

COMMITTEE REPORT

SENATE

FURTHER:

4/4/86

Date _____

Mr. President

The Committee on FINANCE considered SB 362

relating to the constitutional appropriation limitation and budget reserve fund; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman _____

Chairman recommendation _____

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/24/86

Date 4/3/86

Mr. President

The Committee on JUDICIARY considered SB 362

relating to ~~the~~ constitutional appropriation limitation and budget reserve fund; and providing for an effective date.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Tim Kelly - Do not pass
until the Governor agrees
to fund proposal.
Rick Halford NO R.E.C.
Jim [unclear] N/R
Jim [unclear] N/R
Patrick Brady
Chairman
W.M. Lee
Chairman recommendati

Introduced: 1/24/86
Referred: Judiciary
and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 362

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation and budget reserve fund; and providing for
8 an effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)

12 There is established as a separate fund in the state treasury the
13 budget reserve fund. The budget reserve fund consists of money ded-
14 icated to that fund by art. IX, sec. 17 of the Alaska Constitution.

15 (b) For the purposes of determining the appropriation limitation
16 amount under art. IX, sec. 16, of the Alaska Constitution, (1) an
17 appropriation is considered to be made in the calendar year in which
18 it is enacted, and (2) "appropriation" includes money received by the
19 state, described in art. IX, sec. 17(a), of the Alaska Constitution,
20 which exceeds the maximum balance of the fund and is subsequently
21 deposited in the general fund and appropriated. For the purposes of
22 art. IX, sec. 17, of the Alaska Constitution, the amount of money
23 received by the state includes any surplus carried forward from the
24 preceding fiscal year, or is reduced by any deficit from that preced-
25 ing fiscal year.

26 (c) A reappropriation of no more than the remaining balance of
27 the amount appropriated in a prior year is considered an appropriation
28 attributable to the calendar year in which the appropriation was first
29 enacted. Only if, within a single section of an appropriation bill,
S

COMMITTEE COPY

1 there is an explicit repeal of an appropriation coupled with a new
2 appropriation is there a reappropriation for the purposes of this
3 subsection.

4 (d) If the governor determines that the money received by the
5 state from state sources in a fiscal year is less than 95 percent of
6 the amount appropriated from state sources during the preceding calen-
7 dar year, amounts may be transferred from the budget reserve fund to
8 the general fund, up to a limit of either 25 percent of the budget
9 reserve fund balance, or the difference between money received from
10 state sources in that fiscal year and 95 percent of appropriations
11 during the preceding calendar year, whichever is less. Determination
12 of the need for budget reserve fund expenditures for a fiscal year
13 must be made during the final quarter of that fiscal year.

14 (e) As authorized by art. IX, sec. 17(b), of the Alaska Consti-
15 tution, 75 percent of the money received by the state, described in
16 art. IX, sec. 17(a), of the Alaska Constitution, which exceeds the
17 maximum balance of the fund, must be deposited in the Alaska permanent
18 fund.

19 (f) In art. IX, sec. 17, of the Alaska Constitution, "emergency"
20 means the events set out in AS 26.23.230(1) or a reduction of the
21 revenue from nonstate sources which seriously impairs the ability of
22 the state to perform essential functions.

23 (g) In this section and art. IX, secs. 16 and 17, of the Alaska
24 Constitution, "state source" means (1) the undistributed income ac-
25 count in the permanent fund, and (2) all sources of money in the state
26 general fund except (A) federal sources, (B) bond proceeds, and (C)
27 sources from which money is received in trust for a specific purpose.

28 * Sec. 2. The lieutenant governor shall include on the ballot for the
29 1986 general election an explanation that an affirmative vote on the

1 constitutional amendment providing for the budget reserve fund and revising
2 the appropriation limit will supersede an affirmative vote on the reconsid-
3 eration, under art. XV, sec. 27, of the Alaska Constitution, of the 1982
4 amendment establishing the appropriation limit.

5 * Sec. 3. AS 37.05.159, reserve for emergency operating expenses ac-
6 count (the "rainy day fund"), is repealed, and the balance in that account
7 is transferred to the budget reserve fund.

8 * Sec. 4. Sections 1 and 3 of this Act take effect on the effective
9 date of a constitutional amendment establishing the budget reserve fund and
10 revising the appropriation limit.

11 * Sec. 5. Section 2 of this Act takes effect immediately in accordance
12 with AS 01.10.070(c).

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

537634
SB 362

January 24, 1986

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing amendments to the Alaska Constitution relating to a budget reserve fund and an appropriation limit, and a bill to implement the joint resolution.

I am placing the bill implementing the proposed constitutional amendments before the legislature during this session to ensure that legislators and voters facing that proposal in the 1986 general election understand the scope, details, and implications of the amendments.

The bill would take effect following voter approval of the constitutional amendments. At that time, AS 37.05.159, establishing what is commonly known as the "rainy day fund," would be repealed and replaced by a new statute establishing the budget reserve fund. The balance of the money in the rainy day fund would follow the constitutional and statutory change and would be transferred to the budget reserve fund at that time. The budget reserve fund is designed to meet revenue contingencies contemplated by the rainy day fund as well as broader revenue stability needs.

At the outset, it must be emphasized that the budget reserve fund is very different in purpose and function from forward funding and cash-based budgeting proposals. We have carefully evaluated all these options, and we believe that the budget reserve fund is the fiscal management tool that is best suited to the State's situation. This fund seeks to

dampen annual budget swings. Neither forward funding nor cash-based budgeting protect us from annual budget fluctuations caused by volatility in world oil markets.

The budget reserve fund works in the following manner. In years of rising revenues, as specified in the constitutional amendments, appropriations are limited to 115 percent of appropriations made during the preceding calendar year. Any surplus money above the 115 percent limit is used first to replenish the budget reserve fund; any remaining surplus is then divided between deposits to the permanent fund and to the general fund. In years of revenue decline, as specified in the constitutional amendments and proposed statute, money is made available from the budget reserve fund in an amount that brings appropriations up to 95 percent of the appropriations in the preceding calendar year, or an amount that equals no more than 25 percent of the fund's balance, whichever is less.

These two operations of the budget reserve fund will provide a smoother expenditure pattern over the years than would result from the fluctuations of petroleum revenue alone. This is because, in high revenue years, revenue increases will flow into the budget reserve fund for subsequent appropriation during years of revenue decline, buffering fluctuations in the state's revenue stream caused by petroleum price variations. The upper limit to appropriations (the 115 percent level) will provide an effective appropriation limit, in contrast with the ineffective limit now in our constitution. We will therefore have a meaningful constitutional spending limit as desired by the people of Alaska.

Both the joint resolution and the bill specify that the appropriation limit applies only to unrestricted general fund money and to expenditures from the undistributed income account of the permanent fund (except for a deposit of that money to the permanent fund made in 1986). In turn, "money received" by the state includes only money in the undistributed income account and unrestricted general fund money. Excluded from both, for example, are federal receipts. The joint resolution and bill also specify that appropriations for a fiscal year are limited to 115 percent of appropriations made during the preceding calendar year. The calendar-year basis is used to ensure certainty in the determination of allowable appropriation levels for the coming fiscal year. It also avoids problems caused by supplemental appropriations late in a fiscal year.

New AS 37.05.156(c), in sec. 1 of the bill, addresses the question of how reappropriations should be treated for purposes of the appropriation limit. The intent of that provision is to distinguish between "old" and "new" money. This distinction is needed because it is sometimes difficult to determine whether a reappropriation consists entirely of money appropriated in a prior year, or exceeds the amount of money actually available from those prior appropriations, thereby entailing an appropriation of new money. Any reappropriation not clearly identifiable is also considered a new appropriation.

The maximum balance of the budget reserve fund in any fiscal year equals the amount of general fund appropriations enacted during the preceding calendar year. Money in excess of the 115 percent limit is used to bring the fund balance up to the fund's capacity. A portion of the money in excess of the budget reserve fund capacity must then be deposited in the permanent fund as savings. The bill specifies that that portion is 75 percent. The remaining excess (25 percent) must be deposited in the general fund, and is available for appropriation (effectively increasing the 115 percent limit). Any of that excess money subsequently appropriated from the general fund becomes part of the calculation of the base for the next fiscal year.

The bill specifies that if general fund revenue in a fiscal year falls to a level below 95 percent of appropriations made during the preceding calendar year, an amount may be transferred from the budget reserve fund into the general fund. That transferrable amount is limited to the lesser of (1) the amount needed to bring appropriations up to the 95 percent level, or (2) the maximum amount of the fund that may be spent in a fiscal year, which is 25 percent of the budget reserve fund balance.

As specified in the joint resolution, the budget reserve fund retains its income earnings to help ensure an adequate level of capitalization to meet appropriation demand in years of revenue decline.

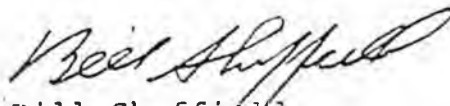
The constitutional amendments permit expenditures from the fund beyond the 115 percent appropriation limit and the 25 percent fund expenditure limit to meet declared states of emergency. The bill cites existing statutory language to provide further clarification of "emergencies."

The constitutional amendments proposed in the joint resolution and the implementing statutory provisions together can

provide elected officials with the tools of sound fiscal management, and promise to the citizens of the state a means of avoiding the social and economic shocks that may result from extreme volatility in our revenue stream.

Article XV, sec. 27, of the Alaska Constitution now requires the lieutenant governor to place on the ballot in 1986 the proposition for the existing appropriation limitation, which was approved by the voters in 1982. Since that vote will occur at the same election as the vote on the attached proposal, there is the possibility that both constitutional provisions would be approved -- resulting in a direct conflict between them. To avoid confusion and to preclude legal questions arising as to this later amendment, while still having the lieutenant governor comply with art. XV, sec. 27, the attached bill (see sec. 2) requires the lieutenant governor to include an appropriate explanation on the ballot. It is expected that this explanation will be brief, with some amplification in the voter pamphlet.

Sincerely,



Bill Sheffield
Governor

ALASKA STATE LEGISLATURE

14th... Legislature 2nd... Session

SENATE BILL NO. 362

By THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

"An Act relating to the constitution appropriation limitation and budget reserve fund; and providing for an effective date."

Introduced in the Senate 1/24, 1986

HISTORY IN THE SENATE

19	86	Read first time and referred to Committee on										
1	24	Judiciary & Finance										
#	#	Reported back with recommendation that <i>Judiciary</i> <i>passed, & no Mc, to Finance.</i> <i>Fid:</i>										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
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PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed										
		Signed by President										
		Sent to House										
SECRETARY OF THE SENATE												

HISTORY IN THE HOUSE

19		Read first time and referred to Committee on										
		Reported back with recommendation that										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed										
		Signed by Speaker										
		Returned to Senate										
CHIEF CLERK OF THE HOUSE												

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

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

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSSSB 391 (S.A)
 Title: Act relating to the ethical
 conduct of government

Sponsor: Rules by Request of the
 Requestor: Governor
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Law
 BRU: Legal Services

Components: Legal Services Operations

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		51.8	55.8	58.5	60.3	62.1
TRAVEL		1.7	1.7	1.8	1.9	1.9
CONTRACTUAL		2.4	2.6	2.7	2.8	2.9
SUPPLIES		3.4	2.1	2.1	2.2	2.3
EQUIPMENT		3.2	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		62.5	63.2	65.1	67.2	69.1

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		62.5	63.2	65.1	67.2	69.1
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Senator Jan Faiks, Co-chairman
 Division: Senate Finance Committee

Phone: 465-4523
 Date: 4/21/86

Approved by Commissioner: _____
 Agency: _____

Date: _____

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

Revision Date : _____

REQUEST

Bill/Resolution No. : CSSSSB 391 (S.A.)
 Title : Act relating to the ethical
conduct of government

Sponsor : Rules by Request of the
 Requestor : Governor
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Dept. of Administration
 BRU : Division of Personnel

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	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

This fiscal note zeroes previous fiscal note funding
for the Dept. of Administration.

Prepared by : Senator Jan Falks, Co-chairman Phone : 465-4523
 Division : Senate Finance Committee Date : _____

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

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

Introduced: 1/24/86
Referred: Judiciary
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 362

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation and budget reserve fund; and providing for
8 an effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)
12 There is established as a separate fund in the state treasury the
13 budget reserve fund. The budget reserve fund consists of mone ded-
14 icated to that fund by art. IX, sec. 17 of the Alaska Constitution.

15 (b) For the purposes of determining the appropriation limitation
16 amount under art. IX, sec. 16, of the Alaska Constitution, (1) an
17 appropriation is considered to be made in the calendar year in which
18 it is enacted, and (2) "appropriation" includes money received by the
19 state, described in art. IX, sec. 17(a), of the Alaska Constitution,
20 which exceeds the maximum balance of the fund and is subsequently
21 deposited in the general fund and appropriated. For the purposes of
22 art. IX, sec. 17, of the Alaska Constitution, the amount of money
23 received by the state includes any surplus carried forward from the
24 preceding fiscal year, or is reduced by any deficit from that preced-
25 ing fiscal year.

26 (c) A reappropriation of no more than the remaining balance of
27 the amount appropriated in a prior year is considered an appropriation
28 attributable to the calendar year in which the appropriation was first
29 enacted. Only if, within a single section of an appropriation bill,

1 there is an explicit repeal of an appropriation coupled with a new
2 appropriation is there a reappropriation for the purposes of this
3 subsection.

4 (d) If the governor determines that the money received by the
5 state from state sources in a fiscal year is less than 95 percent of
6 the amount appropriated from state sources during the preceding calen-
7 dar year, amounts may be transferred from the budget reserve fund to
8 the general fund, up to a limit of either 25 percent of the budget
9 reserve fund balance, or the difference between money received from
10 state sources in that fiscal year and 95 percent of appropriations
11 during the preceding calendar year, whichever is less. Determination
12 of the need for budget reserve fund expenditures for a fiscal year
13 must be made during the final quarter of that fiscal year.

