

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

3/22/85

Date: 4-23-85

The Committee on FINANCE has had HB 9

"An Act relating to payments to the Alaska permanent fund required by the Constitution of the State of Alaska; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 9 (SN) same title new title
- and recommends no recommendation
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Mike Donohue
Fred Farnsworth
Jack
Sealant

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Richard Johnson No Rec.
Pat Uhley (do not pass)
Albert P. Adams No Rec
John P. [unclear] No Rec
Albert P. Adams
CHAIRMAN

Offered: 3/22/85
Referred: Finance

Original sponsors: Szymanski, Clocksin,
Pourchot and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 9 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent
7 fund required by the Constitution of the State of
8 Alaska; and providing for an effective date."

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

10 * Section 1. PURPOSE. It is the purpose of this Act to maximize the
11 constitutionally required payments of state oil and gas revenue to the
12 Alaska permanent fund in order to increase the principal of the fund to the
13 point that there will be enough interest from the fund to pay a significant
14 portion of the expense of state government when oil and gas revenue de-
15 clines. In this manner state oil and gas revenue can be better allocated
16 to achieve both short-term and long-term benefits for the state, while
17 still protecting the principal of the permanent fund.

18 * Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is
20 established as a separate fund the Alaska permanent fund. The Alaska
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
24 (g), and federal mineral revenue sharing payments and bonuses received
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated
27 by law to the Alaska permanent fund.

28 * Sec. 3. This Act takes effect July 1, 1986.

29

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 4/22/84

REQUEST

Bill/Resolution No: CSHB 9 (St. Affs)
 Title: Relating to payments to the
Alaska Permanent Fund
 Sponsor: State Affairs Committee
 Requestor: House Finance Committee
 Date of Request: April 22, 1985

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	(294.0)	(275.3)	(249.2)	(238.0)
DIVIDEND FUNDS	-	-	1.3	5.4	12.5	22.4
PF-PRINCIPAL	-	-	296.5	293.1	285.7	290.4
PF-UIA	-	-	(1.5)	7.8	11.4	14.8

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Robert Elliott
 Division: Revenue - Research Section

Phone: 465-2173
 Date: 4/23/85

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE, CSHB 9
 (State Affairs)
 Attachment

Analysis for CSHB 9 (State Affairs)

If all Permanent Fund contributions were increased to 50% as proposed in this bill, the Permanent Fund principal would receive the estimated additional contributions as shown in Table 1. However, these additional contributions to the Permanent Fund would require a reduction by an equal amount from those specific mineral revenues currently received by the General Fund. The following table shows a breakdown by fiscal year of the proposed increased contribution rate.

TABLE 1
 (Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Contributions</u>	-	<u>Existing 25% & 50% Rate Perm. Fund Contributions</u>	= <u>Difference</u>
1987	567.65		283.83	283.82
1988	538.07		273.67	264.40
1989	506.41		267.07	239.34
1990	484.62		256.03	228.59

The above difference represents both the amount of additional contributions to the Permanent Fund, and the amount of loss the General Fund would experience in offsetting those additional Permanent Fund contributions. Estimates were based on the March 1985 revenue projections (30% case), and included the \$200 million Permanent Fund appropriation deposited in December 1984. Furthermore, revenue estimates from proposed bonus sales were not included in the above analysis, since bonus bids are impossible to anticipate prior to sales.

Since the General Fund balance would be lower during the year due to less mineral revenues, the investment earnings on the General Fund would subsequently decrease as well. Table 2 shows the decrease in General Fund investment earnings.

TABLE 2
(Millions of Dollars)

<u>FY</u>	<u>Existing 25% & 50% Rate Gen. Fund Invest. Earnings</u>	-	<u>Proposed 50% Rate Gen. Fund Invest. Earnings</u>	= <u>Difference</u>
1987	195.0		184.8	10.2
1988	178.8		167.9	10.9
1989	171.0		161.1	9.9
1990	163.2		153.8	9.4

Thus, the total estimated loss of revenues the General Fund would experience would be the sum of the difference in Table 1 (mineral revenues plus the difference in Table 2 (investment earnings) as shown below in Table 3.

TABLE 3
(Millions of Dollars)

<u>FY</u>	<u>General Fund Mineral Revenues</u>	+	<u>General Fund Investment Earnings</u>	<u>Total Loss To General Fund</u>
1987	283.8		10.2	294.0
1988	264.4		10.9	275.3
1989	239.3		9.9	249.2
1990	228.6		9.4	238.0

The total gain by the Permanent Fund principal would not only include those additional mineral revenues as shown in Table 1, but would also include additional inflation proofing since the Permanent Fund principal balance would be increased. Table 4 shows the additional inflation proofing needed to protect the additional Permanent Fund principal.

TABLE 4
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Inflation Proofing</u>	-	<u>Existing 25% & 50% Rate Inflation Proofing</u>	= <u>Difference</u>
1987	305.98		293.27	12.71
1988	392.52		363.83	28.69
1989	480.08		433.66	46.42
1990	534.11		472.28	61.83

Thus, the total estimated gain the Permanent Fund principal would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 4 (inflation proofing) as shown in Table 5.

