



HOUSE  
COMMITTEE REPORT

3/3

Date referred: 1/15/86

FURTHER REFERRALS: FINANCE

DATE: \_\_\_\_\_

The JUDICIARY Committee has considered SSHJR 22

Proposing amendments to the Constitution of the State of Alaska creating an appropriation reserve fund and limiting increases in appropriations.

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- replace with \_\_\_\_\_  new title

and recommends Individual

further referral to the \_\_\_\_\_ Committee

and attaches:

- letter of intent
- first fiscal note
- new fiscal note
- zero fiscal note w/analysis Sup 93
- <sup>and</sup> zero note

SIGNING DO PASS: 1

SIGNING OTHER RECOMMENDATIONS:

TAYLOR Adrian Taylor

PERIT John

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Walter Miller 120 NOT PASSED MILLER

John Sund Sund

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PHILLIPS No Rec PHILLIPS

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Walter Miller  
Chairman

cook

Introduced: 1/15/86  
Referred: Judiciary and  
Finance

BY M.W.MILLER, PEARCE, RINGSTAD,  
SHULTZ, THOMPSON, PIGNALBERI,  
TAYLOR, JENKINS, UEHLING AND FRANK

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 22

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska creating an  
7 appropriation reserve fund and limiting  
8 increases in appropriations.

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

10 \* Section 1. Article IX, sec. 7, Constitution of the State of Alaska,  
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
13 license shall not be dedicated to any special purpose, except as  
14 provided in section 15 of this article and in article XV, section 29  
15 or when required by the federal government for state participation in  
16 federal programs. This provision shall not prohibit the continuance of  
17 any dedication for special purposes existing upon the date of ratifi-  
18 cation of this section by the people of Alaska.

19 \* Sec. 2. Article IX, sec. 16, Constitution of the State of Alaska, is  
20 repealed and readopted to read:

21 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropria-  
22 tions to the Alaska permanent fund, appropriations of the proceeds of  
23 revenue or general obligation bonds and appropriations required to pay  
24 the principal and interest on general obligation bonds, appropriations  
25 from the treasury during a fiscal year may not exceed the lesser of  
26 the amount appropriated in the fiscal year this section takes effect  
27 adjusted for the cumulative inflation and population growth or decline  
28 as defined by law or 95 percent of the unrestricted revenue of the  
29 state for the previous calendar year. An appropriation in excess of

1 this limit may not be made unless a state of emergency is declared by  
2 the governor as provided by law. The governor shall cause any unex-  
3 pended or unappropriated balance to be invested so as to yield com-  
4 petitive market rates to the treasury.

5 \* Sec. 3. Article IX, Constitution of the State of Alaska, is amended  
6 by adding a new section to read:

7 SECTION 17. APPROPRIATION RESERVE FUND. An appropriation re-  
8 serve fund is established. Appropriations may not be made from the  
9 appropriation reserve fund except for the purpose of repelling inva-  
10 sion, suppressing insurrection, defending the state in war, meeting  
11 natural disasters, or appropriations required to pay the principal and  
12 interest on general obligation bonds. The balance of the appropria-  
13 tion reserve fund shall be invested at competitive national market  
14 rates. All earnings of the fund shall become part of the principal of  
15 the fund. On June 30 of the fiscal year in which the balance of the  
16 appropriation reserve fund exceeds 1.5 times the appropriations of  
17 unrestricted revenue in the preceding fiscal year, the balance of the  
18 appropriation reserve fund shall lapse into the treasury and no de-  
19 posits shall be made into the fund after that date.

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

22 SECTION 29. APPROPRIATION RESERVE FUND. Unless the balance of  
23 the appropriation reserve fund has lapsed into the treasury before  
24 receipt of the money, all money received by the state from the follow-  
25 ing sources that is unappropriated on July 1, 1985, and otherwise  
26 unencumbered and unrestricted at the time of receipt shall be trans-  
27 ferred from the treasury to the appropriation reserve fund:

28 (1) money from the settlement or other conclusion of the  
29 Trans-Alaska Pipeline System rate case, State v. Amerada Hess, et al,

1 Superior Court, First Judicial District, Case No. 77-847 (civil), and  
2 United States v. Alaska, No. 84 original, United States Supreme Court;

3 (2) money received under 43 U.S.C. section 1337(g) (Outer  
4 Continental Shelf Lands Act, as now or hereafter amended);

5 (3) taxes, together with penalties and interest on the  
6 taxes, levied under AS 43.56 (Oil and Gas Exploration, Production and  
7 Pipeline Transportation Property Taxes), AS 43.57 (Oil and Gas Regula-  
8 tion and Conservation Tax), former AS 43.58 (Oil and Gas Reserves Ad  
9 Valorem Tax), and former AS 43.21 (Oil and Gas Corporate Income Tax)  
10 for a tax year ending prior to January 1, 1985, and paid to the state  
11 after December 31, 1985.