14 (e) As authorized by art. IX, sec. 17(b), of the Alaska Consti-
15 tution, 75 percent of the money received by the state, described in
16 art. IX, sec. 17(a), of the Alaska Constitution, which exceeds the
17 maximum balance of the fund, must be deposited in the Alaska permanent
18 fund.

19 (f) In art. IX, sec. 17, of the Alaska Constitution, "emergency"
20 means the events set out in AS 26.23.230(1) or a reduction of the
21 revenue from nonstate sources which seriously impairs the ability of
22 the state to perform essential functions.

23 (g) In this section and art. IX, secs. 16 and 17, of the Alaska
24 Constitution, "state source" means (1) the undistributed income ac-
25 count in the permanent fund, and (2) all sources of money in the state
26 general fund except (A) federal sources, (B) bond proceeds, and (C)
27 sources from which money is received in trust for a specific purpose.

28 * Sec. 2. The lieutenant governor shall include on the ballot for the
29 1986 general election an explanation that an affirmative vote on the

1 constitutional amendment providing for the budget reserve fund and revising
2 the appropriation limit will supersede an affirmative vote on the reconsid-
3 eration, under art. XV, sec. 27, of the Alaska Constitution, of the 1982
4 amendment establishing the appropriation limit.

5 * Sec. 3. AS 37.05.159, reserve for emergency operating expenses ac-
6 count (the "rainy day fund"), is repealed, and the balance in that account
7 is transferred to the budget reserve fund.

8 * Sec. 4. Sections 1 and 3 of this Act take effect on the effective
9 date of a constitutional amendment establishing the budget reserve fund and
10 revising the appropriation limit.

11 * Sec. 5. Section 2 of this Act takes effect immediately in accordance
12 with AS 01.10.070(c).

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

1/24/86

Date 4/3/86

Mr. President

The Committee on JUDICIARY considered SB 362

relating to the constitutional appropriation limitation and budget reserve fund; and providing for an effective date.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- [] do pass
[] do pass with attached amendment(s)
[] replace with/or adopt CS for
[] new title
[] same title and recommends
[] and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
[X] reports it back without recommendation
[] recommends referral to Committee

MEMBERS SIGNING DO PASS

Blank lines for members signing 'DO PASS'

MEMBERS HAVING OTHER RECOMMENDATIONS

Handwritten recommendations: Tim Kelly - Do not pass until the Governor agrees to fund properly. Rick Halford NO REC. Bill N/R. Jim Jacobs N/R. Patrick Brady Chairman recommendation.

POLICY QUESTIONS REGARDING SB 362

Section 1.

(c) This section provides that the Legislature shall determine during the third quarter of the fiscal year if an expenditure from the budget reserve fund is necessary.

Is the third quarter satisfactory with the committee?

Section 2. This section repeals the Rainy Day Fund (language is also drafted with will appropriate the balance of the fund into the budget reserve fund; it could not be included in this bill because it is not an appropriation bill). The effective date on the deposit is contingent on the enactment of SB 362.

Does the committee want to deposit the balance of the Rainy Day Fund in to the Budget Reserve Fund?

14-2085
Cook
4/21/86 ✓

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act transferring appropriations from the reserve
7 for emergency operating expenses account to the
8 budget reserve fund; and providing for an effective
9 date."

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

11 * Section 1. The unexpended and unobligated balance of the reserve for
12 emergency operating expenses account (AS 37.05.159) is appropriated to the
13 budget reserve fund (AS 37.05.156).

14 * Sec. 2. This Act takes effect on the effective date of a version of
15 SB 362 that repeals AS 37.05.159 and enacts AS 37.05.156.

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S.B. 362
743 513

Concerns with House version of Budget Reserve Fund

1. Allows a 15% increase in a budget limit over preceeding year compared to the Senate's;
2. Indicates that 25% of the Budget Reserve Fund can be appropriated in any one year (I assume it must be by the Legislature but is not specified). The emphasis here is that at the beginning of the fiscal year, the Governor shall determine if it is necessary to use some of the 25% of the BRF in putting together his budget. Therefore, by knowing you can get 25% because of the 15% increase in your budget, no incentive to keep budget at same level.
3. Says that the Governor is empowered to make appropriations from the Budget Reserve Fund when there is an emergency -- and an emergency includes when revenues from nonstate sources falls below what is necessary for critical services;
4. Includes Undistribution Income Account as a source of funds for the Budget Reserve Fund.

Senate's Version:

1. Tighter appropriation limit;
2. It is clear the Legislature has the power to decide when the Budget Reserve Fund shall be used and it will be done in the third quarter of the fiscal year.
3. Enactment is contingent on voter approval of the appropriation limit.

Frank
5/2/86

Amendment to CS SB 363² (Finance)
by Finance Committee

Sec. _____. The sum of \$46,217,400 is appropriated to the general fund from the following enterprise funds:

World War II Veterans' Revolving Loan Fund (AS 26.15)	808,600
Commercial Fishing Revolving Loan Fund (AS 16.10.310)	2,000,000
Mining Revolving Loan Fund (AS 27.09)	13,350,000
Alternative Energy Loan Fund (AS 45.88.010)	3,873,000
Residential Energy Conservation Loan Fund (AS 45.89)	1,800,000
Power Development Revolving Loan Fund (AS 44.33.600)	22,605,900
Rural Electrification Revolving Loan Fund (AS 44.83.36)	1,779,900

Amendment to CS SB 362 (Finance)
by Eliason

Sec. _____. The unexpended and unobligated balance of the Alaska Industrial Development Authority multifamily housing loans security fund (AS 44.88.156(h)) is appropriated to the Alaska Industrial Development Authority loan insurance account (AS 44.88.157) to be available to insure or guarantee the financing of a wastewater treatment facility by the Alaska Pulp Corporation at Sitka. The appropriation made by this section is for capitalization of a loan insurance account and does not lapse in accordance with AS 37.25.010.

Sec. _____. The above section takes effect on the date the Board of Directors of the Alaska Industrial Development Authority adopts a resolution that declares that the assets of the multifamily housing loan security fund (AS 44.88.156(h)) are surplus and are available for a transfer to the loan insurance account (AS 44.88.157).

Amendments to CS SB 362 (Finance)
by Abood

Sec. 2, ch. 24, SLA 1984, page 9, line 20 as amended by
Section 378 in ch. 105 SLA 85 to read:

	APPROPRIATION ITEMS	GENERAL FUND
Civil Air Patrol		
Hangar Construction	<u>850,000</u>	<u>850,000</u>
or Acquisition	[1,100,000]	[1,100,000]

Sec. _____. The sum of \$145,000 is appropriated to the Department of Health and Social Services for payment as a named recipient grant to Lifeline Alternatives for a program to provide alternatives to hospitalization for medically fragile/technology dependent infants and children.

Sec. _____. The sum of \$86,525 is appropriated to the Department of Community and Regional Affairs for payment as a named recipient grant to Med-Alert, Inc. for personal medical alarm and monitoring services which will be provided without charge to sick and frail Anchorage senior citizens.

Amend Section 191 in House version by increasing the amount to \$155,000 (Hathor Subdivision Park Improvement District).

(18.6 for the above projects is coming from the balance remaining in sec. 194 (Arctic Boulevard - Airport to Raspberry) and 13.2 from Section 195 (Wisconsin Pedestrian Safety Construction) in House version).

new
amendments

A M E N D M E N T

Offered in the SENATE

By Faiks

TO: CSHB 574(Finance)

Per HB 513 - Budget
Reserve Fund

Page 64, following line 14, insert new bill sections to read:

"* Sec. 323. The unexpended and unobligated balance of the reserve for emergency operating expenses account (AS 37.05.159) is appropriated to the budget reserve fund (AS 37.05.156).

Bennett

* Sec. 324. The unexpended and unobligated balance of the appropriation made by sec. 286, ch. 50, SLA 1980, page 62, line 6, as amended by sec. 5(b), ch. 16, SLA 1981 (Fairbanks North Star Borough, historic trails - \$110,000) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for historic trails.

* Sec. 325. Section 2, ch. 18, SLA 1984, page 3, line 25 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Bennett

Circle - Erosion/Flood

Control Project - Phase I

[PLANNING, DESIGN AND

ENGINEERING] (ED 19-21)

240,000

240,000

Bennett

* Sec. 326. The appropriation made in sec. 26, ch. 98, SLA 1985, page 119, line 15 (Senate Leadership - \$1,333,000) lapses into the general fund June 30, 1987.

Bennett

* Sec. 327. The appropriation and allocation made in sec. 26, ch. 98, SLA 1985, page 32, lines 4 and 5 (Adult Basic Education - \$3,279,800) lapses into the general fund June 30, 1987.

Bennett

* Sec. 328. The appropriation and allocation made in sec. 26, ch. 98, SLA 1985, page 32, lines 4 and 13, (Corrections Education Program - \$870,100) lapses into the general fund June 30, 1987.

Bennett

* Sec. 329. The appropriation made in sec. 26, ch. 98, SLA 1985, page 19, line 21 (Consumer Protection - \$832,400) lapses into the general fund June 30, 1987.

Ziegler

* Sec. 378. The unexpended and unobligated balance of the appropriation made in sec. 3, ch. 96, SLA 1985, page 21, line 24 (Ketchikan Public Utilities Water Filtration Plant - \$924,100) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Ketchikan for the Ketchikan Public Utilities Water System Improvements.

SFC

* Sec. 379. The unexpended and unobligated balance of the appropriation and allocation made in sec. 30, ch. 82, SLA 1981, page 192, lines 17 and 20 (Data Centers Upgrade - \$5,926,800) is repealed.

SFC

* Sec. 380. The unexpended and unobligated balance of the appropriation and allocation made in sec. 30, ch. 82, SLA 1981, page 192, lines 17 and 24 (Integrated Data Communication Network - \$300,000) is repealed.

* Sec. 381. Section 286, ch. 50, SLA 1980, page 94, line 13 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Downtown Juneau Waterfront

Renovation and Development

[- GOLD CREEK DREDGING

ENHANCEMENT] (ED 4)	1,000,000	1,000,000
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Rey

* Sec. 382. Section 30, ch. 82, SLA 1981, page 183, line 4 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Downtown Juneau Waterfront

Renovation and Development

[- GOLD CREEK ENHANCEMENT

PHASE II] (ED 4)	1,000,000	1,000,000
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Rey

* Sec. 383. Section 80, ch. 101, SLA 1982, page 98, line 22 is amended to read:

5/8/86

Ray

APPROPRIATION	GENERAL
ITEMS	FUND

Downtown Juneau Waterfront

Renovation and Development

[- GOLD CREEK PHASE III]

1,000,000	1,000,000
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* Sec. 384. Section 34, ch. 107, SLA 1983, page 79, line 23 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Downtown Juneau Waterfront

Renovation and Development

[- GOLD CREEK DEVELOPMENT]

(ED 4)	1,050,000	1,050,000
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* Sec. 385. Section 34, ch. 107, SLA 1983, page 84, line 21 is amended to read:

ALLOCATIONS

Anchorage -

Abbott Loop

Transmission

[SPRUCE STREET/

LORE ROAD TO

68TH AVENUE]

(ED 7-15)	128,000
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* Sec. 386. Section 675, ch. 105, SLA 1985 is amended to read:

Sec. 675. The sum of \$375,000 is appropriated from the general

Faiks

Feiks

fund to the Department of Transportation and Public Facilities for payment as a grant under AS 37.05.316 to the Glen Alps Road Service Area for design engineering, [AND] right-of-way acquisition and construction of [FOR] Upper DeArmoun Road.

* Sec. 387. Section 319, ch. 171, SLA 1984, page 50, line 20 is amended to read:

SFC

	APPROPRIATION	GENERAL
	ITEMS	FUND
Data Processing Systems		
and Equipment (ED 99)	<u>3,914,000</u>	<u>3,914,000</u>
	[4,000,000]	[4,000,000]

* Sec. 388. (a) Section 1, ch. 174, SLA 1980, page 1, lines 10 - 12 is amended to read:

Section 1. The sum of \$3,024,600 [\$3,030,000] is appropriated from the general fund [AND THE SUM OF \$0 IS APPROPRIATED FROM PROGRAM RECEIPTS] to the Department of Transportation and Public Facilities to be allocated as follows:

SFC

(b) Section 1(11), ch. 174, SLA 1980 is amended to read:

(11) \$84,600 [\$90,000] to purchase audio conference terminal equipment for use in the instructional television education project.

* Sec. 389. (a) Section 30, ch. 82, SLA 1981, page 192, line 17 as amended by sec. 192(a), ch. 105, SLA 1985 is amended to read:

	APPROPRIATION	GENERAL	OTHER
	ITEMS	FUND	FUNDS
Centralized Administrative			
Services	<u>10,927,700</u>	<u>10,720,000</u>	207,700

[10,980,700] [10,773,000]

(b) Section 30, ch. 82, SLA 1981, page 192, line 25 is amended to read:

ALLOCATIONS

Data Network

Optimization 34,200
[70,000]

(c) Section 30, ch. 82, SLA 1981, page 193, line 6 is amended to read:

ALLOCATIONS

Statewide Data

Processing
Needs

Assessment 182,800
[200,000]

* Sec. 390. Section 53, ch. 120, SLA 1980, page 93, line 4 is amended to read:

APPROPRIATION GENERAL
ITEMS FUND

Security Equipment -

Juneau Data Center 38,600 38,600
[40,000] [40,000]

* Sec. 391. Section 2, ch. 24, SLA 1984, page 52, line 25 is amended to read:

APPROPRIATION GENERAL
ITEMS FUND

SFC

SFC

SFC

SFC

Chargeback Billing

System (ED 99)	<u>17,500</u>	<u>17,500</u>
	[74,000]	[74,000]

* Sec. 392. Section 2, ch. 24, SLA 1984, page 52, line 21 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Kenai Homer Pioneer Home

Feasibility Study (ED 5)	<u>31,000</u>	<u>31,000</u>
	[45,000]	[45,000]

* Sec. 393. Section 2, ch. 24, SLA 1984, page 58, line 19 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Seismic Data Acquisition	<u>1,663,000</u>	<u>1,663,000</u>
	[4,500,000]	[4,500,000]

* Sec. 394. (a) Section 4, ch. 25, SLA 1982, page 12, line 9 is amended to read:

APPROPRIATION	GENERAL	OTHER
ITEMS	FUND	FUNDS

Management and Administration	<u>15,438,200</u>	<u>15,438,200</u>	956,200
	[15,446,200]	[14,490,000]	

(b) Section 4, ch. 25, SLA 1982, page 12, line 13 is amended to read:

ALLOCATIONS

Microfilming/
Automated

SFC

SFC

SFC

Drafting

Systems 882,000

[890,000]

* Sec. 395. Section 53, ch. 120, SLA 1980, page 74, line 21 is amended to read:

	APPROPRIATION	GENERAL	OTHER
	ITEMS	FUND	FUNDS
Installation of Integrated Eligibility System	<u>1,225,928</u>	<u>612,428</u>	613,500
	[1,227,000]	[613,500]	

* Sec. 396. Section 80, ch. 101, SLA 1982, page 69, line 8 is amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
Platinum - Health Clinic Equipment	<u>5,133</u>	<u>5,133</u>
	[8,500]	[8,500]

* Sec. 397. Section 423, ch. 105, SLA 1985 is amended to read:

Sec. 423. The sum of \$8,402 [\$12,000] is appropriated from the general fund to the Department of Health and Social Services for payment as a grant under AS 37.05.316 to the Southern Region Emergency Medical Services Council for a Life-Pak Monitor/Defribillator for the Central Peninsula EMS Council.

