could require more than the entire fund, there is concern for establishing some regional equity.

The Governor addressed the equity issue by requiring that projects funded would have to receive a two-thirds vote of each house. This, he believed, would require gaining the support of rural legislators by providing for their areas in the annual budget.

Recent drafts of the MPF assign a per centage of the fund to the power cost assistance program, to subsize electric rates statewide to the mean rate in the three largest cities (postage stamp concept). This approach removes the general trade-off that would have resulted as all sides maneuvered to reach some reasonable distribution of total funds to a direct horsetrade-- Susitna for PCAP. This again leaves no flexibility for meeting future needs.

Energy issues

What was initially conceived as a way of providing for major projects of all kinds has now been narrowed to providing electricity.

Providing for power supplies is a real issue, primarily because past attempts have been disasters. There still is no statewide energy planning, the Railbelt's needs have not been addressed in a logical manner, and there's no plan for improving the rural situation except for continuing direct subsidies.

However, there is no reason to assume that a reasonable solution to Alaska's energy needs can not be developed in a logical manner without porkbarreling through the Constitution. Again, the open checkbook and the desire for job-creating capital projects at the expense of planning,

meeting needs, and seeking cost-effective long-term solutions has caused the problem; the solution should clearly not be another open checkbook, projects built for jobs instead of meeting needs, and institutionalizing greater subsidies rather than seeking long-term solutions.

the administration ~~The legislature~~ failed in 1981 to separate the issues of power needs from those of creating jobs through capital projects and sharing the oil wealth. Is it necessary to not only repeat that mistake but to incorporate it into the Constitution?

The Four Dam Pool

Railbelt legislators believe that those areas of the state that received state funding for dams now owe a debt to the Railbelt for a project of its own. They believe that the Susitna clause in the Energy Program for Alaska assures that the debt will be paid, and that they "hold a hammer" over the Four Dam Pool to guarantee Susitna.

In fact, the Railbelt has no such hammer. The Susitna clause, if left in law, will prevent any utilities from signing power sales contracts for any projects in the Energy Program for Alaska, including Susitna. Moreover, it is more to the advantage of the Railbelt to repeal the clause than to the Four Dam Pool communities. The \$200 million in short-term notes must be paid off (the only alternative is default, an obviously unacceptable one.) There are two ways that it can be paid off. The first is a cash appropriation. The second is by replacing the notes with long-term revenue bonds. This can only be done if power sales contracts are signed, guaranteeing revenues, and contracts will only be signed if the Susitna clause is removed from law. The Four Dam Pool communities know the notes will be paid, one way or the other. The incentive to allow the bond sale, only possible through removal of the clause, lies with the Railbelt, because the entire state will bear the cost if bonds can not be sold. (There are in fact two costs-- the direct \$200 million one and a cost in the bond market, which will look unfavorably upon the failure to bond and will likely charge higher rates in the future as a result.)

Details

The draft CS HJR 57 (Resources), as of March 5, in addition to all of the major issues above, includes a number of questionable details.

The dedication is forever, or until the constitutional amendment is repealed by another constitutional amendment. Projected revenues indicate that after 1990 there simply would not be surplus money available, and that operating and capital budgets would have to be reduced drastically. The result of this provision would be that as the state headed for financial disaster, voters would have to choose between amending the Constitution to end the Permanent Fund, the MPF, or both.

The first appropriation made from the MPF must be for Watana, unless a two-thirds vote of each house disapproves the project. Given the financial requirements for Watana, it is unlikely that any other projects would ever receive funding. It is also very possible that, without federal assistance or the sale of tax-exempt bonds, enough money for the project would ever be deposited in the fund, even while causing major restrictions in funding other state capital and operating needs.

The fund revolves, that is, any revenues repaid from appropriations made from it go back to the fund and can only be used for more major

projects. The money is never available to meet any other needs the state may have.