TABLE 5
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Mineral Revenues</u>	+	<u>Permanent Fund Inflation Proofing</u>	=	<u>Total Gain to Permanent Fund Principal</u>
1987	283.8		12.7		296.5
1988	264.4		28.7		293.1
1989	239.3		46.4		285.7
1990	228.6		61.8		290.4

The estimated figures for the dividend fund represent those additional earnings which would be transferred from the Permanent Fund's distributable earnings to the dividend fund each year. Table 6 illustrates the fiscal impact to the dividend fund.

TABLE 6
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Dividend Fund</u>	-	<u>Existing 25% & 50% Rate Dividend Fund</u>	=	<u>Total Gain to Dividend Fund</u>
1987	291.05		289.80		1.25
1988	325.83		320.39		5.44
1989	364.74		352.26		12.48
1990	404.65		382.27		22.38

Since there is an additional amount of Permanent Fund principal, there will be additional Permanent Fund investment earnings. These are shown below in Table 7.

TABLE 7
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Permanent Fund Investment Earnings</u>	-	<u>Existing 25% & 50% Rate Permanent Fund Investment Earnings</u>	=	<u>Difference</u>
1987	654.37		641.86		12.51
1988	819.26		777.29		41.97
1989	919.04		848.73		70.31
1990	1022.18		923.20		98.98

The Undistributed Income Account (UIA) will then experience the following adjustments. Although the UIA will gain additional investment earnings, these will be offset by additional inflation proofing and dividend fund amounts. Table 8 depicts these adjustments made to the UIA.

TABLE 8
(Millions of dollars)

<u>FY</u>	<u>Permanent Fund Investment Earnings</u>	<u>- Inflation Proofing</u>	<u>- Dividend Fund Transfer</u>	<u>= Total Adjustment To UIA</u>	<u>Balance UIA</u>
1987	12.51	12.71	1.25	(1.45)	934.47
1988	41.97	28.69	5.44	7.84	1035.38
1989	70.31	46.42	12.48	11.41	1109.60
1990	98.98	61.83	22.38	14.77	1193.02

This fiscal note is being revised to reflect new revenue estimates presented in early April, 1985.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSHB 9 (St Affs)
 Title: Relating to payments to the Alaska Permanent Fund
 Sponsor: State Affairs Committee
 Requestor: House Finance Committee
 Date of Request: March 23, 1985

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	(358.0)	(341.6)	(326.8)	(309.1)
DIVIDEND FUND	-	-	1.6	6.7	15.5	27.8
PF-PRINCIPAL	-	-	361.3	363.5	372.0	375.0
PF-UIA	-	-	(2.2)	9.2	13.6	18.5

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Robert Elliott
 Division: Revenue - Research Section

Phone: 465-2173
 Date: 4/8/85

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE, CSHB 9 (State Affairs)
Attachment

Analysis for CSHB 9 (State Affairs)

If all Permanent Fund contributions were increased to 50% as proposed in this bill, the Permanent Fund principal would receive the estimated additional contributions as shown in Table 1. However, these additional contributions to the Permanent Fund would require a reduction by an equal amount from those specific mineral revenues currently received by the General Fund. The following table shows a breakdown by fiscal year of the proposed increased contribution rate.

TABLE 1
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Contributions -</u>	<u>Existing 25% & 50% Rate Perm. Fund Contributions =</u>	<u>Difference</u>
1987	690.6	345.3	345.3
1988	684.6	356.6	328.0
1989	675.5	361.7	313.8
1990	650.7	353.8	296.9

The above difference represents both the amount of additional contributions to the Permanent Fund, and the amount of loss the General Fund would experience in offsetting those additional Permanent Fund contributions. Estimates were based on the January 1985 revenue projections (30% case), and included the \$200 million Permanent Fund appropriation deposited in December 1984. Furthermore, revenue estimates from proposed bonus sales were not included in the above analysis, since bonus bids are impossible to anticipate prior to sales.

Since the General Fund balance would be lower during the year due to less mineral revenues, the investment earnings on the General Fund would subsequently decrease as well. Table 2 shows the decrease in General Fund investment earnings.

TABLE 2
(Millions of Dollars)

<u>FY</u>	<u>Existing 25% & 50% Rate Gen. Fund Invest. Earnings -</u>	<u>Proposed 50% Rate Gen. Fund Invest. Earnings =</u>	<u>Difference</u>
1987	230.0	217.3	12.7
1988	222.7	209.2	13.5
1989	216.2	203.3	12.9
1990	206.3	194.1	12.2

Thus, the total estimated loss of revenues the General Fund would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 2 (investment earnings) as shown below in Table 3.

TABLE 3
(Millions of Dollars)

<u>FY</u>	<u>General Fund Mineral Revenues</u>	+	<u>General Fund Investment Earnings</u>	=	<u>Total Loss To General Fund</u>
1987	345.3		12.7		358.0
1988	328.1		13.5		341.6
1989	313.9		12.9		326.8
1990	296.9		12.2		309.1

The total gain by the Permanent Fund principal would not only include those additional mineral revenues as shown in Table 1, but would also include additional inflation proofing since the Permanent Fund principal balance would be increased. Table 4 shows the additional inflation proofing needed to protect the additional Permanent Fund principal.