* Sec. 398. Section 30, ch. 82, SLA 1981, page 133, line 15 is amended to read:

APPROPRIATION GENERAL

SFC

	ITEMS	FUND
Health Care Study -		
Phase II (ED 4)	<u>72,649</u>	<u>72,649</u>
	[75,000]	[75,000]

* Sec. 399. Section 53, ch. 120, SLA 1980, page 77, line 21 is amended to read:

SFC

	APPROPRIATION ITEMS	GENERAL FUND
McNeil River Game		
Sanctuary Development	<u>49,142</u>	<u>49,142</u>
	[50,800]	[50,800]

* Sec. 400. (a) Section 4, ch. 25, SLA 1982, page 13, line 13 is amended to read:

SFC

	APPROPRIATION ITEMS	GENERAL FUND
Fish and Game Resource		
Management	<u>2,997,180</u>	<u>2,997,180</u>
	[3,000,000]	[3,000,000]

(b) Section 4, ch. 25, SLA 1982, page 13, line 15 is amended to read:

ALLOCATIONS

Eagle Project	<u>47,180</u>
	[50,000]

* Sec. 401. (a) Section 30, ch. 82, SLA 1981, page 139, line 10 as amended by secs. 216(a) and 685(a), ch. 105, SLA 1985 is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
--	------------------------	-----------------

Fish and Game Resources	<u>8,211,220</u>	<u>8,211,220</u>
	[8,214,520]	[8,214,520]

(b) Section 30, ch. 82, SLA 1981, page 139, line 20 as amended by sec. 685(b), ch. 105, SLA 1985 is amended to read:

ALLOCATIONS

Mat-Su Valley

Lakes	<u>99,920</u>
	[103,220]

* Sec. 402. Section 34, ch. 107, SLA 1983, page 72, line 23 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

ANILCA Federal Land

Planning	<u>247,422</u>	<u>247,422</u>
	[269,700]	[269,700]

* Sec. 403. Section 4, ch. 24, SLA 1984, page 60, line 15 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Vessel Seizure

Costs (ED 99)	<u>80,000</u>	<u>80,000</u>
	[160,000]	[160,000]

* Sec. 404. Section 30, ch. 82, SLA 1981, page 122, line 21 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

SFC

Chinook Elementary

School Addition (ED 7-12)	<u>698,901</u>	<u>698,901</u>
	[700,000]	[700,000]

~~* Sec. 405. Section 2, ch. 10, SLA 1983, page 26, line 9 is amended to read:~~

in HOUSE version

APPROPRIATION	GENERAL
ITEMS	FUND

Anchorage - Birch Road

Upgrade (ED 7-15)	<u>3,160</u>	<u>3,160</u>
	[300,000]	[300,000]

* Sec. 406. Section 34, ch. 107, SLA 1983, page 86, lines 13 - 15 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Boys Club of Alaska -

[RENOVATION OF]
 Facilities/ Equipment/
and Operations [AT
 WALDRON LAKE, MARSTON
 FIELD, & WOODLAND PARK
 SCHOOL SITES] (ED 7-15)

300,000	300,000
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* Sec. 407. Section 34, ch. 107, SLA 1983, page 60, line 25 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Falks

782

Eliason

Long Island/Gildersleeve/

Thorne Bay Schools

Improvements (ED 3)	1,140,000	1,140,000
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* Sec. 408. Section 286, ch. 50, SLA 1980, page 94 as amended by sec. 30(a), ch. 16, SLA 1981, at page 11, line 24 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Eliason

Skagway - dock repairs,
upgrade, access, cargo
area upgrade

775,000	775,000
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* Sec. 409. Section 2, ch. 45, SLA 1984, page 31, line 11 is amended to read:

APPROPRIATION	GENERAL
ITEMS	FUND

Eliason

Elfin Cove - Community
Building Construction
and waste heat hookup

(ED 3)	350,000	350,000
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* Sec. 410. The unexpended and unobligated balance of the appropriation made in sec. 34, ch. 107, SLA 1983, page 71, line 22 (Haines - Southeast State Fair Improvements - \$263,500) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.316 to Southeast Alaska State Fair, Inc., for 1986 - 87 Southeast Alaska State Fair improvements and expenses."

Eliason

Renumber succeeding bill sections.

Page 64, line 21:

Delete "and" and following "319 - 322" insert ", 326 - 329, and 370"

HB 513
Budget Reserve

Page 65, following line 10, insert a new bill section to read:

"* Sec. 417. Section 323 of this Act takes effect on the effective date of an Act enacted by the Second Session of the Fourteenth Legislature that repeals the reserve for emergency operating expenses account (AS 37.05.159) and enacts the budget reserve fund (AS 37.05.156)."

Renumber remaining bill section.

Page 65, line 11, delete "and 99" and insert ", 99, and 323"

A M E N D M E N T

Offered in the SENATE

By Faiks

TO: CSSB 362 (Finance)

Page 11, following line 7, insert new bill sections to read:

Bennett
 "* Sec. 40. The appropriation and allocation made in sec. 26, ch. 98, SLA 1985, page 118, line 23 and page 119, line 14 (Senate Advisory Council - \$439,700) lapses into the general fund June 30, 1987.

* Sec. 41. The sum of \$39,753,400 is appropriated to the general fund from the following enterprise funds:

World War II Veterans' Revolving Loan Fund (AS 26.15.090)	\$ 408,600
Commercial Fishing Revolving Loan Fund (AS 16.10.310)	2,000,000
Mining Revolving Loan Fund (AS 27.09.010)	13,350,000
Alternative Technology and Energy Loan Fund (AS 45.88.010)	1,809,000
Residential Energy Conservation Loan Fund (AS 45.89.010)	1,800,000
Power Development Revolving Loan Fund (AS 44.33.600)	18,605,900
Rural Electrification Revolving Loan Fund (AS 44.83.361)	1,779,900

SFC
 * Sec. 42. The unexpended and unobligated balance of the Alaska Industrial Development Authority multifamily housing loans security fund

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Eliaison

(AS 44.88.156(h)) is appropriated to the Alaska Industrial Development Authority loan insurance account (AS 44.88.157) to be available to insure or guarantee the financing of a wastewater treatment facility by the Alaska Pulp Corporation at Sitka. The appropriation made by this section is for capitalization of a loan insurance account and does not lapse in accordance with AS 37.25.010.

* Sec. 43. Section 2, ch. 24, SLA 1984, page 9, line 20 as amended by sec. 378, ch. 105, SLA 1985 is amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
Civil Air Patrol Hangar		
Construction or		
Acquisition	<u>850,000</u>	<u>850,000</u>
	[1,100,000]	[1,100,000]

Abroad

* Sec. 44. The sum of \$145,000 is appropriated to the Department of Health and Social Services for payment as a grant under AS 37.05.316 to Lifeline Alternatives for a program to provide alternatives to hospitalization for medically fragile, technology dependent infants and children.

Abroad

* Sec. 45. The sum of \$86,525 is appropriated to the Department of Community and Regional Affairs for payment as a grant under AS 37.05.316 to Med-Alert, Inc. for personal medical alarm and monitoring services that will be provided without charge to sick and frail Anchorage senior citizens."

Abroad

Re-number succeeding sections accordingly.

Page 11, line 10:

Delete "and 27 - 31"

Insert "27 - 31, and 40"

Page 11, following line 11, insert a new bill section to read:

Eliason
"* Sec. 48. Section 42 of this Act takes effect on the date the Board of Directors of the Alaska Industrial Development Authority adopts a resolution that declares that the assets of the multifamily housing loan security fund (AS 44.88.156(h)) are surplus and are made available for a transfer to the loan insurance account (AS 44.88.157)."

Page 11, line 12:

Delete "Sec. 42. This"

Insert "Sec. 49. Except for sec. 42, this"

A M E N D M E N T #2

Offered in the SENATE

By Faiks

TO: CSHB 574 (Finance)

362

Page 61, after line 25, insert new bill sections to read:

* Sec. 411. The unexpended and unobligated balance of the appropriation made in sec. 34, ch. 107, SLA 1983, page 78, line 13 (Gilmore trail paving - \$1,600,000) is repealed.

* Sec. 412. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 24, SLA 1984, page 13, line 13 (Steese Highway acceleration lanes - \$160,000) is repealed.

* Sec. 413. The unexpended and unobligated balance of the appropriation made in sec. 80, ch. 101, SLA 1982, page 75, line 5 (Emergency vehicle signal priority - \$245,000) is repealed.

* Sec. 414. The unexpended and unobligated balance of the appropriation made in sec. 286, ch. 50, SLA 1980, page 90, line 17 (Fairbanks bridge deck repairs - \$300,000) is repealed.

* Sec. 415. The unexpended and unobligated balance of the appropriation made in sec. 30, ch. 82, SLA 1981, page 175, line 4 as amended by sec. 146, ch. 105, SLA 1985 (Fairbanks bridge deck repair completion - \$600,200) is repealed.

* Sec. 416. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 10, SLA 1983, page 7, line 18 (Skiland road improvements - \$100,000) is repealed.

* Sec. 417. Section 26, ch. 98, SLA 1985, page 64, lines 7 and 8 are amended to read:

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	ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND
Management		<u>\$3,855,700</u>	<u>\$3,855,700</u>
		[\$3,860,700]	[\$3,860,700]
Commissioner's Office	<u>\$1,542,300</u> [\$1,547,300]		

* Sec. 418. The sum of \$30,000 is appropriated from the general fund to the Department of Natural Resources for the operations of the Citizen's Advisory Commission on Federal Areas for the fiscal year ending June 30, 1987.

* Sec. 419. The sum of \$10,000 is appropriated from the general fund to the the Department of Public Safety for payment as a grant under AS 37.05.-316 to Women in Crisis Counseling and Assistance for facility improvements.

* Sec. 420. The sum of \$10,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for South Fairbanks Park playground equipment.

* Sec. 421. The sum of \$75,000 is appropriated from the general fund to the University of Alaska Agriculture and Forestry Experiment Station for the completion of the Rosie Creek Research project.

* Sec. 422. The sum of \$8,290 is appropriated from the general fund to the Department of Health and Social Services for payment as a grant under AS 37.05.316 to the Interior Region Emergency Medical Services Council for training and equipment.

* Sec. 423. The sum of \$5,000 is appropriated from the general fund to the University of Alaska - Fairbanks for University of Alaska Museum

Fehrenkamp

acquisitions.

* Sec. 424. The sum of \$20,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Fairbanks for improvements to Alaskaland Pioneer Air Museum.

* Sec. 425. The sum of \$5,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for a Van Tran vehicle.

* Sec. 426. The unexpended and unobligated balances of the appropriations made in sec. 33, ch. 90, SLA 1981, (Kodiak Island Borough Electrical Needs Assessment - \$100,000); sec. 286, ch. 50, SLA 1980, page 87, line 22 (Bells Flats Road Improvements - \$780,000); and sec. 286, ch. 50, SLA 1980, page 87, line 23 (Otemloi Road Improvements - \$1,500,000) are repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Kodiak Island Borough for operations and facility upgrade for the Kodiak State Fair and Rodeo Grounds.

* Sec. 427. The unexpended and unobligated balance of the appropriation made in sec. 13, ch. 90, SLA 1981, page 3, line 28 as amended by sec. 508, ch. 105, SLA 1985 (Fairbanks District Heating Extension Feasibility Study - \$438,164) is repealed.

* Sec. 428. The sum of \$9,150 is appropriated from the general fund to the Department of Administration for the payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for the Tanana Valley Fair Association's emergency, safety and security system.

* Sec. 429. The unexpended and unobligated balance of the appropriation and allocation of \$110,200 for the Angoon power project made in sec. 1, ch. 54, SLA 1980, as amended by sec. 49, ch. 120, SLA 1980, sec. 52, ch. 90,

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Zharoff

Bennett

Bennett

Elisson

SLA 1981, sec. 21, ch. 141, SLA 1982, sec. 102, ch. 106, SLA 1983, sec. 72, ch. 105, SLA 1985, and sec. 490, ch. 105, SLA 1985 is repealed and reappropriated to the Department of Commerce and Economic Development, Alaska Power Authority, for Yakutat Waste Heat.

* Sec. 430. The unexpended and unobligated balance of the appropriation made in sec. 80, ch. 101, SLA 1982, page 105, line 16 (Lois Road - \$150,000) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for the Butte Fire Station completion.

* Sec. 431. The unexpended and unobligated balance of the appropriation made in sec. 80, ch. 101, SLA 1982, page 105, line 14 (McKechnie Road - \$200,000) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Nelchina Road Upgrade and Maintenance.