Projects must be owned by the state. This puts the state in direct competition with private enterprise for construction of capital projects, and would prohibit the financing of projects that weren't clearly under state ownership (such as the railroad), that involved any kind of joint ownership, or that involved some private financing such as leveraged leasing.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST CS FISCAL DETAIL
 Bill/Resolution No.: HJR 57 (Res) Agency Affected: Elections
 Title: proposing amendment to Constitution re capital projects Program Category Affected: _____
 Sponsor: Rules BRU, Program or Subprogram(s) Affected: _____
 Requestor: Governor
 Date of Request: March 5, 1984

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		1.0				
400 SUPPLIES		-0-				
500 EQUIPMENT		-0-				
600 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS		-0-				
800 MISCELLANEOUS		-0-				
TOTAL OPERATING		1.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

the cost of one page in the Election Pamphlet is 1.0

ANALYSIS: Attach a separate page for analysis

Prepared By: T.P. Thoma. Information Officer Phone: 4611
 Division: Elections Date: _____

Approved by Commissioner: *Sally K. Harris* Date: *3/5/84*
 Agency: *Legislative Finance*

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

BILL SHEFFIELD, GOVERNOR

OFFICE OF THE GOVERNOR

POUCH AD
JUNEAU, ALASKA 99811
PHONE: (507) 465-3558

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF STRATEGIC PLANNING

March 7, 1984

The Honorable Charlie Bussell
Alaska State House
Pouch V
Juneau, AK 99811

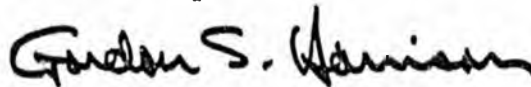
Dear Representative Bussell:

Attached to this letter are projections of State revenue and contributions to the Major Projects Fund as proposed in CSHJR 57. Contribution estimates are based on the assumption that ten percent of oil revenues, excluding corporate income tax on oil and gas producers and property tax on oil and gas production property, would be set aside in the Fund beginning in FY 1986.

These projections incorporate current royalty and severance tax revenue estimates published by the Department of Revenue. Other petroleum and non-petroleum revenue projections are those of OMB, but they are similar to the estimates used by the Department of Revenue internally.

We have analyzed the cash flow of the Major Projects Fund (CSHJR 57) with both 30th and 50th percentile estimates of severance tax and royalty income. Note that our estimates of unrestricted revenue are based on current law, and are not adjusted for deposits into the Fund.

Sincerely,



Gordon S. Harrison
Associate Director

mm/84I-57

50TH PERCENTILE
ROYALTIES, SEVERANCE TAXES,
AND FEDERAL MINERAL REVENUE SHARING PAYMENTS *
(\$ Million; Nominal)

FY	<u>DOR</u> <u>50%</u>	<u>DOR</u> <u>50%</u>	<u>OMB</u> <u>Estimate</u>	Total
	Gross Royalties	Severance Taxes	Federal Mineral Revenue Sharing	
1986	1,480	1,450	18	2,948
1987	1,670	1,630	18	3,318
1988	1,820	1,520	18	3,358
1989	2,080	1,730	18	3,828
1990	2,140	1,770	18	3,928
1991	1,950	1,540	18	3,508
1992	1,940	1,460	18	3,418
1993	1,940	1,430	18	3,388
1994	1,900	1,370	18	3,288
1995	1,770	1,270	18	3,058
1996	1,650	1,100	18	2,768
1997	1,700	1,140	18	2,858
1998	1,750	1,150	18	2,918

* The Major Projects Fund proposal for which this was prepared also specifies that ten percent of "mineral lease rentals" and "royalty sale proceeds" be set aside in the Fund. Estimates of royalty sale proceeds are included in the "Gross Royalties" reported above. Mineral lease rentals are a relatively minor source of income (less than Federal mineral revenue sharing payments) and long-range forecasts are not readily available.