TABLE 4
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Inflation Proofing</u>	-	<u>Existing 25% & 50% Rate Inflation Proofing</u>	=	<u>Difference</u>
1987	326.7		310.7		16.0
1988	413.9		378.4		35.5
1989	511.1		452.9		58.2
1990	576.2		498.1		78.1

Thus, the total estimated gain the Permanent Fund principal would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 4 (inflation proofing) as shown in Table 5.

TABLE 5
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Mineral Revenues</u>	+	<u>Permanent Fund Inflation Proofing</u>	=	<u>Total Gain to Permanent Fund Principal</u>
1987	345.3		16.0		361.3
1988	328.0		35.5		363.5
1989	313.8		58.2		372.0
1990	296.9		78.1		375.0

The estimated figures for the dividend fund represent those additional earnings which would be transferred from the Permanent Fund's distributable earnings to the dividend fund each year. Table 6 illustrates the fiscal impact to the dividend fund.

TABLE 6
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Dividend Fund</u>	-	<u>Existing 25% & 50% Rate Dividend Fund</u>	=	<u>Total Gain to Dividend Fund</u>
1987	287.4		285.8		1.6
1988	324.3		317.6		6.7
1989	367.2		351.7		15.5
1990	413.0		385.2		27.8

Since there is an additional amount of Permanent Fund principal, there will be additional Permanent Fund investment earnings. These are shown below in Table 7.

TABLE 7
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Permanent Fund Investment Earnings</u>	-	<u>Existing 25% & 50% Rate Permanent Fund Investment Earnings</u>	=	<u>Difference</u>
1987	666.0		650.6		15.4
1988	840.9		789.5		51.4
1989	958.4		871.1		87.3
1990	1081.7		957.3		124.4

The Undistributed Income Account (UIA) will then experience the following adjustments. Although the UIA will gain additional investment earnings, these will be offset by additional inflation proofing and dividend fund amounts. Table 8 depicts these adjustments made to the UIA.

TABLE 8
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Investment Earnings</u>	-	<u>Inflation Proofing</u>	-	<u>Dividend Fund Transfer</u>	=	<u>Total Adjustment To UIA</u>	<u>Balance UIA</u>
1987	15.4		16.0		1.6		(2.2)	864.4
1988	51.4		35.5		6.7		9.2	967.1
1989	87.3		58.2		15.5		13.6	1047.3
1990	124.4		78.1		27.8		18.5	1139.7

*At times, the Department of Revenue and the Alaska Permanent Fund Corporation may differ as to the estimated fiscal impacts of legislation. Differences arise because each employs a different set of investment assumptions. Consequently, projections depicting net income, inflation proofing amounts and dividend transfers may likely vary.

Furthermore, while the Department of Revenue is strictly concerned with accurately forecasting total revenues, the Permanent Fund Corporation, with its trust fund management responsibilities, has established its assumptions to measure investment returns in accordance with standards developed for fiduciaries. Therefore, the Permanent Fund Corporation's assumptions will frequently and appropriately yield more conservative investment results.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 9 (SA)
 Title: Payments to the Alaska
Permanent Fund
 Sponsor: House State Affairs
 Requestor: House Finance
 Date of Request: March 25, 1985

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: March 26, 1985

Approved by Commissioner: _____
 Agency: Department of Revenue

Date: _____

Distribution (by Agency preparing fiscal note):

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

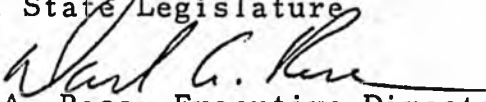


Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: April 22, 1985

TO: The Honorable Mike Szymanski
Alaska State Legislature

FROM: 
David A. Rose, Executive Director
Alaska Permanent Fund Corporation

SUBJECT: Effect of Increasing the Dedication Rate of State Revenues
to the Alaska Permanent Fund per House Bill No. 9

For your information, I have prepared the following schedules which set forth different levels of dedicated State Revenues and depict associated impact on earnings, dividends, etc.

These schedules are based on the March revenue estimates, and replace earlier ones sent to you on January 18, 1985.

SHEET NUMBER 1. Revenues and impact associated with using the current statute (25% Pre 1980 and 50% Post 1979) dedication and 30% revenue case.

SHEET NUMBER 2. Revenues and impact associated with increasing the current statute dedication to a 50% contribution rate, per House Bill No. 9 using the 30% revenue case.

The Hon. Mike Szymanski
April 22, 1985
Page 2

One way to compare this bill with the status quo is to compare the respective ending principal balances and net income in the year 2000:

	<u>Status Quo</u>	<u>House Bill No. 9</u>	<u>Difference</u>
Ending Balance:	\$19.6 billion	\$24.8 billion	\$5.2 billion
Net Income:	\$ 1.75 billion	\$ 2.21 billion	\$460.0 million

SHEET NUMBER 3. This schedule shows the annual increase in dedicated State revenues over the status quo, per House Bill No. 9. (See column labeled "50% Incr.")

Please note the diminishing effect, over time, of the increase in the contribution rate. This is due to the accelerating decline in production of Prudhoe Bay oil in the 1990s.