* Sec. 432. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 18, SLA 1984, page 3, line 4 (Matanuska-Susitna Borough, Sutton to Skwenta Bank Erosion Protection - \$70,000) is repealed and reappropriated as follows:

(1) the sum of \$40,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska - Susitna Borough for the Meadow Lakes Volunteer Fire Department Fire Truck; and

(2) the sum of \$25,000 is appropriated to the Department of Administration, Alaska Public Broadcasting Commission for payment as a grant under AS 37.05.316 to Terminal Radio for Tower Construction Expenses.

* Sec. 433. The unexpended and unobligated balance of the appropriation

Kerttula

and allocation made in sec. 30, ch. 82, SLA 1981, page 139, lines 10 and 20 as amended by sec. 685, ch. 105, SLA 1985 (Mat-Su Valley Lakes - \$103,220) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for the Sutton Alpine Civic Club for sewer repairs.

* Sec. 434. The unexpended and unobligated balance of the appropriation made in sec. 34, ch. 107, SLA 1983, page 72, line 25 (Moose Habitat Improvement - \$295,000) is repealed and reappropriated to the Department of Fish and Game for the Mat-Su Valley Moose Range Habitat Improvement.

* Sec. 435. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 10, SLA 1983, page 29, line 24 (McKechnie Road Upgrade - \$120,000) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Palmer for water well construction.

* Sec. 436. (a) Section 4, ch. 24, SLA 1984, page 62, line 6 is amended to read:

	APPROPRIATION	GENERAL	OTHER
	ITEMS	FUND	FUNDS
Central Design Engineering	<u>5,288,000</u>	<u>987,000</u>	4,301,000
	[5,301,000]	[1,000,000]	

(b) The sum of \$13,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for the Knik Museum roof repair.

* Sec. 437. The unexpended and unobligated balance of the appropriation made in sec. 80, ch. 101, SLA 1982, page 90, line 24 (Pittman - Meadow Lakes Substation - \$200,000) is repealed and reappropriated to the

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Department of Administration, Alaska Public Broadcasting Commission for payment as a grant under AS 37.05.316 to Terminal Radio for operating expenses.

* Sec. 438. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 24, SLA 1984, page 44, line 10 (Wasilla Railroad Signalization - \$300,000) is repealed and reappropriated as follows:

(1) the sum of \$22,000 is appropriated to the University of Alaska for the Cordova Marine Advisory Program; and

(2) the sum of \$45,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for the Bear Creek Volunteer Fire Department Truck, Pump and SCUBA Rescue Equipment.

* Sec. 439. The unexpended and unobligated balance of the appropriation made in sec. 4, ch. 25, SLA 1982, page 13, line 6 (Plant Material Center Building - \$600,000) is repealed and reappropriated as follows:

(1) the sum of \$100,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for the Nikiski Fire Service Area Emergency Escape Route;

(2) the sum of \$45,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Cordova for the North Containment Industrial Park Development;

(3) the sum of \$130,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Cordova for the Humpback Creek Hydro Project Construction; and

(4) the sum of \$60,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-

Kenai

Susitna Borough for Pittman Road Extension.

* Sec. 440. The unexpended and unobligated balance of the appropriation made in sec. 2, ch. 24, SLA 1984, page 2, line 25 (Seward Senior Citizens Center - \$250,000) is repealed and reappropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Seward for the Senior Citizens of Seward, Inc. for the purpose of renovating the existing senior citizens center.

* Sec. 441. The unexpended and unobligated balance of the appropriation made in sec. 3, ch. 96, SLA 1985, page 15, line 6 (Katalla Road - Plan, Design, and Locate - \$150,000) is repealed and reappropriated to the University of Alaska, Prince William Sound Community College for rental space in the City of Cordova for the fiscal year ending June 30, 1987.

* Sec. 442. Section 295, ch. 105, SLA 1985 is amended to read:

Sec. 295. The sum of \$1,260,000 [\$1,760,000] is appropriated from the general fund to the Department of Transportation and Public Facilities to pay for construction of the Seward Coal Loading Facility.

* Sec. 443. The sum of \$500,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.-05.315 to the City of Seward for the Seward Marine Industrial Center, Cradles and Rails.

* Sec. 444. The sum of \$300,000 is appropriated from the housing development grant fund (AS 18.55.998) to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Houston for the Senior Citizens Center.

* Sec. 445. Section 34, ch. 107, SLA 1983, page 79, line 25 as amended

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by sec. 140, ch. 105, SLA 1985 is amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
Match for Ch. 25/82 projects	<u>13,212,200</u>	<u>13,212,200</u>
	[13,412,200]	[13,412,200]

* Sec. 446. The sum of \$200,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Cordova for the Humpback Creek Hydro Project.

* Sec. 447. The unexpended and unobligated balance of the appropriation and allocation made in sec. 30, ch. 82, SLA 1981, page 168, lines 11 and 13 as amended by ch. 105, SLA 1983, sec. 131 (Old Glenn Highway Repave - \$3,021,600) is repealed and reappropriated as follows:

(1) the sum of \$50,000 is appropriated to the Department of Natural Resources for payment as a grant under AS 37.05.316 to the Palmer Alaska State Fair for operating expenses; and

(2) the sum of \$40,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Maud Road upgrade and maintenance."

Renumber remaining bill sections.

Page 62, line 3, before "of this Act" insert "418, 421, and 441"

Page 62, line 7, before "of this Act" insert "423, 429, and 438(1)"

Kerttula

BRIEFING MATERIALS

Budget Reserve Fund

January 1986

State of Alaska

Office of Management and Budget



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 1986

BUDGET RESERVE FUND

Governor Bill Sheffield

My concern for fiscal planning for the State of Alaska goes back to long before my campaign for Governor. Since coming to Juneau I have emphasized long-term fiscal considerations in my annual budgets and major legislative initiatives. This year I am proposing an amendment to the State constitution that creates a Budget Reserve Fund (BRF), designed to help stabilize State spending and provide a hedge or "buffer" against revenue shortfalls.

Basically, the BRF is an account used to save money in good years and augment spending in bad years. It is a device for managing our cash flow. This proposed constitutional amendment also can help protect the assets and earnings of the Alaska Permanent Fund, which will continue to be our permanent, long-term savings account.

If approved by the Legislature and ratified by the voters, the BRF would create a new spending limit. The existing spending limit has proven to be ineffective, and it should be replaced. Under my proposal, revenues in excess of the spending limit would be used first to replenish the BRF, and then to provide for permanent savings and additional spending if sufficient.

In years when revenues are down, a portion of the money in the BRF can be withdrawn to help support the budget. There is no guarantee that this amount will be enough to keep the budget at the level of our prior year, but it will help meet the shortfall.

This packet of briefing materials has been prepared by the Office of Management and Budget to explain the details of the BRF. I encourage the widest possible public discussion of the proposal, and we are available to answer questions that you may have.

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Budget Reserve Fund

*"The Budget Reserve Fund is a spending plan, a savings plan, and a spending limit ...
Moreover, by creating the Budget Reserve Fund, Alaskans are creating
a buffer -- between impulsive spenders and the Permanent Fund."*

Governor Bili Sheffield
January 16, 1986

BUDGET RESERVE FUND

This paper proposes a Budget Reserve Fund (BRF) for the State of Alaska. The BRF is a special reserve account designed to operate with a revised appropriation limit.

The BRF performs two functions. In years of sharp revenue declines, the BRF supplies additional funds for appropriation by transferring a portion of its balance into the General Fund. In years of sudden or sustained revenue increases, the BRF temporarily holds a portion of revenue surpluses for later use.

The flow of funds into and out of the BRF will buffer the year-to-year fluctuations in the State's revenue stream caused by petroleum price changes. The net effect will be a leveling or smoothing of the revenue amounts available to the State each year for appropriations. This smoothing will provide a greater degree of stability in annual State budget levels, increased certainty in the appropriations process, and mitigation of the budgetary and economic effects produced by annual revenue fluctuations.

If established, the BRF will replace the State's current Rainy Day Fund. Similarly, its accompanying appropriation limit will replace Alaska's existing constitutional limit on appropriations.

The BRF Proposal

Central to the BRF and its accompanying appropriation limit are the following provisions:

- ° The appropriation limit applies only to Unrestricted General Fund revenues.
- ° The BRF is separate from the State's General Fund.
- ° Appropriations for any given fiscal year are limited to 115 percent of the total appropriations made during the preceding calendar year (January-December).
- ° If revenue collections in any given fiscal year fall to a level below 95 percent of the total appropriations made during the preceding calendar year, funds are transferred from the BRF into the General Fund, to provide for appropriations for that fiscal year. The amount of funds transferred is the lesser of: (a) the amount necessary to bring appropriations up to the 95 percent level; or, (b) the maximum annual outlay from the BRF (25 percent of the BRF balance).

- ° The capacity (size limit) of the BRF for any given fiscal year is equal to the total amount of appropriations made during the preceding calendar year.
- ° If revenue collections in any given fiscal year exceed the 115 percent limit, the surplus (revenue collections above 115 percent of the previous calendar year appropriations) is transferred into the BRF. However, if transfer of the surplus would cause the BRF's capacity (size limit) for that fiscal year to be exceeded, only an amount of revenues sufficient to bring the BRF balance up to the fund's capacity is transferred into the BRF. Any excess surplus (surplus above the BRF's capacity) or spillover is distributed as follows: 25 percent remains in the General Fund and is available for appropriations for that fiscal year (effectively raising the 115 percent appropriation ceiling), and 75 percent is transferred into the Permanent Fund.
- ° The BRF retains its interest earnings.
- ° If the balance of the BRF at the close of a fiscal year exceeds the account's capacity for that fiscal year, the spillover (excess above capacity) is distributed as follows: 25 percent is transferred into the General Fund, and 75 percent is transferred into the Permanent Fund.
- ° The maximum outlay (disbursement for appropriations) from the BRF during any given fiscal year is 25 percent of the balance remaining in the account at the close of the preceding calendar year.
- ° All General Funds resulting from BRF spillover are available for appropriation without regard to the 115% limit and, once appropriated, become part of the succeeding fiscal year's base (total appropriations made in the preceding calendar year).

How the BRF and Appropriation Limit will Work

For each fiscal year's budget, the appropriation limit sets a 95 percent floor and a 115 percent ceiling for appropriations. These thresholds are based on the amount of total appropriations made during the preceding calendar year, so that they will be known with certainty by the start of legislative sessions.

If revenues for the fiscal year being budgeted are expected to fall below the 95 percent floor, legislators will make

appropriations on that basis. Because they will know the BRF balance and maximum possible outlay at the start of the session, legislators also will be able to estimate the amount of outlay likely to be forthcoming from the BRF, and incorporate that extra amount into their appropriations. If the shortfall materializes, the BRF outlay will be transferred into the General Fund at the close of the budgeted fiscal year. If revenue collections turn out not to fall below the 95 percent floor, no BRF money will be released.

Conversely, if revenues for the fiscal year being budgeted are expected to exceed the 115 percent ceiling, legislators will be able to make appropriations up to the ceiling. Knowing the BRF balance and capacity at the start of the session, as well as the expected surplus above the 115 percent ceiling, legislators also will be able to add to their appropriations an estimate of how much excess surplus is likely to be available for additional appropriations above the 115 percent ceiling level. The excess surplus for appropriations will then become available at the close of the budgeted fiscal year, if a revenue surplus materializes. If revenue collections turn out not to exceed the 115 percent ceiling, there will be no excess surplus for appropriations.

Under both sets of circumstances described above, legislators will retain their current flexibility in fine-tuning appropriations during the following legislative session, based on then-prevailing revenue forecasts.

Discussion: BRF

Regarding capitalization, it must be said that it would be possible to establish the BRF without any initial capitalization. Doing so would have the effect of activating the appropriation limit, and placing the BRF on the books. This would mean that the BRF would not be able to provide any budgetary assistance until such time as revenue surpluses might occur in the future.

If the BRF is to provide budgetary assistance during the coming years of expected revenue decline, however, it will need to be initially capitalized by the State.

The best level of initial capitalization for the BRF is ultimately a matter of judgement. Simulations conducted by the Office of Management and Budget (OMB), however, suggest that an initial capitalization of less than \$500 million could result in a steady draw-down of the account, particularly if current revenue forecasts prove accurate. The same simulations indicate that an initial capitalization of \$1 billion would go far towards avoiding that possibility, particularly if the BRF is allowed to retain its interest earnings.

The best size for the maximum annual outlay from the BRF is also a matter of judgement. The Office of Management and Budget simulations indicate, however, that (at a \$1 billion level of initial capitalization) restricting outlays to a maximum of 25 percent of the BRF's balance probably is sufficient to assure a continuing lifespan for the fund, yet still provide meaningful amounts of assistance in years when assistance is needed.

The BRF is not intended to serve as a State savings account, but rather as a kind of cash management account. Therefore, its capacity (maximum size) is limited in this proposal to a level equalling one calendar-year's appropriations. This is done to avoid the theoretical possibility of accumulating large cash balances in the BRF.

For the same reason, and to allow flexibility in making appropriations during periods of sudden or sustained revenue increases, this proposal also stipulates that a portion of large revenue surpluses be kept available for appropriations through the excess surplus (surplus above the BRF's capacity) provisions governing the BRF. Similar spillover provisions apply in cases where the BRF's interest earnings may cause the account's capacity to be exceeded. Both sets of provisions allow appropriations in excess of the 115 percent level.

Discussion: Appropriation Limit

Two general considerations need to be addressed regarding the proposed appropriation limit. One involves the scope of the appropriation limit; the other involves timing considerations underlying the limit's application.

The proposal restricts the scope of the appropriation limit to Unrestricted General Fund revenues. This restriction has been adopted in order to avoid situations where fiscal events beyond the State's control (e.g, fluctuations in federal funding) might affect the appropriation limit's floor and ceiling thresholds, or trigger BRF outlays. This allows the Legislature and the Governor to respond to such external fiscal events as they best see fit, rather than have their response dictated. In keeping with this purpose, the proposed appropriation limit also does not allocate or otherwise distinguish between operating and capital budget appropriations.