OMB

3-7-84

30TH PERCENTILE
ROYALTIES, SEVERANCE TAXES,
AND FEDERAL MINERAL REVENUE SHARING PAYMENTS *
(\$ Million; Nominal)

FY	DOR <u>30%</u>	DOR <u>30%</u>	OMB <u>Estimate</u>	Total
	Gross Royalties	Severance Taxes	Federal Mineral Revenue Sharing	
1986	1,320	1,300	18	2,638
1987	1,470	1,440	18	2,928
1988	1,590	1,310	18	2,918
1989	1,770	1,460	18	3,248
1990	1,680	1,350	18	3,048
1991	1,560	1,150	18	2,728
1992	1,540	1,090	18	2,648
1993	1,470	990	18	2,478
1994	1,390	920	18	2,328
1995	1,300	880	18	2,198
1996	1,230	760	18	2,008
1997	1,260	770	18	2,048
1998	1,270	790	18	2,078

* The Major Projects Fund proposal for which this was prepared also specifies that ten percent of "mineral lease rentals" and "royalty sale proceeds" be set aside in the Fund. Estimates of royalty sale proceeds are included in the "Gross Royalties" reported above. Mineral lease rentals are a relatively minor source of income (less than Federal mineral revenue sharing payments) and long-range forecasts are not readily available.

OMB

3-7-84

CONTRIBUTIONS TO MPF
(\$ Million; Nominal)

<u>FY</u>	<u>At 50th Percentile</u>		<u>At 30th Percentile</u>	
	<u>Total Royalties, Severance Taxes, and FMRS *</u>	<u>10% to MPF</u>	<u>Total Royalties, Severance Taxes, and FMRS *</u>	<u>10% to MPF</u>
1986	2,948	295	2,638	264
1987	3,318	332	2,928	293
1988	3,358	336	2,918	292
1989	3,828	383	3,248	325
1990	3,928	393	3,048	305
1991	3,508	351	2,728	273
1992	3,418	342	2,648	265
1993	3,388	339	2,478	248
1994	3,288	329	2,328	233
1995	3,058	306	2,198	220
1996	2,768	277	2,008	201
1997	2,858	286	2,048	205
1998	2,918	292	2,078	208
TOTAL		4,261		3,332

* FMRS = Federal mineral revenue sharing payments.

OMB

3-7-84

CONTRIBUTIONS TO PERMANENT FUND
(S Million; Nominal)

FY	<u>At 50th Percentile</u>			<u>At 30th Percentile</u>		
	Non-Tax. Pet. Rev. (Excl. Bonuses)	Perm. Fund Contribution Rate	Perm. Fund Contributions	Non-Tax. Pet. Rev. (Excl. Bonuses)	Perm. Fund Contribution Rate	Perm. Fund Contributions
1986	1,498	.25	375	1,338	.25	335
1987	1,688	.25	422	1,488	.25	372
1988	1,838	.25	460	1,608	.25	402
1989	2,098	.25	525	1,788	.25	447
1990	2,158	.25	540	1,698	.25	425
1991	1,968	.25	492	1,578	.25	395
1992	1,958	.27	529	1,558	.27	421
1993	1,958	.27	529	1,488	.27	402
1994	1,918	.28	537	1,408	.28	394
1995	1,788	.28	501	1,318	.28	369
1996	1,668	.29	484	1,248	.29	362
1997	1,718	.30	515	1,278	.30	383
1998	1,768	.30	530	1,288	.30	386

OMB

3-7-84

UNRESTRICTED GENERAL FUND REVENUE: 50TH PERCENTILE
(\$ Million)