12 SECTION 30. APPROPRIATION LIMITATIONS. After June 30, 1987, and  
13 until June 30 of the fiscal year in which the balance of the appro-  
14 priation reserve fund lapses into the treasury, appropriations during  
15 a fiscal year may not exceed the amount appropriated in the fiscal  
16 year in which this section becomes effective by more than the cumula-  
17 tive inflation and population growth or decline as prescribed by law.  
18 This limitation does not apply to appropriations to the Alaska perma-  
19 nent fund, appropriations of the proceeds of revenue or general obli-  
20 gation bonds, and appropriations required to pay the principal and  
21 interest on general obligation bonds. An appropriation in excess of  
22 this limit may not be made unless a state of emergency is declared by  
23 the governor as provided by law. Seventy-five percent of that portion  
24 of the unrestricted revenue of the state that has not been appropri-  
25 ated as allowed by this section shall be transferred from the general  
26 fund to the appropriation reserve fund on the first day of each fiscal  
27 year during the period defined in this section and twenty-five percent  
28 shall be transferred to the Alaska permanent fund. During the period  
29 in which this section is in effect the provisions of Section 16 of

1 Article IX of this Constitution are superseded.

2 SECTION 31. EFFECTIVE DATE. The amendment to Article IX, Sec-  
3 tion 16 adopted when the appropriation reserve fund is established in  
4 Article IX, Section 17 takes effect on July 1 of the fiscal year  
5 following the fiscal year in which the balance in the appropriation  
6 reserve fund exceeds 1.5 times the appropriations of unrestricted  
7 revenue in the preceding fiscal year.

8 \* Sec. 5. The amendments proposed by this resolution shall be placed  
9 before the voters of the state at the next general election in conformity  
10 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
11 tion laws of the state.

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3/3

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No: HJR 22 No. 1  
Title: Appropriation Reserve Fund and  
Limitations

FISCAL DETAIL  
Agency Affected: Department of Revenue  
BRU: Treasury

Sponsor: M. W. Miller  
Requestor: House Judiciary  
Date of Request: February 27, 1986

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<u>OPERATING</u>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
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: This fiscal note addresses the budgetary impact on the Treasury Division. It does not address the effect on amounts available for appropriation or limits on appropriations.

Prepared By: Milt Barker *MB*  
Division: Treasury

Phone: 465-2350  
Date: February 27, 1986

Approved by Commissioner: *Henry H. Sturdale*  
Agency: Department of Revenue

Date: 2/27/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

Impacted Agency(ies)

**STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE**

Page 1 of 4

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SSHJR22 No. 2  
 Title : Proposing amendments to the  
Constitution creating an appropriation  
reserve fund.  
 Sponsor : M. W. Miller et.al.  
 Requestor : House Judiciary  
 Date of Request : February 1986

**FISCAL DETAIL**

Agency Affected : \_\_\_\_\_  
 BRU : \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		(see attached)				
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

The revenue impacts of this legislation vary significantly with assumptions made about spending and investment decisions. The attached analysis examines one of many possible options for disposition of windfall revenues.

Prepared by: David Tonkovich <sup>9:RT</sup>  
 Division : Revenue/Research

Phone : 465-2173  
 Date : 2/18/86

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

Date : 2/27/86

**Distribution (by Agency preparing fiscal note) :**

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

Analysis:

SSHJR 22 page 2 of 4  
No. 2

1. This note is based on the 30 percent, revenue projections prepared in January, 1986 (see Revenue Sources, FY 1985-88). Using FY 87 as a base year general fund unrestricted revenues decline by an average of 5.8 percent per year over the period FY 87-93. This means that unrestricted revenues rather than an appropriation base adjusted for cumulative population and inflation will be the effective limit on state expenditures for that period.
2. In this analysis these revenues are contributed to the Appropriation Reserve Fund.