The proposal employs a calendar-year basis (i.e., the total appropriations made in the calendar year preceding any given fiscal year) to set the appropriation limit's floor and ceiling, as well as to set the capacity of the BRF. There are two reasons for adopting the calendar-year basis.

One reason is to provide clear budget planning guidelines: public officials will know by the start of a legislative session the relevant numbers and limits with which they will be working in setting the coming fiscal year's budget. If, for example, the appropriation limit's floor and ceiling for the fiscal year (FY) 1990 budget were based on fiscal year 1989 appropriations, instead of on calendar year 1989 appropriations, legislators convening in January 1989 would not know the appropriation ceiling or floor for the FY 1990 budget until after the 1989 session had ended (and the Governor had approved or vetoed FY 1989 supplemental and special appropriations made during the 1989 session). Nor, for the same reason, would legislators know the BRF's FY 1990 capacity, for purposes of estimating any excess surplus or spillover funds that might come available for appropriation.

The second reason for adopting the calendar-year basis is to preserve, without sacrificing certainty about budget floors and ceilings, the flexibility that public officials currently have in requesting and making supplemental and special appropriations during follow-up legislative sessions.

Attachments to the Proposal

To illustrate the operation of the BRF and its companion appropriation limit, three sets of figures and tables are attached to this proposal. All of the attachments assume that the BRF and the appropriation limit are first applied to the FY 1988 budget.

(For the sake of simplicity, all of the attachments also assume that all budget appropriations for a given fiscal year, including supplemental and special appropriations, occur during the same legislative session.)

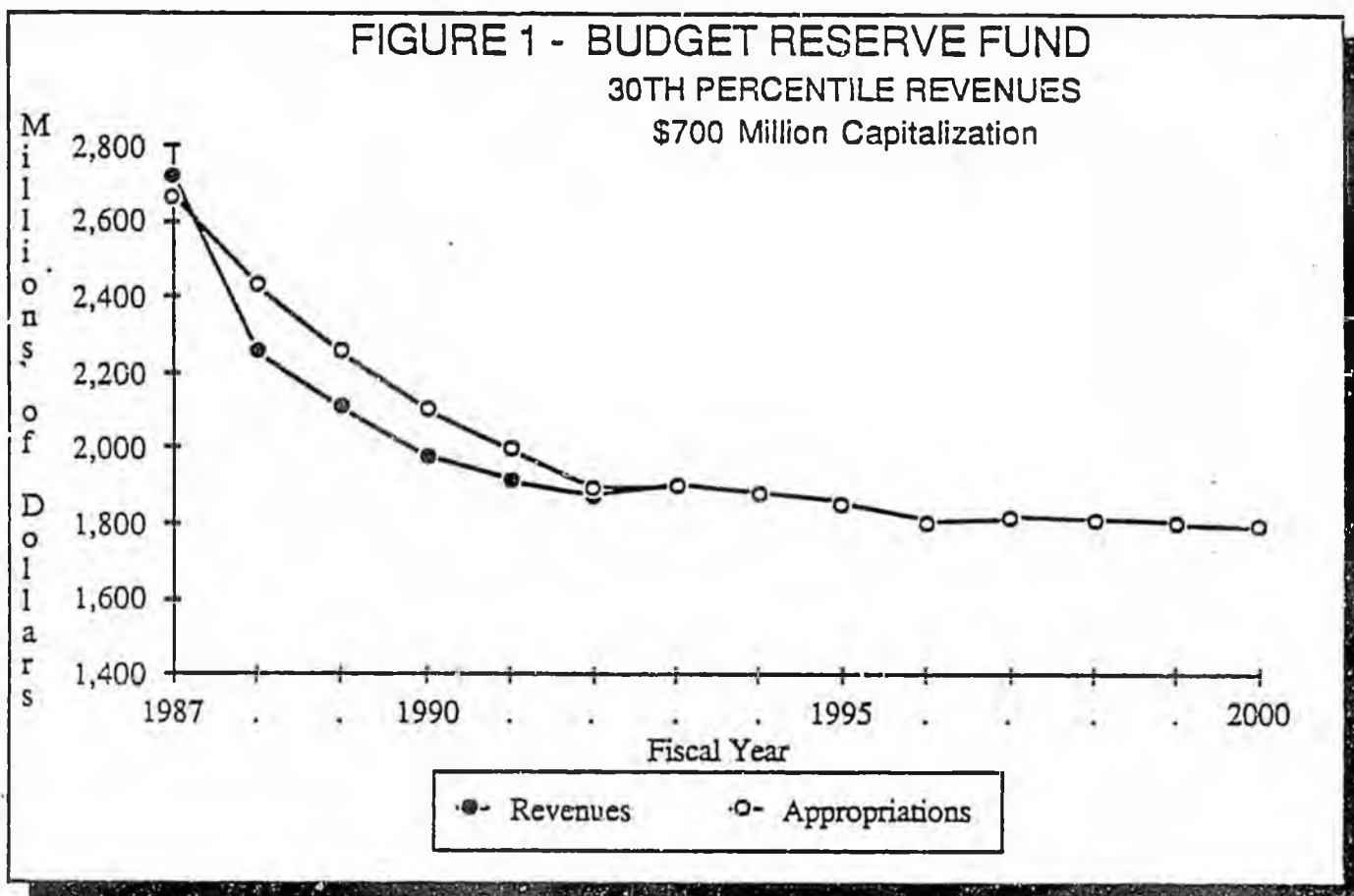
Note: In all of the attachments, the FY 1987 total appropriation amount of \$2.664 billion represents Governor Sheffield's preliminary FY 1987 Executive Budget proposal. Appropriation levels affected by the BRF and its appropriation limit begin in FY 1988.

Figure 1 is based on the Department of Revenue (DOR) December 1985 30th percentile forecast for Unrestricted General Fund revenues, for the period FY 1987-2000. The figure assumes an initial capitalization of \$700 million for the BRF, and indicates the appropriation levels that would result under the BRF proposal. As can be seen, the BRF would contribute a total of approximately \$550 million to the General Fund for appropriations between FY 1988 and FY 1992 in this scenario. Beyond FY 1992, the apparent flattening of revenues indicated by the forecast causes no triggering of BRF activity. (Table 1 is the accompanying spreadsheet, from which Figure 1 is generated.)

Figure 2 is based on DOR's December 1985 mean (mid-range) forecast for Unrestricted General Fund revenues, for the period FY 1987-2000. This figure also assumes an initial capitalization of \$700 million for the BRF account, and indicates the appropriation levels that would result under the BRF proposal. As can be seen, the BRF would be triggered only once in this scenario, contributing approximately \$27 million to the General Fund in FY 1988. The BRF would not be triggered again during the period of this forecast, as revenue collections remain above the 95% floor level through FY 2000. (Table 2 is the accompanying spreadsheet, from which Figure 1 is generated.)

Figure 3 represents a hypothetical version of Figure 1. Like Figure 1, Figure 3 is based on DOR's December 1985 30th percentile forecast for Unrestricted General Fund revenues, and assumes an initial capitalization of \$700 million for the BRF account. This hypothetical case assumes, however, that an unexpected \$600 million windfall occurs in FY 1992. As can be seen from Figure 3, the BRF functions the same way as it does in Figure 1 through FY 1991, but following FY 1992 spreads part of the surplus generated by the FY 1992 windfall across the period FY 1993-1994, contributing a total of approximately \$210 million to the General Fund during those two fiscal years. The relative stabilization of revenues beyond FY 1994 causes no triggering of BRF activity. (Table 3 is the accompanying spreadsheet.)

FIGURE 1 - BUDGET RESERVE FUND
 30TH PERCENTILE REVENUES
 \$700 Million Capitalization



Prepared by:
 Division of Strategic Planning, OMB

1/20/86

TABLE 1
BUDGET RESERVE FUND
\$700 MILLION CAPITALIZATION
30TH PERCENTILE LGF REVENUES, FY 1987 - 2000
DECEMBER 1005 FORECAST
(\$Millions)

**CONTRIBUTIONS TO
PERMANENT FUND**

CASE CONSTRAINTS:

Ceiling (+%):	15%	Capitalization:	700
Floor (-%):	5%	Maximum Outlay:	25%
Interest Rate:	0%	Spillover Spending:	25%

DRF Capacity = Previous Calendar Year's Appropriations

DRF Outlay Limit = 25% of FY Start Balance

DRF account retains its earnings.

Spending/PF Adjustment = year end adjustment to keep DRF balance under capacity limit; excess divided between spending and PF.

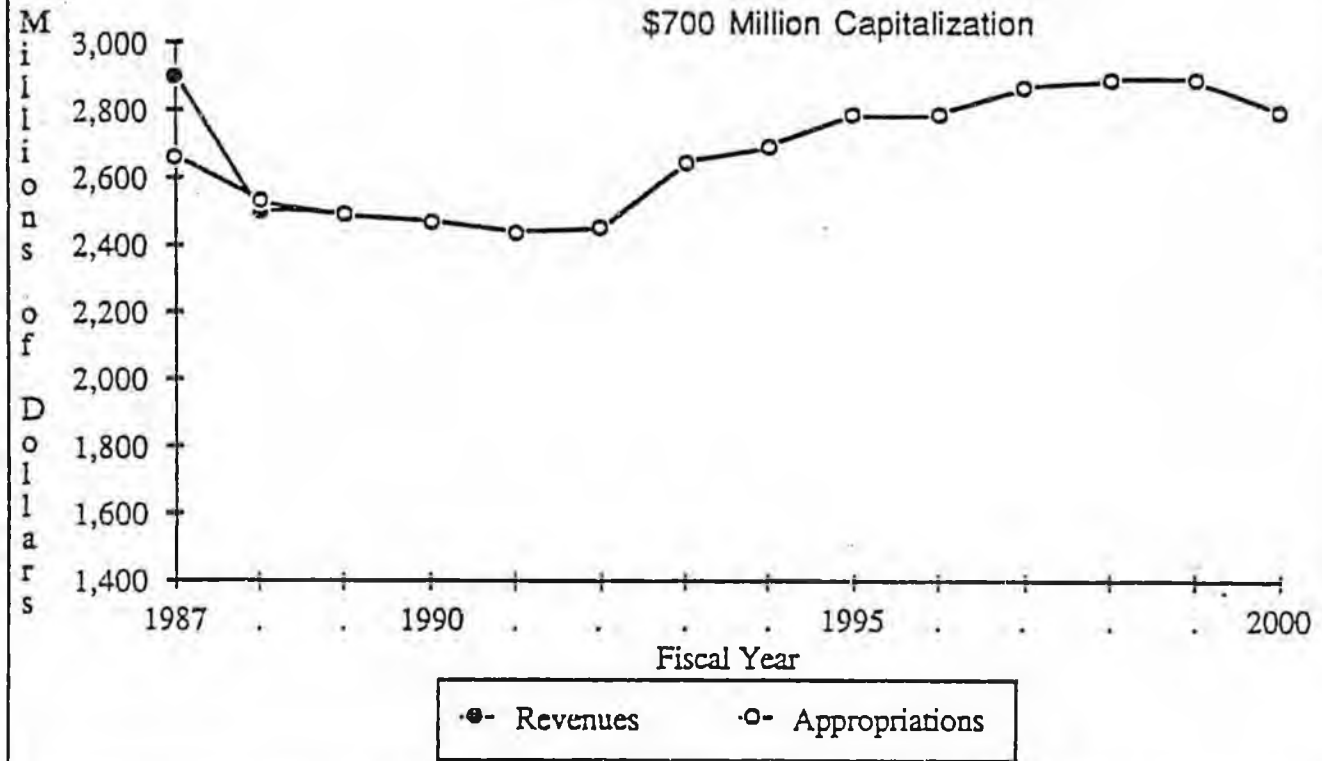
Model assumes that all fund transactions (deposits, outlays, and interest earnings) are recognized at close of fiscal year.

FY	FY Start		PF		FY End
	FY Balance	Earnings	Deposit	Balance	
	--W--	--X--	--Y--	--Z--	
1987					
1988	-	-	0	0	
1989	0	0	0	0	
1990	0	0	0	0	
1991	0	0	0	0	
1992	0	0	0	0	
1993	0	0	0	0	
1994	0	0	0	0	
1995	0	0	0	0	
1996	0	0	0	0	
1997	0	0	0	0	
1998	0	0	0	0	
1999	0	0	0	0	
2000	0	0	0	0	
TOTAL:		0	0		

FY	Revenues	IF REVENUES ABOVE CEILING							IF REVENUES BELOW FLOOR			Total CY
		Prev. CY Approp's	Ceiling (+%)	Floor (-%)	Surplus	BRF Deposit	Added Spending	Perm. Fund Deposit	Shortfall	BRF Outlay	Approp's	
1987	2,719											2,664
1988	2,257	2,664	3,064	2,831	0	0	0	0	273	175	2,432	
1989	2,109	2,432	2,707	2,311	0	0	0	0	202	147	2,256	
1990	1,980	2,256	2,595	2,143	0	0	0	0	163	123	2,104	
1991	1,916	2,104	2,419	1,990	0	0	0	0	83	83	1,999	
1992	1,875	1,999	2,280	1,909	0	0	0	0	24	24	1,999	
1993	1,804	1,890	2,104	1,804	0	0	0	0	0	0	1,904	
1994	1,802	1,804	2,100	1,809	0	0	0	0	0	0	1,802	
1995	1,858	1,882	2,104	1,780	0	0	0	0	0	0	1,855	
1996	1,808	1,855	2,133	1,762	0	0	0	0	0	0	1,808	
1997	1,821	1,808	2,079	1,718	0	0	0	0	0	0	1,821	
1998	1,813	1,821	2,094	1,730	0	0	0	0	0	0	1,813	
1999	1,804	1,813	2,084	1,722	0	0	0	0	0	0	1,804	
2000	1,706	1,804	2,075	1,714	0	0	0	0	0	0	1,706	
TOTAL:	24,819				0	0	0	0	553	25,372		

FY	BUDGET RESERVE FUND										Spend/PF Adjustment	FY End Balance	
	FY Start Balance	Fund Capacity	Maximum Outlay	Deposit	Outlays	Earnings							
	O	P	Q	R	S	T	U	V					
1987													
1988	700	2,664	175	0	175	63	0	588					
1989	588	2,432	147	0	147	53	0	494					
1990	484	2,256	123	0	123	44	0	415					
1991	415	2,104	104	0	83	37	0	369					
1992	369	1,999	82	0	24	33	0	378					
1993	378	1,890	85	0	0	34	0	412					
1994	412	1,904	103	0	0	37	0	449					
1995	440	1,882	112	0	0	40	0	400					
1996	490	1,855	122	0	0	44	0	534					
1997	534	1,808	133	0	0	48	0	582					
1998	582	1,821	145	0	0	52	0	634					
1999	534	1,813	159	0	0	57	0	691					
2000	691	1,804	173	0	0	62	0	753					
TOTAL:				0	553	606							

FIGURE 2 - BUDGET RESERVE FUND
 MEAN FORECASTED REVENUES
 \$700 Million Capitalization



Prepared by:
 Division of Strategic Planning, OMB

1/20/86

TABLE 2
BUDGET RESERVE FUND
 \$700 MILLION CAPITALIZATION
 MEAN FORECASTED UGF REVENUES, FY 1987 - 2000
 DECEMBER 1985 FORECAST
 (\$Millions)

CASE CONSTRAINTS:

Ceiling (+%):	15%	Capitalization:	700
Floor (-%):	5%	Maximum Outlay:	25%
Interest Rate:	9%	Spillover Spending:	25%

DRF Capacity = Previous Calendar Year's Appropriations

DRF Outlay Limit = 25% of FY Start Balance

DRF account retains its earnings.