DAR/af

cc: Rep. Don Clocksin
Rep. Pat Pourchot
Rep. Mike Navarre

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/16/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)							
Beginning FY Balance	Appro- priations	Dedicated		Inflation Adjusted		Net Income	Distributions			Reserves		Total Assets	FY
		State Revenues*	Inflation Proofing	Ending Balance	Ending Shortfall		Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4		54.4		1.8			1.3	.5		55.0	78
79	54.4	84.1		138.5		8.0			6.6	1.4		140.5	79
80	138.5	344.4	.3	483.2		32.4	11.8	.3	11.8	8.5		502.9	80
81	483.2	900.0	.2	1,768.5		149.9	27.5	.2	27.5	36.0	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		368.4	71.1		71.1	41.1	185.1	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		471.1	107.9	231.2	109.5	(87.5)	110.0	4,593.0	83
84	4,021.2	300.0	366.2	4,838.3		529.5	175.0	150.9			203.6	5,530.8	84
85	4,838.3	300.0	358.3	5,730.8		550.9	217.0	234.2			199.7	6,704.9	85
86	5,730.8		307.6	6,400.7		625.9	264.6	352.3			(1.0)	7,421.4	86
87	6,400.7		283.8	7,085.6		687.8	296.5	401.1			(9.8)	8,128.4	87
88	7,085.6		273.7	7,800.9		751.0	324.5	441.6			(15.1)	9,615.9	88
89	7,800.9		267.1	8,552.1		816.7	353.2	484.1			(20.5)	11,220.4	89
90	8,552.1		256.1	9,336.7		895.0	376.6	528.5			(20.1)	12,078.0	90
91	9,336.7		237.1	10,148.2		956.1	409.7	574.4			(28.0)	13,896.8	91
92	10,148.2		237.3	11,008.6		1,030.0	443.9	623.1			(37.0)	15,858.7	92
93	11,008.6		229.5	11,912.4		1,107.2	479.5	674.3			(46.6)	18,019.8	93
94	11,912.4		218.0	12,858.2		1,187.5	516.6	727.8			(56.9)	20,386.5	94
95	12,858.2		207.8	13,850.0		1,270.7	555.2	784.0			(68.5)	21,741.2	95
96	13,850.0		202.5	14,895.7		1,357.5	595.3	843.2			(81.0)	23,486.1	96
97	14,895.7		199.6	16,001.0		1,448.3	637.1	905.7			(94.5)	25,863.5	97
98	16,001.0		197.4	17,170.3		1,543.4	680.7	971.9			(109.2)	28,916.1	98
99	17,170.3		195.0	18,407.2		1,643.2	726.3	1,041.9			(125.0)	32,916.1	99
0	18,407.2		187.8	19,612.5	98.2	1,747.7	774.0	1,017.5			(43.8)	38,616.1	0
1	19,612.5		267.8	20,916.8	156.3	1,860.9	824.4	1,036.5				45,416.1	1

* Source: Alaska Department of Revenue

** Chapter 81, SSA 1982, Sec. 15(b)

SHEET NUMBER ONE

ASSUMPTIONS: 30% CASE FORECAST - 3rd Qtr FY95

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.75% Return FY85
- 6% Average Inflation FY86-FY00
- 3% Average Return FY86-FY00

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/21/85

-----PRINCIPAL: ACTUAL & PROJECTED-----										-----INCOME: ACTUAL & PROJECTED-----				
(in millions)										(in millions)				
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	Ending Balance	Inflation Adjusted Proofing Shortfall	Ending Balance	Net Income	Distributions		Reserves			Total Assets	FY
								Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4		54.4		54.4	1.8		1.3	.5			55.0	79
79	54.4	84.1		138.5		138.5	8.0		5.6	1.4			140.5	79
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	8.5			502.9	80
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		2,969.0	368.4	71.1		41.1	185.1	243.8	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5 (87.5)	110.0	353.8	4,593.0	83
84	4,021.2	300.0	150.9	4,838.3		4,838.3	529.5	175.0	150.9		203.6	557.4	5,530.8	84
85	4,838.3	300.0	234.2	5,730.8		5,730.8	650.9	217.0	234.2		199.7	757.1	6,704.9	85
86	5,730.8		380.8	6,726.7		6,726.7	640.4	266.0	380.8		(6.4)	750.7	7,743.4	86
87	6,726.7		437.7	7,732.1		7,732.1	731.4	302.3	437.7		(8.6)	742.1	8,776.5	87
88	7,732.1		496.2	8,766.4		8,766.4	824.0	337.6	496.2		(9.8)	732.3	9,836.3	88
89	8,766.4		556.4	9,829.2		9,829.2	919.0	376.6	556.4		(14.0)	718.3	10,924.1	89
90	9,829.2		618.8	10,932.7		10,932.7	1,016.8	413.2	618.8		(15.2)	703.1	12,049.0	90
91	10,932.7		682.7	12,061.2		12,061.2	1,117.6	460.9	682.7		(26.0)	677.1	13,199.2	91
92	12,061.2		750.3	13,255.6		13,255.6	1,221.4	509.9	750.3		(38.8)	638.3	14,403.8	92
93	13,255.6		821.0	14,504.3		14,504.3	1,329.5	560.4	821.0		(51.9)	586.4	15,651.1	93
94	14,504.3		894.8	15,808.9		15,808.9	1,441.5	612.7	894.8		(66.0)	520.4	16,942.0	94
95	15,808.9		971.5	17,163.4		17,163.4	1,556.9	666.7	971.5		(81.3)	439.1	18,269.2	95
96	17,163.4		1,051.9	18,583.9		18,583.9	1,676.2	722.6	1,051.9		(98.3)	340.8	19,647.3	96
97	18,583.9		1,136.8	20,083.9		20,083.9	1,800.6	780.5	1,136.8		(116.7)	224.1	21,088.5	97
98	20,083.9		1,226.5	21,667.8		21,667.8	1,930.7	840.6	1,226.5		(136.4)	87.7	22,596.1	98
99	21,667.8		1,251.3	23,269.3	69.7	23,338.0	2,066.7	903.1	1,251.3		(87.7)		24,171.4	99
0	23,268.3		1,240.3	24,843.1	175.9	25,019.0	2,208.6	968.3	1,240.3				25,811.4	0
1	24,843.1		1,319.6	26,475.0	199.7	26,664.7	2,355.9	1,036.3	1,319.6				27,511.3	1