FY	50th Percentile * Pet. Rev. Minus P.F. Contr.	OMB	OMB	Unrestricted Gen. Fund Revenue	Unrestricted Gen. Fund Revenue (1985 dollars)
		<u>Estimate</u>	<u>Estimate</u>		
		Investment Income	Other (Non-Pet.) Revenue		
1986	3,124	250	272	3,646	3,440
1987	3,505	250	287	4,042	3,609
1988	3,518	250	303	4,071	3,421
1989	3,964	250	320	4,534	3,598
1990	4,042	250	337	4,629	3,454
1991	3,662	250	356	4,268	3,006
1992	3,557	250	376	4,183	2,789
1993	3,546	250	397	4,193	2,637
1994	3,444	250	420	4,114	2,434
1995	3,252	250	443	3,945	2,204
1996	2,945	250	469	3,664	1,928
1997	3,056	250	495	3,801	1,891
1998	3,120	250	524	3,894	1,828

* Includes corporate income tax on oil and gas producers and oil and gas production property tax, in addition to royalties, severance taxes, and federal mineral revenue sharing payments.

CMB

3-7-84

UNRESTRICTED GENERAL FUND REVENUE: 30TH PERCENTILE
(\$ Million)

FY	30th Percentile Pet. Rev. * Minus P.F. Contr.	OMB	OMB	Unrestricted Gen. Fund Revenue	Unrestricted Gen. Fund Revenue (1985 dollars)
		<u>Estimate</u>	<u>Estimate</u>		
		Investment Income	Other (Non-Pet.) Revenue		
1986	2,854	250	272	3,376	3,185
1987	3,165	250	287	3,702	3,305
1988	3,136	250	303	3,689	3,100
1989	3,462	250	320	4,032	3,200
1990	3,277	250	337	3,864	2,884
1991	2,979	250	356	3,585	2,525
1992	2,895	250	376	3,521	2,347
1993	2,763	250	397	3,410	2,145
1994	2,627	250	420	3,297	1,951
1995	2,524	250	443	3,217	1,797
1996	2,307	250	469	3,026	1,593
1997	2,378	250	495	3,123	1,554
1998	2,424	250	524	3,198	1,501

* Includes corporate income tax on oil and gas producers and oil and gas production property tax, in addition to royalties, severance taxes, and federal mineral revenue sharing payments.

OMB

3-7-84

MPF CUMULATIVE BALANCE: 50TH PERCENTILE
(\$ Million)

<u>Deposit Date</u>	<u>Deposit Amount</u>	<u>9% Interest</u>	<u>Balance</u>	<u>Balance Date</u>	<u>Balance in \$ 1985 (6% inflation)</u>
1-1-86	295	27	322	12-31-86	304
1-1-87	332	59	713	12-31-87	637
1-1-88	336	94	1,143	12-31-88	961
1-1-89	383	137	1,163	12-31-89	1,320
1-1-90	393	185	2,241	12-31-90	1,672
1-1-91	351	233	2,825	12-31-91	1,989
1-1-92	342	285	3,452	12-31-92	2,301
1-1-93	339	341	4,132	12-31-93	2,599
1-1-94	329	401	4,862	12-31-94	2,877
1-1-95	306	465	5,633	12-31-95	3,147
1-1-96	277	532	6,442	12-31-96	3,391
1-1-97	286	606	7,334	12-31-97	3,649
1-1-98	292	686	8,312	12-31-98	3,902

Assumptions: 1) No expenditures from the fund.

2) MPF lump sum deposit in the middle of the fiscal year.

OMB

3-7-84

MPF CUMULATIVE BALANCE: 30TH PERCENTILE
(\$ Million)

<u>Deposit Date</u>	<u>Deposit Amount</u>	<u>9% Interest</u>	<u>Balance</u>	<u>Balance Date</u>	<u>Balance in \$ 1985 (6% inflation)</u>
1-1-86	264	24	288	12-31-86	272
1-1-87	293	52	633	12-31-87	565
1-1-88	292	83	1,008	12-31-88	847
1-1-89	325	120	1,453	12-31-89	1,153
1-1-90	305	158	1,916	12-31-90	1,430
1-1-91	273	197	2,386	12-31-91	1,680
1-1-92	265	239	2,890	12-31-92	1,927
1-1-93	248	282	3,420	12-31-93	2,151
1-1-94	233	329	3,982	12-31-94	2,356
1-1-95	220	378	4,580	12-31-95	2,559
1-1-96	201	430	5,211	12-31-96	2,743
1-1-97	205	487	5,903	12-31-97	2,937
1-1-98	208	550	6,661	12-31-98	3,127

OMB

3-7-84



1481257

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 23, 1984

The Honorable Joe Hayes
Speaker of the House
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution which proposes an amendment to the Alaska Constitution creating a major projects fund.