Spending/PF Adjustment = year end adjustment to keep DRF balance under capacity limit; excess divided between spending and PF.

Model assumes that all fund transactions (deposits, outlays, and interest earnings) are recognized at close of fiscal year.

CONTRIBUTIONS TO PERMANENT FUND

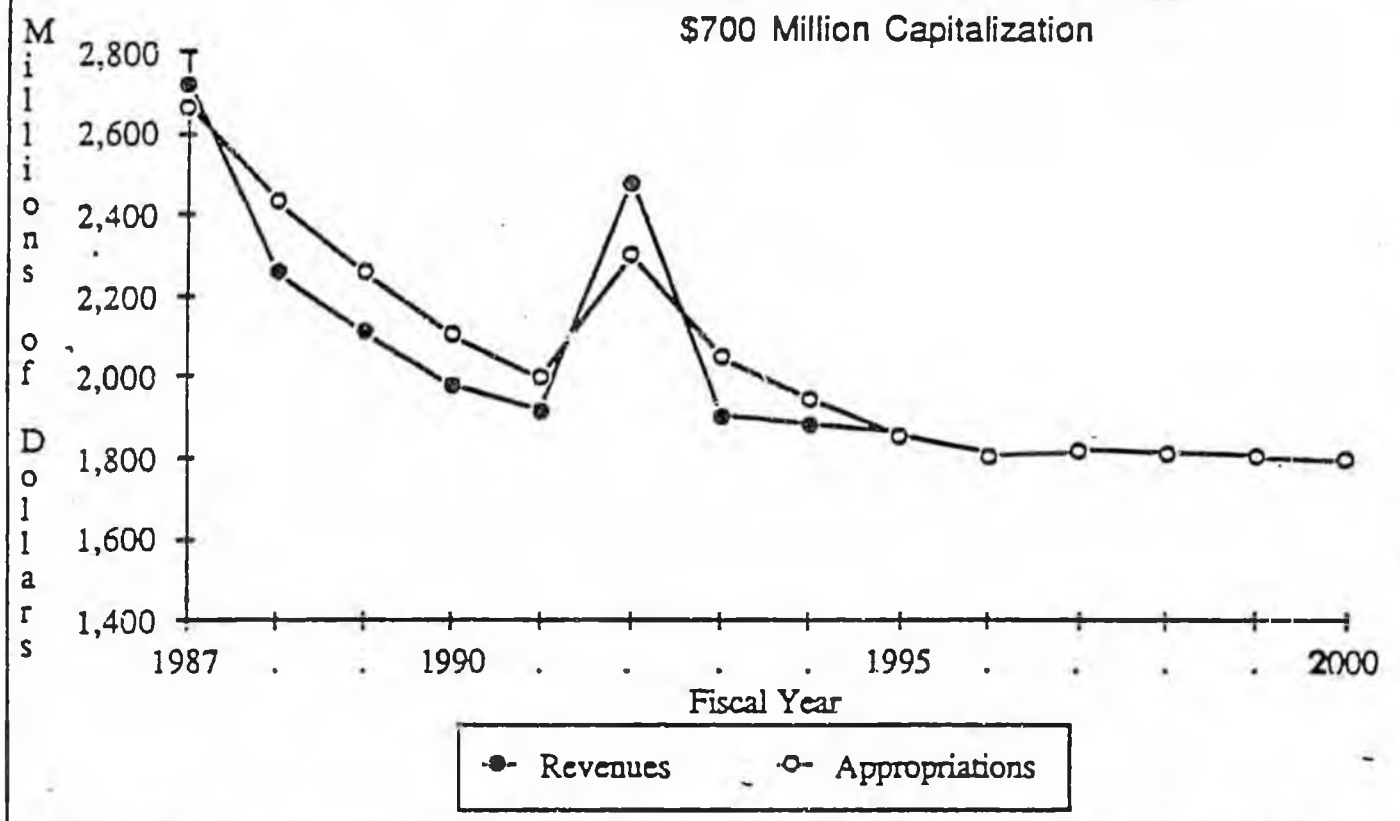
FY	FY Start		PF		FY End
	FY Balance	Earnings	Deposit	Balance	
	W	X	Y	Z	
1987					
1988			0		0
1989	0	0	0		0
1990	0	0	0		0
1991	0	0	0		0
1992	0	0	0		0
1993	0	0	0		0
1994	0	0	0		0
1995	0	0	0		0
1996	0	0	0		0
1997	0	0	0		0
1998	0	0	0		0
1999	0	0	0		0
2000	0	0	0		0
TOTAL:			0		0

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FY	IF REVENUES ABOVE CEILING											IF REVENUES BELOW FLOOR		BUDGET RESERVE FUND									
	FY Revenues		Prev. CY	Ceiling	Floor	Surplus		DRF	Added	Perm. Fund	Shortfall	DRF	Total	FY	FY Start	Fund	Maximum	Deposit	Outlays	Earnings	Spend/PF	FY End	
	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V		
1987	2,004										27	27	2,664	1987									
1988	2,503	2,664	3,064	2,531	0	0	0	0	0	0	27	27	2,531	1988	700	2,664	175	0	27	83	0	736	
1989	2,491	2,531	2,910	2,404	0	0	0	0	0	0	0	0	2,491	1989	738	2,531	184	0	0	68	0	802	
1990	2,474	2,491	2,865	2,366	0	0	0	0	0	0	0	0	2,474	1990	802	2,491	200	0	0	72	0	874	
1991	2,441	2,474	2,845	2,350	0	0	0	0	0	0	0	0	2,441	1991	874	2,474	218	0	0	79	0	953	
1992	2,450	2,441	2,807	2,310	0	0	0	0	0	0	0	0	2,450	1992	953	2,441	230	0	0	86	0	1,038	
1993	2,648	2,450	2,817	2,327	0	0	0	0	0	0	0	0	2,648	1993	1,038	2,450	260	0	0	93	0	1,132	
1994	2,692	2,648	3,045	2,516	0	0	0	0	0	0	0	0	2,692	1994	1,132	2,648	283	0	0	102	0	1,234	
1995	2,707	2,692	3,096	2,550	0	0	0	0	0	0	0	0	2,787	1995	1,234	2,692	308	0	0	111	0	1,345	
1996	2,790	2,787	3,206	2,648	0	0	0	0	0	0	0	0	2,790	1996	1,345	2,787	338	0	0	121	0	1,468	
1997	2,868	2,790	3,208	2,650	0	0	0	0	0	0	0	0	2,868	1997	1,468	2,790	366	0	0	132	0	1,598	
1998	2,891	2,868	3,290	2,725	0	0	0	0	0	0	0	0	2,891	1998	1,598	2,868	390	0	0	144	0	1,741	
1999	2,890	2,891	3,325	2,747	0	0	0	0	0	0	0	0	2,890	1999	1,741	2,891	435	0	0	157	0	1,898	
2000	2,800	2,890	3,324	2,746	0	0	0	0	0	0	0	0	2,800	2000	1,898	2,890	475	0	0	171	0	2,069	
TOTAL:	34,726							0	0	0		27	34,753					0	27	1,308			

Source: Office of Management and Budget, Division of Strategic Planning

FIGURE 3 - BUDGET RESERVE FUND
 30TH % - \$600 MILLION WINDFALL
 \$700 Million Capitalization



Prepared by:
 Division of Strategic Planning, OMB

1/20/86

1/20/06

CASE CONSTRAINTS:

Ceiling (+%):	15%	Capitalization:	700
Floor (-%):	5%	Maximum Outlay:	25%
Interest Rate:	8%	Spillover Spending:	25%

BRF Capacity = Previous Calendar Year's Appropriations

BRF Outlay Limit = 25% of FY Start Balance

BRF account retains its earnings.

Spending/PF Adjustment = year end adjustment to keep BRF balance under capacity limit; excess divided between spending and PF.

Model assumes that all fund transactions (deposits, outlays, and interest earnings) are recognized at close of fiscal year.

TABLE 3	
BUDGET RESERVE FUND	
\$700 MILLION CAPITALIZATION	
30TH PERCENTILE UGF REVENUES, FY 1987 - 2000	
DECEMBER 1985 FORECAST	
ASSUMES \$600 MILLION WINDFALL IN FY1992	
(\$Millions)	

CONTRIBUTIONS TO PERMANENT FUND

FY	FY Start	Earnings	PF	FY End
	Balance		Deposit	Balance
	--Y--	--X--	--Y--	--Z--
1987				
1988	-	-	0	0
1989	0	0	0	0
1990	0	0	0	0
1991	0	0	0	0
1992	0	0	0	0
1993	0	0	0	0
1994	0	0	0	0
1995	0	0	0	0
1996	0	0	0	0
1997	0	0	0	0
1998	0	0	0	0
1999	0	0	0	0
2000	0	0	0	0
TOTAL:		0	0	

FY	IF REVENUES ABOVE CEILING								IF REVENUES BELOW FLOOR			BUDGET RESERVE FUND								
	FY Revenues	Prov. CY Approp.'s	Ceiling (+%)	Floor (-%)	Surplus	BRF Deposit	Added Spending	Perm. Fund Deposit	Shortfall	BRF Outlay	Total CY Approp.'s	FY Start Balance	Fund Capacity	Maximum Outlay	Deposit	Outlays	Earnings	Spend/PF Adjustment	FY End Balance	
	--B--	--C--	--D--	--E--	--F--	--G--	--H--	--I--	--J--	--K--	--L--	--O--	--P--	--Q--	--R--	--S--	--T--	--U--	--V--	
1987	2,710										2,664	1987								
1988	2,257	2,664	3,064	2,531	0	0	0	0	273	175	2,432	1988	700	2,664	175	0	176	63	0	608
1989	2,100	2,432	2,787	2,311	0	0	0	0	202	147	2,250	1989	688	2,432	147	0	147	53	0	494
1990	1,980	2,256	2,595	2,143	0	0	0	0	163	123	2,104	1990	494	2,256	123	0	123	44	0	415
1991	1,916	2,104	2,419	1,999	0	0	0	0	83	83	1,999	1991	415	2,104	104	0	83	37	0	369
1992	2,475	1,999	2,298	1,899	176	176	0	0	0	0	2,298	1992	369	1,999	92	176	0	33	0	578
1993	1,904	2,298	2,643	2,181	0	0	0	0	280	145	2,048	1993	578	2,298	145	0	145	62	0	486
1994	1,882	2,040	2,356	1,846	0	0	0	0	64	64	1,846	1994	486	2,048	121	0	64	44	0	465
1995	1,855	1,846	2,230	1,849	0	0	0	0	0	0	1,855	1995	465	1,846	116	0	0	42	0	507
1996	1,808	1,855	2,133	1,762	0	0	0	0	0	0	1,808	1996	507	1,855	127	0	0	48	0	553
1997	1,821	1,800	2,078	1,718	0	0	0	0	0	0	1,821	1997	553	1,808	138	0	0	50	0	603
1998	1,813	1,821	2,004	1,730	0	0	0	0	0	0	1,813	1998	603	1,821	151	0	0	54	0	657
1999	1,804	1,813	2,004	1,722	0	0	0	0	0	0	1,804	1999	657	1,813	164	0	0	59	0	716
2000	1,706	1,804	2,075	1,714	0	0	0	0	0	0	1,706	2000	716	1,804	179	0	0	64	0	781
TOTAL:	25,419				176	0	0	0	737	25,000		176	737	642						

Source: Office of Management and Budget, Division of Strategic Planning

REVENUE INFORMATION

		(unrestricted GF; \$ millions)	
FY 87 Revenue Available for Appropriation (excluding TAPS settlement increments)		2,698.9	1)
Executive Budget Proposal		(2,665.1)	2)
Estimated FY 87 Year-End Balance		33.8	3)
Revenue Available for Appropriation to BRF Account			
Rainy Day Fund (Estimated FY 87 year-end balance)	280.0		
TAPS Settlement Increments			4)
FY 1982-85 Refunds and Legal Fees	120.0		
FY 86 Income from Settlement	59.2		
FY 87 Income from Settlement	156.9		
		336.1	
8g Settlement		56.0	5)
ARCO Severance Tax Settlement		243.0	
Total		915.1	

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- 1) FY 87 Executive Budget Book, Table I-2., p. 8.
 - 2) FY 87 Executive Budget Book, Table I-1., p. 6.
 - 3) This amount is intended to cover FY 86 year-end accounting adjustments to the General Fund, and FY 86 and FY 87 supplemental appropriations.
 - 4) Department of Revenue, 30th percentile estimates 1/86. Unrestricted General Fund TAPS income received prior to March 1, 1986 will be deposited to the Rainy Day Fund according to Sec. 762, Ch. 105, SLA 1985.
 - 5) Whether efforts to achieve a Congressional settlement of this dispute will be successful remains to be seen. However, a distribution of the escrow account is possible in 1986. This would result in a payment to Alaska of about \$56 million.