* Source: Alaska Department of Revenue

** Chapter 91, SCA 1992, Sec. 15(b)

SHEET NUMBER TWO

ASSUMPTIONS: 30% CASE FORECAST - 3rd Qtr FY85

-
- 5% Contribution Rate
- 4.26% Inflation FY85
- 10.76% Return FY85
- 6% Average Inflation FY85-FY90
- 9% Average Return FY86-FY90

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/22/85

-----PRINCIPAL: ACTUAL & PROJECTED-----										-----INCOME: ACTUAL & PROJECTED-----				
(in millions)										(in millions)				
Beginning FY Balance	Appropriations	Dedicated State Revenues *			Inflation Adjusted		Net Income	Distributions			Reserves		Total Assets	FY
		Status Quo	50% Incr.	Inflation Proofing	Ending Balance	Ending Proofing Shortfall		Inflation	General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4			54.4		1.8			1.3	.5		55.0	78
79	54.4	84.1			138.5		8.0			6.6	1.4		140.5	79
80	138.5	344.4		.3	483.2		32.4	11.8	.3	11.8	3.5		502.9	80
81	483.2	900.0	365.1	.2	1,768.5		149.9	27.5	.2	27.5	36.0	58.7	1,874.6	81
82	1,768.5	800.0	400.5		2,969.0		2,969.0	366.4	71.1	71.1	41.1	185.1	3,301.7	82
83	2,969.0	400.0	421.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	199.5 (87.5)	110.0	4,593.0	83
84	4,021.2	300.0	366.2	150.9	4,838.3		4,838.3	529.5	175.0	150.9		203.6	5,530.8	84
85	4,838.3	300.0	358.3	234.2	5,730.8		5,730.8	650.9	217.0	234.2		199.7	6,704.9	85
86	5,730.8		307.6	307.5	380.8	6,726.7	640.4	266.0	380.8			(6.4)	7,743.4	86
87	6,726.7		283.8	283.9	437.7	7,732.1	731.4	302.3	437.7			(8.6)	8,776.5	87
88	7,732.1		273.7	264.4	496.2	8,766.4	824.0	337.6	496.2			(9.8)	9,836.3	88
89	8,766.4		267.1	239.3	556.4	9,829.2	919.0	376.6	556.4			(14.0)	10,924.1	89
90	9,829.2		256.1	228.6	618.8	10,932.7	1,016.8	413.2	618.8			(15.2)	12,049.0	90
91	10,932.7		237.1	208.7	682.7	12,061.2	1,117.6	460.9	682.7			(26.0)	13,199.2	91
92	12,061.2		237.3	206.8	750.3	13,255.6	1,221.4	509.9	750.3			(38.8)	14,403.8	92
93	13,255.6		229.5	198.2	821.0	14,504.3	1,329.5	560.4	821.0			(51.9)	15,651.1	93
94	14,504.3		218.0	191.8	894.8	15,808.9	1,441.5	612.7	894.8			(66.0)	16,942.0	94
95	15,808.9		207.8	175.2	971.5	17,163.4	1,556.9	666.7	971.5			(81.3)	18,269.2	95
96	17,163.4		202.5	166.1	1,051.9	18,583.9	1,676.2	722.6	1,051.9			(98.3)	19,647.3	96
97	18,583.9		199.6	163.6	1,136.8	20,083.9	1,800.6	780.5	1,136.8			(116.7)	21,039.5	97
98	20,083.9		197.4	160.0	1,226.5	21,667.8	1,930.7	840.6	1,226.5			(136.4)	22,596.1	98
99	21,667.8		195.0	154.2	1,251.3	23,269.3	2,066.7	933.1	1,251.3			(87.7)	24,171.4	99
0	23,268.3		187.8	146.7	1,240.3	24,843.1	2,208.6	958.3	1,240.3				25,811.4	0
1	24,843.1		267.8	44.5	1,319.6	26,475.0	2,355.9	1,036.3	1,319.6				27,511.3	1