As you know, the state treasury will continue to receive substantial petroleum revenues for many years to come. However, our best current estimates indicate that large annual cash surpluses above operating budget requirements will cease to be available by the early 1990's. There is still time to set aside enough for one or more major capital projects that can serve as foundations for Alaska's future economy, but the opportunity to do so will probably be gone within the next six or seven years. Examples of major projects are the Susitna hydroelectric project; road and port infrastructure projects in rural Alaska for support of mining, fishing, and other economic development activities; the Knik Arm Crossing; the Bradley Lake hydroelectric project; Eklutna water supply; and renovation and extension of the Alaska Railroad.

The major projects fund is needed to accumulate the revenue for these large projects. There are two reasons for this. First, for many of these large projects and especially for Susitna, there still is not enough clear information to warrant unequivocal commitment. Actual construction might not begin for a number of years because of the length of time necessary for engineering, environmental study, obtaining permits, and demonstration of economic feasibility.

Ten percent of total petroleum revenue approximates the proportion that is currently dedicated to the permanent fund. For fiscal year 1985, this would require a deposit to the major projects fund of approximately \$300 million, which allows an operating budget of \$2.1 billion, a regular capital budget of \$700 million, loan appropriations of \$260 million, and enough remaining money for debt service and other likely obligations.

There are several other significant features of the amendment.

(1) Deposits to the fund begin in fiscal year 1985 and continue through fiscal year 1990, in keeping with current expectations of future revenue availability.

(2) Disbursements from the fund for a project cannot be made until all sources of the money necessary to complete the project (or a stand-alone phase of a larger project) has been identified and the money committed.

(3) A cost threshold of \$100 million is set for projects to qualify for financing from the fund. This minimum allows reasonable flexibility for covering such projects as the Susitna and Bradley Lake dams, the Knik Crossing, and extension of the Alaska Railroad, without opening the fund to capital projects that can be effectively addressed in the regular capital budget process.

(4) Appropriation bills to spend from the fund must have a two-thirds majority vote in order to pass the legislature. The purpose of this requirement is to assure that projects have state-wide support at the time disbursements are made.

(5) Expenditures from the fund must be recovered and returned to the fund over the operational life of the project. The intent is to recover the principal of the fund from fees generated by the project.

(6) Neither deposits to the fund nor appropriations from the fund would be subject to the appropriation limit.

Alaska

MUNICIPAL

League

TELEPHONES
(907) 586-1325
(907) 586-6526

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

AML RESOLUTION SUPPORTING MAJOR PROJECTS FUND

WHEREAS Governor Sheffield has proposed a major projects fund to accumulate revenues for large capital projects in Alaska; and

WHEREAS Alaskan municipalities and their residents may benefit from the construction of major projects in their areas; and

WHEREAS it is difficult through conventional capital budgeting procedures to secure large direct appropriations for major projects; and

WHEREAS the Governor has indicated that sufficient revenues can be dedicated to this fund without reducing the amount available for other important current state programs; and

WHEREAS such a fund will help prepare the state for the day when annual cash surpluses above operating budget requirements decline substantially;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Alaska Municipal League that the Board extends its conceptual support to a major projects fund, as long as the fund does not negatively impact other state programs which support Alaskan municipalities.

Adopted by the AML Board of Directors, January 31, 1984 in Juneau, Alaska.

ALASKA MUNICIPAL LEAGUE

Betty J. Glick

Betty J. Glick

President

ATTEST:

Scott A. Burgess

Scott A. Burgess

Executive Director