THE BUDGET RESERVE FUND, FORWARD FUNDING,
AND CASH-BASED BUDGETING

A COMPARISON

The Budget Reserve Fund is not a forward funding proposal, or a cash-based budgeting proposal. It is instead very different from either of those two budget management approaches. How it differs, and how forward funding and cash-based budgeting themselves differ, are explained below.

Strictly speaking, forward funding and cash-based budgeting are not identical or even similar approaches to budgeting. Although the phrase "forward funding" is often applied to both, the two are in fact quite distinct.

"Forward funding" traditionally refers to a multi-year budgeting process, whereby all or some appropriations are made for several years at a time. This approach allows managers and program constituents to know ahead of time what their general level of program resources is likely to be in (e.g.) the coming two or three fiscal years, and thus plan accordingly. Although appropriations for future years are always subject to revenue availability and legislative change, forward funding nevertheless does provide a degree of certainty about future program operating levels. Usually, forward funding does not entail the build-up of any special fund or account, though such a mechanism may be used in some circumstances to forward-fund a particular program or group of programs.

"Cash-based budgeting", by contrast, does not entail multi-year appropriations and does not provide certainty about future program operating levels. What it does provide is certainty that annual appropriation levels will match available revenues. This is usually accomplished by establishing a cash fund or account whose starting balance roughly equals one fiscal year's worth of revenues. The amount of revenues in the fund then becomes the effective appropriation limit for setting the coming fiscal year's budget, and fund revenues are used to pay for budget expenditures incurred because of those appropriations. Revenues received during that coming fiscal year are used in turn to replenish the fund, with the fund's balance at the close of that fiscal year becoming the amount available for appropriation for the succeeding fiscal year. Same-year budget certainty under a cash-based budgeting system is thus assured, because annual appropriations are limited to the amount of cash on hand that is available to pay for them. (Conversely, cash-based budgeting provides no certainty about the level of appropriations in succeeding fiscal years, because annual appropriation levels simply track annual fluctuations in overall revenue receipts.)

The Budget Reserve Fund (BRF) represents yet a third approach to budgeting, and is different from forward funding and cash-based budgeting both in purpose and function. Where forward funding aims at multi-year certainty about funding levels, and cash-based budgeting aims at limiting appropriations to the amount of cash on hand, the BRF proposal aims at smoothing the fluctuations in annual budget levels. The goals of the BRF proposal are thus to eliminate the year-to-year budgetary and program disruptions caused by oscillating petroleum revenues; and, in doing so, to minimize the economic dislocations caused by widely varying annual State expenditure levels. The BRF and its accompanying appropriation limit, consequently, function to withhold surplus revenues when surpluses occur, and to use those withheld revenues to augment appropriations in other years when revenues fall. The end result is therefore not budgetary certainty of the kind provided by forward funding or by cash-based budgeting, but rather the providing of a hedge or "buffer" against future precipitous changes in State revenue flows.

In sum, where forward funded provides limited multi-year budgetary certainty (subject to revenue availability and legislative change), and where cash-based budgeting provides high same-year budgetary certainty (but no multi-year certainty, because of varying annual revenue flows), the BRF proposal serves to minimize the budgetary and economic disruptions caused by annual fluctuations in State revenues.

QUESTIONS AND ANSWERS ABOUT
THE BUDGET RESERVE FUND (BRF)

Why have a Budget Reserve Fund?

Alaskans face two fiscal management problems. The first is long-term decline in oil production and oil revenues. The second problem is that this decline may be marked by fluctuating revenues, higher in some years, with steep drops in others. The Budget Reserve Fund is designed to smooth out these variations in order to provide greater fiscal stability and, thereby, to lessen the economic and social consequences of revenue variability. This smoothing is, in part, accomplished by a spending limit which takes revenues from years of revenue increase in order to spend them during years of revenue decline.

What happens to the Rainy Day Fund (RDF)?

The proposed BRF enabling legislation calls for the repeal of the RDF and its replacement with the BRF. The central purpose of the RDF is to assure a flow of petroleum revenues when petroleum flow is interrupted. A special session is required to use RDF funds for that purpose. The BRF can augment petroleum revenues in those circumstance targeted by the RDF, as well as in a variety of other revenue shortfall situations. Unlike the RDF, no procedural difficulties will impede use of the BRF.

What happens to the Budget Reserve Fund if revenue forecasts change?

The Budget Reserve Fund is designed to function in a variety of revenue scenarios. The fund adapts to changes in Alaska's revenue stream. It can supplement declining revenues in order to cushion and smooth what might be too sharp and variable a revenue descent, or it can hold down budget growth in times of rising revenues.

What if we have a sustained revenue increase?

The Budget Reserve Fund is designed to function if Alaska experiences a dramatic, sustained upward change in petroleum revenues.

Several effects would be observed. Budgets would be prepared at the 115% level; thus spending would rise annually. Revenue amounts in excess of the 115% level would go into the BRF until its capacity was reached. Each year the capacity of the BRF would increase by the same amount as additionally appropriated in the preceding calendar year (capacity is based on appropriations made during the preceding calendar year). Each year, any "spillover" would be distributed to the Permanent Fund

(75%) and to the General Fund (25%), effectively increasing the 115% limit and, therefore, increasing the next year's 115% threshold calculation and BRF capacity calculation. At a point when revenues decline, the fund capacity would shrink, freeing as "excess" to capacity amounts that could be spent to moderate a downturn.

What do the "thresholds" mean?

The BRF attempts to keep appropriations from year to year within a range of variation. Thus, the BRF will supplement revenues to within 5% of the previous year's appropriations (if that supplementary amount is not more than 25% of fund balance) and will limit budget growth to no more than 15% greater than the previous year's appropriations (except as permitted by "spillover" provisions). This 20% spread, with most of the variance on the high side, should provide for a smoother and less disruptive spending pattern.

The 95% and the 115% are called "thresholds" or "triggers" because they signal either fund outlays or fund deposits.

How does the "spillover" provision work?

In times of rising revenues, the State may collect revenues in excess of the 115% appropriation limit. Any such excess funds would first go to the Budget Reserve Fund to replenish it to its capacity (previous calendar year's appropriations). Any revenues remaining after filling the BRF to capacity ("spillover"), would be distributed to the Permanent Fund (75%) and to the General Fund (25%). The 25% in the General Fund would be available for appropriation, even though in excess of the 115% limit. Any appropriations of General Fund "spillover" would be additional revenues calculated as part of the base for the next fiscal year.

What happens if we have a revenue windfall?

The effect of a revenue "spike" or "windfall" depends on its size. A spike may be small enough that it falls beneath the 115% ceiling and gets spent. In this case, the next year's spending ceiling is raised by the additional amount appropriated. Or the spike may be larger, exceeding the 115% ceiling. In this case, the additional windfall revenues would be placed in the fund, up to the capacity of the fund. Windfall revenues in excess of those replenishing the fund would be divided between the General Fund (25%) and the Permanent Fund (75%). Excess revenues transferred to the General Fund (the 25%) could be appropriated regardless of the 115% ceiling, and they would be included in the calculation of the next year's floor and ceiling thresholds.

How does the level of capitalization affect fund performance?

The ability of the fund to augment revenues during times of revenue decline is largely dependent on the level of capitalization of the fund: the larger the fund, the longer it will be able to significantly supplement declining revenues. Thus, capitalization of the fund, to the extent permitted by fund capacity (preceding calendar year's appropriations), influences both fund longevity and potential annual outlays.

Why does the Budget Reserve Fund retain its interest earnings?

The long-term ability of the fund to provide supplementary revenues in times of revenue decline depends on fund size. If drawn down, the initial capitalization of the fund can be replenished by interest earned on the fund balance and by deposits in times of rising revenues of sums over the 115% spending ceiling. The steady accumulation of interest earnings assures additional fund revenues, even in declining revenue times, and extends the effective "life" of the fund.

Why are federal and dedicated funds excluded?

The BRF proposal restricts, as does the current appropriations limit, the scope of the appropriation limit to Unrestricted General Fund revenues. This restriction has been adopted in order to avoid situations in which some fiscal events beyond the State's control (e.g., fluctuations in federal funding) might affect the appropriation limit's floor and ceiling thresholds, or trigger BRF outlays. Without an automatic response the Legislature and the Governor are free to respond to such external fiscal events as they best see fit.

Federal and dedicated funds are generally received for specific purposes, unlike Unrestricted General Funds which can be allocated by the Legislature and Governor to meet priority needs. The potentially chaotic effect of including federal funds is illustrated by a hypothetical case in which the State receives, for one year, a large increase in federal highway funds for a specific project. If the BRF included all revenues, including federal funds, then this federal expenditure would automatically raise the appropriation limit ceiling for the next fiscal year. If the federal government then failed to renew this highway grant, the BRF would be used to meet the inflated 95% floor created by the artificial raising of the 115% threshold.

Why is there a 25% annual outflow limit?

Without any outflow limitation, the BRF balance could be quickly expended during years of sharp revenue decline. Such rapid expenditure could too rapidly deplete the fund balance

and fail to provide for a smooth spending decline, since there would be a big drop in available revenues when the BRF fund balance is depleted.

The best size for the maximum annual outlay from the BRF can not be determined with accuracy. Office of Management and Budget (OMB) simulations indicate, however, that, at higher capitalization levels, restricting outlays to a maximum of 25 percent of the BRF's balance probably is sufficient to assure a continuing lifespan for the fund, yet still provide meaningful amounts of funding assistance in years when assistance is needed.

Why is fund size capped?

The BRF is intended to serve as a kind of cash management account. As such, it would be inappropriate for the BRF to accumulate large cash balances. Restricting fund size to a level equalling one calendar year's appropriations appears to provide a fund balance adequate to meet revenue demands when assistance is needed.

Why is a calendar year base used?

The BRF proposes that total appropriations made in the calendar year preceding any given fiscal year set the appropriation limit's floor and ceiling, as well as set the capacity of the BRF. There are two reasons for adopting the calendar-year basis.

One reason is to provide certainty, so that public officials know by the start of a legislative session the relevant numbers and limits with which they will be working in setting the coming fiscal year's budget. As a fiscal year is only half over when the Legislature convenes, full information about that fiscal year would only be possible after the session and the final tally of supplemental and special appropriations.

The second reason for adopting the calendar-year basis is related to the first--i.e., to preserve, without sacrificing certainty about budget floors and ceilings, the flexibility that public officials currently have in requesting and making supplemental and special appropriations during follow-up legislative sessions.

What happens to Permanent Fund Dividends?

The BRF excludes from the appropriation limit calculation all dedicated funds. The Dividend Fund from which per capita dividend payments are made is legally considered a dedicated fund. Therefore, Permanent Fund interest earnings that go into the Dividend Fund and payments made to individuals from the

Dividend Fund are excluded from calculation of the appropriation limit.

How is the Undistributed Income Account (UIA) treated?

The BRF bill includes the UIA under the appropriation limit, despite the UIA being an account within the Permanent Fund. It is considered important to include the UIA under the limit because UIA earnings will become an increasingly important revenue source which might be desired for the support of government functions. If not included now, later inclusion would radically alter thresholds. Inclusion in the appropriation limit also avoids the possibility of a large "off budget" budgeting process using PF earnings.

How are "Program Receipts" treated?

Money that is identified as "program receipts" purely for budgetary purposes (i.e., to show program income which is not dedicated) is included in the definition of "money from State sources" used in BRF legislation. This class of program receipts, consequently, is included in the BRF appropriation limit. Program receipts which are dedicated to a particular purpose (i.e., which are not deposited in the General Fund) are excluded from the BRF appropriation limit.

How are Supplemental Appropriations treated?

The process of making supplemental appropriations would not change under the BRF proposal. One of the supporting reasons for adopting a calendar-year basis for the BRF appropriation limit is, in fact, to preserve the flexibility which legislators currently have in making supplemental appropriations during follow-up legislative sessions. If, for example, the BRF appropriation limit for the FY 1988 budget were based on the level of appropriations made during the preceding fiscal year, i.e., FY 1987, legislators convening in January 1987 would first have to make supplemental appropriations for FY 1987 before they would know the level of the appropriation limit for the FY 1988 budget. Even that would be an estimate, as the Governor would likely not approve or veto supplemental appropriations until after the session had ended. Adoption of a calendar-year basis (discussed in another section) eliminates this problem.

How are Repeals and Reappropriations treated?

Repeals and reappropriations (R&R's) are treated in the BRF legislation as follows: reappropriation amounts that are explicitly coupled with specific statutory repeal citations in the same section of an appropriation bill are counted as reappropriations, and are excluded from the BRF appropriation

limit; all others are counted as new appropriations, and are not excluded from the limit.

Several reasons exist for adopting this approach. One reason is to avoid the double-counting that would be involved if all R&R's were treated as new appropriations. A second reason is to avoid the situation where, if R&R's are counted as new appropriations, the appropriation limit is reached or exceeded solely because of the existence of R&R's. A third reason is to avoid the accounting difficulties involved in attempting to track R&R dollar flows across fiscal years. Finally, a fourth reason is to avoid the incentive for increased R&R activity that would be created if all R&R's were considered to be appropriations already made in prior years and thus excluded from the 115 percent appropriation limit.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing amendments to the Alaska Constitution relating to a budget reserve fund and an appropriation limit, and a bill to implement the joint resolution.

I am placing the bill implementing the proposed constitutional amendments before the legislature during this session to ensure that legislators and voters facing that proposal in the 1986 general election understand the scope, details, and implications of the amendments.

The bill would take effect following voter approval of the constitutional amendments. At that time, AS 37.05.159, establishing what is commonly known as the "rainy day fund," would be repealed and replaced by a new statute establishing the budget reserve fund. The balance of the money in the rainy day fund would follow the constitutional and statutory change and would be transferred to the budget reserve fund at that time. The budget reserve fund is designed to meet revenue contingencies contemplated by the rainy day fund as well as broader revenue stability needs.