* Source: Alaska Department of Revenue

** Chapter 81, S.A. 1992, Sec. 15(b)

SHEET NUMBER THREE

ASSUMPTIONS: 50% CASE FORECAST - 3rd Qtr FY85

- 50% Contribution Rate
- 4.26% Inflation FY85
- 10.75% Return FY85
- 5% Average Inflation FY86-FY00
- 5% Average Return FY86-FY00

HOUSE BILL NO. 9



Official Business

Alaska State Legislature

House of Representatives

Representative Mike Szymanski

Rep. Mike Szymanski
801 W. Fireweed Lane, Suite 102
Anchorage, Alaska 99503
Phone 278-6731

SR-A-Box 1304B
Anchorage, Alaska 99502
Phone (907) 349-3373

While in Session:
Pouch V
State Capitol
Juneau, Alaska 99811

FRONT LOADING OF THE PERMANENT FUND: A FINANCIAL AGENDA FOR ALASKA

In 1976, the voters of Alaska voiced their concern over the inevitable decline in state oil revenues by supporting the creation of a state savings account, the Permanent Fund. The outcome of this vote required the state of Alaska to annually place at least 25% of our oil royalties (which is 11% of our oil revenues) into the Permanent Fund.

This session, legislation has been introduced (HB 9) to increase the percentage of direct contributions to the Permanent Fund from 25% to 50%. By so doing, we will strengthen the Fund to the point where the income which it generates will pay a significant portion of the State's future operating expenses.

Currently, Alaska has no overall financial plan to guide us in our savings and spending habits, for now or in the long run. The concept of front loading the Permanent Fund, as proposed in HB 9, would establish as our state financial policy that we save more; front loading would impose a budget restraint mechanism that would wean us from the lavish spending habits we have grown accustomed to during our oil rich years and require that we moderate our spending appetite.

The direct benefits of front loading the Permanent Fund are:

- 1) Front loading will create a steady stream of income and sustain Alaska's Prudhoe oil wealth for future generations. Many of the maintenance and operating costs for major capital projects we are funding today will not be felt for several years. If we do not start

planning for these future costs by saving significant portions of the money we have now, the financial outlook for being able to maintain and operate what we have created is not very promising.

Even with the development of known mineral reserves in Alaska, as well as with the re-institution of the state income tax, we will be unable to fund Alaska's future basic needs such as education, public safety, roads, and health care. And the discovery of new oil fields in Alaska could only temporarily postpone the impending revenue decline. Furthermore, many of the known reserves are not on state land and therefore the revenues generated from the production of those reserves would not be as lucrative for Alaska.

2) Increased contributions to the Permanent Fund will discipline our spending habits and will serve as an impetus for the legislature to look at all capital projects more realistically than has been done in the past, hopefully even encouraging cost benefit analysis before funding them.

The consensus of many economists is that the capital improvement projects we have funded during our oil rich years have not had an appreciable long term impact on economic development in the state of Alaska. Alaska's fisheries, lumber, mineral, and even petroleum industries are on the decline, and except for possibly tourism and construction, Alaska has had a decrease in activities that would strengthen and diversify our economy.

3) The increased contribution schedule will also have an immediate and direct benefit to all Alaskans because, by increasing the amount of money we have in the Permanent Fund, Alaskans will see larger Permanent Fund dividends now, while preserving the opportunity for alternative uses of Permanent Fund earnings in the future.

4) The voters of Alaska have said that we must impose a limit on our extravagant spending appetite, as indicated in their 1980 support

for the constitutional spending limit. However, the "spending limit" is not curbing that appetite. Front loading will impose a workable budget restraint mechanism.

5) In real terms, and based on figures from the Permanent Fund Corporation, it appears that, in 1986, a 50% contribution will yield an additional \$359.8 million over a 25% contribution and in the long term, by the year 2000, there would be an additional \$7 billion in total assets with a 50% contribution as opposed to a 25% contribution.

In short, we have financially overextended ourselves in our oil rich years. The crux of the issue is whether we choose to set aside revenues we have available today in the Permanent Fund or whether we maintain the level of capital expenditures we have grown accustomed to, with high maintenance costs in the future. Any prudent businessman or investor will agree that a strong investment and savings policy is wiser than spending at a maximum level without implementing any mechanism to foot the bills to come in leaner years.

Front loading will establish an overall financial plan for the state of Alaska that will sustain our oil wealth and contribute to our future economic stability. We can fortify our economy now so that future generations can inherit more than a large debt retirement program.

Front loading is a significant alternative that should become a component of our public policy in preparation for Alaska's oil revenue decline. We can practice fiscal responsibility by adhering to the financial agenda proposed through front loading.

OUR POST OIL FUTURE: THERE IS STILL TIME

We all know the lush revenues from Prudhoe Bay will be over in the early 90's. We do not know how much of this revenue will be made up by other finds, but probably the largest part will not. It will depend upon whether the finds are commercial and where they are; the state gets lesser royalties off Federal lands, none from Native holdings, and neither royalties nor taxes beyond the three mile limit. Further, the mineral and other developments expected in this period will be subject to powerful and erratic forces, political as well as economic, which are mostly beyond the state's control. We have no evidence these developments will come with the scale and speed that are required. In theory, the private economy could be expanded through government incentives, controls, and direct spending. But this effort would be so against the grain for Alaskans and would be huge, complex, and fast that it has little chance of being attempted. Judging by experience in other parts of the world, the chances of succeeding are even lower. In short, the state government, and the economy it drives, are headed for a contraction. It only remains to see how severe and how soon. Along the way, personal and business taxation will rise at the same time public services are being lowered.