<u>FY</u>	<u>ARCO</u>	<u>TAPS Tariff Adjustment</u>	<u>TAPS Legal and Refunds</u>	<u>Total</u>
86	243.0	88.6	239.3	570.9
87		238.0		238.0
88		203.5		203.5
89		160.0		160.0
90		135.9		135.9
91		124.6		124.6
92		123.9		123.9
93		109.2		109.2

Note: Adjustments will have to be made as these figures are audited and the effects of later signees to the settlement are computed. This primarily effects the figures for FY 89 and beyond.

3. The analysis assumes that the Appropriation Reserve Fund begins operation at the beginning of FY 88 with an initial deposit of \$808.9 million. The fund grows each year by additional contributions and

earnings on fund balances. An interest rate of 9 percent per year is assumed with earnings computed on a balance calculated as the FY starting balance plus one-half of the annual contributions. Prior to FY 88 interest on these monies goes to the General Fund.

4. Calculations: (Figures in millions of nominal dollars)

<u>FY</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Earnings</u>	<u>Ending Balance</u>
88	808.9	203.5	82.0	1094.4
89	1094.4	160.0	105.7	1360.1
90	1360.1	135.9	128.5	1624.5
91	1624.5	124.6	151.8	1900.9
92	1900.0	123.9	176.7	2001.5
93	2201.5	109.2	203.0	2513.7

It appears that in 1993 the ending balance of \$2513.7 million would be 1.5 times the FY 92 appropriations. This assumes FY 92 appropriations for purposes of the legislation are equal to unrestricted revenues less monies contributed to TAPS less FY 92 debt service.

It needs to be emphasized that these figures are subject to significant change as revenue forecasts are updated.

5. The net revenue impacts of this legislation depend on alternative uses which might be made of the money contributed to the Appropriation Reserve Fund. If the money is spent as it is received and interest earnings are negligible then the revenue impact would equal the earnings shown above.
  
6. It appears that the intent of this bill is to deposit into the Appropriation Reserve Fund that portion of future petroleum revenues due to reduced pipeline tariffs. While this seems straightforward the actual computation raises some problems. For instance, if a marginal field is only economically viable at the lower rate, is that revenue attributable to the TAPS settlement? Also, a lower tariff has some feedback on property and income taxes. Is the net increase in revenues deposited or are these considerations ignored?
  
7. The language excluding both the proceeds and debt service on general obligation bonds from the limit needs to be carefully examined. It is appropriate that debt service be excluded. However, there is a danger that the language would bias the funding of capital projects away from general funds and toward general obligation bonds.

ALASKA STATE LEGISLATURE

14th Legislature SECOND Session

HOUSE BILL NO. 22

By M. W. MILLER, PEARCE, RINGSTAD, SHULTZ, THOMPSON, PIGNALBERI, TAYLOR, JENKINS, UEHLING, FRANK

Proposing amendments to the Constitution of the State of Alaska creating an appropriation reserve fund and limiting increases in appropriations.

Introduced in the House 1/15, 1926

HISTORY IN THE HOUSE

1926 -  
Jan 15 JUDICIARY AND FINANCE

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19  
Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19 Received from Senate

Concurred in Senate amendment thus adopting:  
VOTE

Failed to concur in Senate amendment; asked Senate to recede  
VOTE

Senate receded from amendment  
VOTE

Senate failed to recede from amendment  
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House  
VOTE

CC adopted by Senate  
VOTE

To enrolling  
Reported correctly enrolled  
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

Introduced: 1/15/86  
Referred: Judiciary and  
Finance

BY M.W.MILLER, PEARCE,  
RINGSTAD, SHULTZ, THOMPSON,  
PIGNALBERI, TAYLOR, JENKINS,  
UEHLING AND FRANK

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4 Article IX, Section 17 takes effect on July 1 of the fiscal year  
5 following the fiscal year in which the balance in the appropriation  
6 reserve fund exceeds 1.5 times the appropriations of unrestricted  
7 revenue in the preceding fiscal year.

8 \* Sec. 5. The amendments proposed by this resolution shall be placed  
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10 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
11 tion laws of the state.