Many will argue that we have already done all we can to meet this situation: the Permanent Fund of 1976 for savings and the 1982 spending limit, both placed in the constitution. However, the Permanent Fund is not going to be large enough to bear much of the costs of future operating budgets, despite the extra sums that have been put aside in recent years. The spending limit has no effect unless revenues go back to record levels and it has no effect then if two-third votes can be found in the legislature and if the voters concur in the proposals. . Yet the Permanent Fund and the spending limit can be made effective by a single, if painful action. We can decide on the budgets for regular, day to day expenses of the state and keep to a schedule of deposits for the Permanent Fund that will insure the income will be there when needed. A decision can be made later on the whether dividends are to be

ended and the money used for the budget or whether the dividends will, in effect, pay the average family's state taxes.

This is an approach that is under our control. It presses us to reconcile our spending and borrowing costs to our income from savings and other sources, instead of letting events do it the very hard way. And we know how to make the earnings we need safely. The Permanent Fund has been showing good, consistent returns, has been managed in an independent manner and, so far, kept free of social and political goals.

Now, some will insist that "vital" capital projects will be lost by these heavy deposits into the Permanent Fund. Firstly, given the billions that have been spent by the state (and localities) in more urban areas, this argument lacks conviction. Rural Alaska, which has little tax base or bonding capacity (apart from the North Slope Borough), is another matter. Most of the built-up points can afford most any project which people wanted enough to pay for. Secondly, even if there were lists of essential projects in all parts of Alaska, it does not follow that we ought to buy them if we have the cash. We can buy more public works than our post-oil tax base will allow us to operate and maintain, let alone replace, in this harsh climate. The fact is that after the easy times we could be forced to restrict the use of these facilities, or abandon them.

Others may not care to argue the merits of many capital projects or how long they could be kept in use, but they are concerned about the loss of jobs. As we know, part of the labor force never had any intention of staying long-term. As for the rest, the choice is making extra jobs, chiefly for new-comers, or stretching out the last big oil money to provide stable jobs and family income. One is a choice for a few years, one for many, many decades. And we must not forget that larger deposits into the Permanent Fund will mean higher dividends. With the bloom off the construction rose, they are not likely to have much effect on bringing new people.

This proposal has been described as turning the Permanent Fund into the "second Prudhoe Bay". It will not be as large, of course, we started too late for that. But any dollar, once in the Fund, is unaffected by "gluts" or any other fall in prices. The schedule of deposits can be made without counting on new fields producing by a certain date, or being discovered. We have the money and time we need to give Alaska a great part of the economic stability that has always eluded her. This is a moment that never came to another state and is an opportunity we should hesitate to address.

OPINION

Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Gerald E. Grilly
Publisher

Howard Weaver
Managing Editor

Steve Lindbeck
Editorial Page Editor

Katherine Fanning, Editor and Publisher 1971 to 1983

Lawrence Fanning, Editor and Publisher 1967 to 1971

Alaska's Only Morning Newspaper • Founded in 1946 by Norman C. Brown

Put 'frontloading' at top of agenda

A single overwhelming priority recommends itself as the 14th Alaska Legislature opens up shop today in Juneau: "front-loading" the Alaska Permanent Fund. And as legislators prepare for their labors this year, there is new encouragement in the wind for front-loading as a means of prudent fiscal management for state government.

With about 85 percent of state revenues deriving from petroleum taxes or royalties, Alaska's fiscal and economic fortunes are heavily dependent on world oil prices. State revenues soared when oil prices skyrocketed — and Prudhoe Bay production reached full steam — in the late 1970s and early 1980s. But both prices and revenues peaked in early 1981; they've been gradually coming down ever since.

Now state revenue forecasters, with a nervous eye on crumbling world oil markets, are worried about a larger-than-expected \$4 per barrel price drop in 1985 — which would translate into a roughly \$600 million per year revenue decline for the state. For some years now, anyone who's been paying attention has known that oil revenues one day would drop sharply — but if the latest fears bear out, that day will come sooner than anyone had expected.

That does not mean Alaska is, or soon will be, short of money. It does emphasize that Alaska has relatively little time left to salt away a significant chunk of today's high income against future needs. The Alaska Permanent Fund is an established, successful vehicle to accomplish that, but it needs bigger financial injections now, at the front end, to grow large enough to provide significant income later, after oil revenues sag.

That's what front-loading is all about: investing enough of today's largesse to make a difference in future income — and thus forestalling massive tax hikes, state employee layoffs, service cuts and economic disruption.

By now Alaskans have seen a number of downward lurches in oil prices, and hence state revenues, over the past several years. New predictions of revenue decline are no surprise. What the state needs to cope with the long-term revenue decline is a determined effort — and the sooner, the better — to build the permanent fund large enough to cushion the state's future shock. That puts front-loading at the top of this year's legislative agenda.

Anch Daily News Mar 7 '85

Build permanent fund while we can

"Front-loading" the Alaska Permanent Fund enjoyed a brief day in the sun last fall, when campaigning legislative candidates often spoke of it favorably as a common-sense way of managing Alaska's oil wealth. But revenue estimates are way down, and legislative spending appetites aren't — so "front-loading" is back on the rear burner.

In its best and broadest sense, "front-loading" means devoting to the permanent fund a larger portion of state revenues today — while the state is well-off — as an investment in an income-producing fund for tomorrow. It doesn't mean sticking away whatever loose change is lying around after everybody's desires have been satiated; it means deliberately making the permanent fund a priority in times of prosperity so that it can spin off significant income to support the state and help keep taxes down when revenues really decline.

House Majority Leader Don Clocksin, D-Anchorage, describes the ideal agenda for front-loading the permanent fund this way: 1) the contribution rate for state oil revenues would be doubled, taking effect in about three years; 2) the so-called "undistributed income accounts" of the fund would be made a part of its principle, and thus placed safely out of the clutches of the legislature; and 3) the governor would be granted authority for major injections into the fund at his discretion over the next few years.

But revenues are coming up short of projections nowadays, and the long-term oil price and revenue picture is for gradual decline. Where legislators appropriated \$3.6 billion in spending measures for fiscal 1985, they now calculate only \$2.9 billion is available for fiscal 1986.

That's nearly \$6,000 for every single person in Alaska, but apparently not enough to front-load the permanent fund and still keep everyone happy in Juneau. The budget architecture worked out in a series of secret meetings between legislative leaders and the governor calls for just under \$2 billion in operating funds, a quarter-billion in capital projects, another quarter-billion "continuing appropriation" for (Susitna) hydroelectric power dreams, and not a nickel for the permanent fund. The fund's defenders in the legislature are hoping mainly to get the undistributed income money salted away safely before the legislature comes raiding.

The "realists" would say that's the best that can be expected in a year of lowered revenue and tightened belts, and maybe they're right. But a different kind of realism would recognize that some day those revenues are coming down a lot farther than this — and the prudent thing to do now is to prepare another income stream to take their place.

All those candidates who spoke sensibly about front-loading during the campaign season would do well to remember it now that they're in the legislature — and in a position to do something about it.



Are there

NEW YORK -- The liquor business seems to be in trouble these days. The American emphasis on health, the crackdown on drunk driving have helped reduce per capita consumption of hard liquor in the United States from 2 gallons in 1970 to 1.84 gallons in 1983.

Those statistics would seem to be pretty good news unless you happen to be in the whiskey business. Jose E. Seagram & Sons Inc. is the whiskey business (and vodka, gin and rum business in a very big way), and owners have decided to spend at least \$100 million this spring touting the rest of that we're being unfair to hard stuff. The Wall Street Journal reported last week that Seagram's "will end long-standing aversion to controversy and instead fight to upgrade the image of liquor with consumers and politicians."

Circus air

WASHINGTON -- Politicians at a high-level meeting last week preparing renewed arms talks were stunned by word that at least 28 members of Congress, their wives and staffs were flying to Geneva at Uncle Sam's expense to attend the opening of the U.S.-Soviet nuclear games.

When protests were voiced by the principal arms negotiator — ex-Sen. John Tower — he shrugged his shoulders in a don't-blame-me posture. Whoever should be blamed, Secretary of State George Shultz is furious. Three F-15 Force planes are set to leave Washington March 10 carrying a party that, at this writing, totals more than 40 and is going up.

Taxpayer expense will exceed \$150,000 for transportation alone. But more than \$1 million dollars is at stake. It is turned into a damned circus, a senior administration official told me. Attending in the

Introduced: 1/14/85
Referred: State Affairs and
Finance

BY SZYMANSKI, CLOCKSIN,
POURCHOT AND NAVARRE

1 IN THE HOUSE

2 HOUSE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent
7 fund required by the Constitution of the State of
8 Alaska; and providing for an effective date."

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

10 * Section 1. PURPOSE. It is the purpose of this Act to maximize the
11 constitutionally required payments of state oil and gas revenue to the
12 Alaska permanent fund in order to increase the principal of the fund to the
13 point that there will be enough interest from the fund to pay a significant
14 portion of the expense of state government when oil and gas revenue de-
15 clines. In this manner state oil and gas revenue can be better allocated
16 to achieve both short-term and long-term benefits for the state, while
17 still protecting the principal of the permanent fund.

18 * Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is
20 established as a separate fund the Alaska permanent fund. The Alaska
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
24 (g), and federal mineral revenue sharing payments and bonuses received
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated
27 by law to the Alaska permanent fund.

28 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

Offered: 3/22/85
Referred: Finance

Original sponsors: Szymanski, Clocksin,
Pourchot and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 9 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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20 established as a separate fund the Alaska permanent fund. The Alaska
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
24 (g), and federal mineral revenue sharing payments and bonuses received
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated
27 by law to the Alaska permanent fund.

28 * Sec. 3. This Act takes effect July 1, 1986.

29