At the outset, it must be emphasized that the budget reserve fund is very different in purpose and function from forward funding and cash-based budgeting proposals. We have carefully evaluated all these options, and we believe that the budget reserve fund is the fiscal management tool that is best suited to the State's situation. This fund seeks to

dampen annual budget swings. Neither forward funding nor cash-based budgeting protect us from annual budget fluctuations caused by volatility in world oil markets.

The budget reserve fund works in the following manner. In years of rising revenues, as specified in the constitutional amendments, appropriations are limited to 115 percent of appropriations made during the preceding calendar year. Any surplus money above the 115 percent limit is used first to replenish the budget reserve fund; any remaining surplus is then divided between deposits to the permanent fund and to the general fund. In years of revenue decline, as specified in the constitutional amendments and proposed statute, money is made available from the budget reserve fund in an amount that brings appropriations up to 95 percent of the appropriations in the preceding calendar year, or an amount that equals no more than 25 percent of the fund's balance, whichever is less.

These two operations of the budget reserve fund will provide a smoother expenditure pattern over the years than would result from the fluctuations of petroleum revenue alone. This is because, in high revenue years, revenue increases will flow into the budget reserve fund for subsequent appropriation during years of revenue decline, buffering fluctuations in the state's revenue stream caused by petroleum price variations. The upper limit to appropriations (the 115 percent level) will provide an effective appropriation limit, in contrast with the ineffective limit now in our constitution. We will therefore have a meaningful constitutional spending limit as desired by the people of Alaska.

Both the joint resolution and the bill specify that the appropriation limit applies only to unrestricted general fund money and to expenditures from the undistributed income account of the permanent fund (except for a deposit of that money to the permanent fund made in 1986). In turn, "money received" by the state includes only money in the undistributed income account and unrestricted general fund money. Excluded from both, for example, are federal receipts. The joint resolution and bill also specify that appropriations for a fiscal year are limited to 115 percent of appropriations made during the preceding calendar year. The calendar-year basis is used to ensure certainty in the determination of allowable appropriation levels for the coming fiscal year. It also avoids problems caused by supplemental appropriations late in a fiscal year.

New AS 37.05.156(c), in sec. 1 of the bill, addresses the question of how reappropriations should be treated for purposes of the appropriation limit. The intent of that provision is to distinguish between "old" and "new" money. This distinction is needed because it is sometimes difficult to determine whether a reappropriation consists entirely of money appropriated in a prior year, or exceeds the amount of money actually available from those prior appropriations, thereby entailing an appropriation of new money. Any reappropriation not clearly identifiable is also considered a new appropriation.

The maximum balance of the budget reserve fund in any fiscal year equals the amount of general fund appropriations enacted during the preceding calendar year. Money in excess of the 115 percent limit is used to bring the fund balance up to the fund's capacity. A portion of the money in excess of the budget reserve fund capacity must then be deposited in the permanent fund as savings. The bill specifies that that portion is 75 percent. The remaining excess (25 percent) must be deposited in the general fund, and is available for appropriation (effectively increasing the 115 percent limit). Any of that excess money subsequently appropriated from the general fund becomes part of the calculation of the base for the next fiscal year.

The bill specifies that if general fund revenue in a fiscal year falls to a level below 95 percent of appropriations made during the preceding calendar year, an amount may be transferred from the budget reserve fund into the general fund. That transferrable amount is limited to the lesser of (1) the amount needed to bring appropriations up to the 95 percent level, or (2) the maximum amount of the fund that may be spent in a fiscal year, which is 25 percent of the budget reserve fund balance.

As specified in the joint resolution, the budget reserve fund retains its income earnings to help ensure an adequate level of capitalization to meet appropriation demand in years of revenue decline.

The constitutional amendments permit expenditures from the fund beyond the 115 percent appropriation limit and the 25 percent fund expenditure limit to meet declared states of emergency. The bill cites existing statutory language to provide further clarification of "emergencies."

The constitutional amendments proposed in the joint resolution and the implementing statutory provisions together can

provide elected officials with the tools of sound fiscal management, and promise to the citizens of the state a means of avoiding the social and economic shocks that may result from extreme volatility in our revenue stream.

Article XV, sec. 27, of the Alaska Constitution now requires the lieutenant governor to place on the ballot in 1986 the proposition for the existing appropriation limitation, which was approved by the voters in 1982. Since that vote will occur at the same election as the vote on the attached proposal, there is the possibility that both constitutional provisions would be approved -- resulting in a direct conflict between them. To avoid confusion and to preclude legal questions arising as to this later amendment, while still having the lieutenant governor comply with art. XV, sec. 27, the attached bill (see sec. 2) requires the lieutenant governor to include an appropriate explanation on the ballot. It is expected that this explanation will be brief, with some amplification in the voter pamphlet.

Sincerely,



Bill Sheffield
Governor

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
7 the use and expenditure of state money.

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

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

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

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

20 SECTION 16. APPROPRIATION LIMIT. Appropriations of money from
21 state sources for a fiscal year may not increase by more than 15
22 percent of the amount appropriated from state sources during the
23 preceding calendar year, except as authorized by sec. 17 of this
24 article.

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

27 SECTION 17. BUDGET RESERVE FUND. (a) Money received by the
28 state from state sources, which is not dedicated to the Alaska perman-
29 ent fund and which exceeds the appropriation limit imposed by sec. 16

1 of this article, must be deposited in the Alaska budget reserve fund
2 until the balance of the reserve fund equals the amount appropriated
3 from state sources during the preceding calendar year.

4 (b) A portion of the money received by the state, described in
5 (a) of this section, which exceeds the maximum balance of the fund
6 must be deposited in the Alaska permanent fund, as provided by law.
7 The remainder of any excess money must be deposited in the general
8 fund. Notwithstanding the appropriation limit imposed by sec. 16 of
9 this article, the excess money deposited in the general fund may be
10 appropriated.

11 (c) Money in the budget reserve fund must be invested so as to
12 yield competitive market rates to the fund. Income from investment of
13 the fund must be retained in the fund.

14 (d) If the governor determines that the money received by the
15 state from state sources in a fiscal year is less than the amount
16 appropriated from state sources during the preceding calendar year,
17 money may be spent from the budget reserve fund, as provided by law.
18 Except as otherwise provided in this section, not more than 25 percent
19 of the budget reserve fund balance may be spent for any fiscal year.

20 (e) Notwithstanding any spending limitations in this section or
21 in sec. 16 of this article, the governor may spend additional amounts
22 from the budget reserve fund to meet a state emergency declared by the
23 governor, as prescribed by law.

24 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended
25 by adding a new section to read:

26 SECTION 29. FIRST YEAR OF 1986 REVISED APPROPRIATION LIMITATION.

27 In determining the limitation under art. IX, sec. 16, as amended in
28 1986, an appropriation to the permanent fund, made in calendar year
29 1986, is not to be included.

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* Sec. 5. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. VIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation and budget reserve fund; and providing for
8 an effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)

12 There is established as a separate fund in the state treasury the
13 budget reserve fund. The budget reserve fund consists of money ded-
14 icated to that fund by art. IX, sec. 17 of the Alaska Constitution.

15 (b) For the purposes of determining the appropriation limitation
16 amount under art. IX, sec. 16, of the Alaska Constitution, (1) an
17 appropriation is considered to be made in the calendar year in which
18 it is enacted, and (2) "appropriation" includes money received by the
19 state, described in art. IX, sec. 17(a), of the Alaska Constitution,
20 which exceeds the maximum balance of the fund and is subsequently
21 deposited in the general fund and appropriated. For the purposes of
22 art. IX, sec. 17, of the Alaska Constitution, the amount of money
23 received by the state includes any surplus carried forward from the
24 preceding fiscal year, or is reduced by any deficit from that preced-
25 ing fiscal year.

26 (c) A reappropriation of no more than the remaining balance of
27 the amount appropriated in a prior year is considered an appropriation
28 attributable to the calendar year in which the appropriation was first
29 enacted. Only if, within a single section of an appropriation bill,

1 there is an explicit repeal of an appropriation coupled with a new
2 appropriation is there a reappropriation for the purposes of this
3 subsection.

4 (d) If the governor determines that the money received by the
5 state from state sources in a fiscal year is less than 95 percent of
6 the amount appropriated from state sources during the preceding calen-
7 dar year, amounts may be transferred from the budget reserve fund to
8 the general fund, up to a limit of either 25 percent of the budget
9 reserve fund balance, or the difference between money received from
10 state sources in that fiscal year and 95 percent of appropriations
11 during the preceding calendar year, whichever is less. Determination
12 of the need for budget reserve fund expenditures for a fiscal year
13 must be made during the final quarter of that fiscal year.

14 (e) As authorized by art. IX, sec. 17(b), of the Alaska Consti-
15 tution, 75 percent of the money received by the state, described in
16 art. IX, sec. 17(a), of the Alaska Constitution, which exceeds the
17 maximum balance of the fund, must be deposited in the Alaska permanent
18 fund.

19 (f) In art. IX, sec. 17, of the Alaska Constitution, "emergency"
20 means the events set out in AS 26.23.230(1) or a reduction of the
21 revenue from nonstate sources which seriously impairs the ability of
22 the state to perform essential functions.

23 (g) In this section and art. IX, secs. 16 and 17, of the Alaska
24 Constitution, "state source" means (1) the undistributed income ac-
25 count in the permanent fund, and (2) all sources of money in the state
26 general fund except (A) federal sources, (B) bond proceeds, and (C)
27 sources from which money is received in trust for a specific purpose.

28 * Sec. 2. The lieutenant governor shall include on the ballot for the
29 1986 general election an explanation that an affirmative vote on the

1 constitutional amendment providing for the budget reserve fund and revising
2 the appropriation limit will supersede an affirmative vote on the reconsid-
3 eration, under art. XV, sec. 27, of the Alaska Constitution, of the 1962
4 amendment establishing the appropriation limit.

5 * Sec. 3. AS 37.05.159, reserve for emergency operating expenses ac-
6 count (the "rainy day fund"), is repealed, and the balance in that account
7 is transferred to the budget reserve fund.

8 * Sec. 4. Sections 1 and 3 of this Act take effect on the effective
9 date of a constitutional amendment establishing the budget reserve fund and
10 revising the appropriation limit.

11 * Sec. 5. Section 2 of this Act takes effect immediately in accordance
12 with AS 01.10.070(c).

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fill file
SB 362

BUDGET RESERVE FUND ANALYSIS

REVENUE ASSUMPTIONS

PRO

CON

(1) Dec 85 Forecast

- 1) Allow gradual reduction in State spending
- 2) Protect windfall revenues from quick dissipation
- 3) Protect Permanent Fund from early withdrawal

- 1) Maintain abnormally high State government spending
- 2) Will dissipate most of windfalls by propping up high spending
- 3) Protects politicians from facing spending reform issues

(2) March 86 Forecast

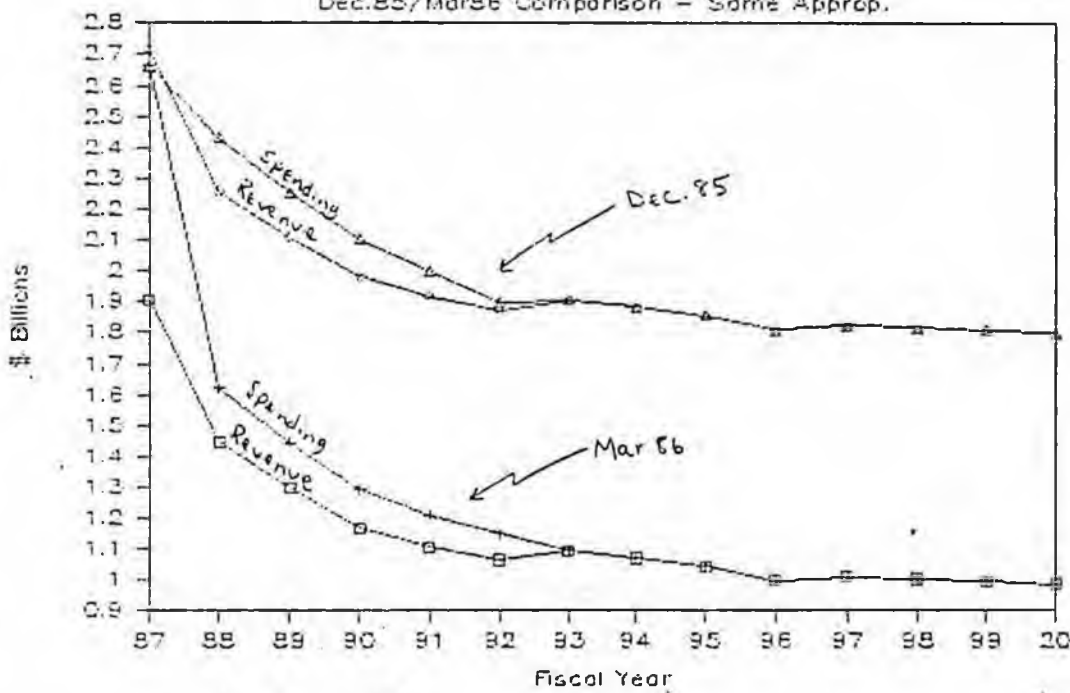
- 1) Will require significant reductions in State spending
- 2) Will require significant reform in spending policies
- 3) Will foster long term alignment of spending and unrestricted revenue

- 1) Would rather use windfalls to maintain spending
- 2) Election year is not good time to reform spending policies
- 3) Would rather look to undesignated fund balance in Permanent Fund as alternative to dramatic spending reduction

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BUDGET RESERVE FUND — \$700 Million

Dec.85/Mar86 Comparison — Same Approp.



BRF - BUDGET RESERVE FUND - DECEMBER 85/MARCH 86 REVENUE FORECAST COMPARISON
 CREATED BY MILLETT KELLER COMPANY - 3/16/86
 LAST UPDATE ==> 3/1986
 (\$ millions)

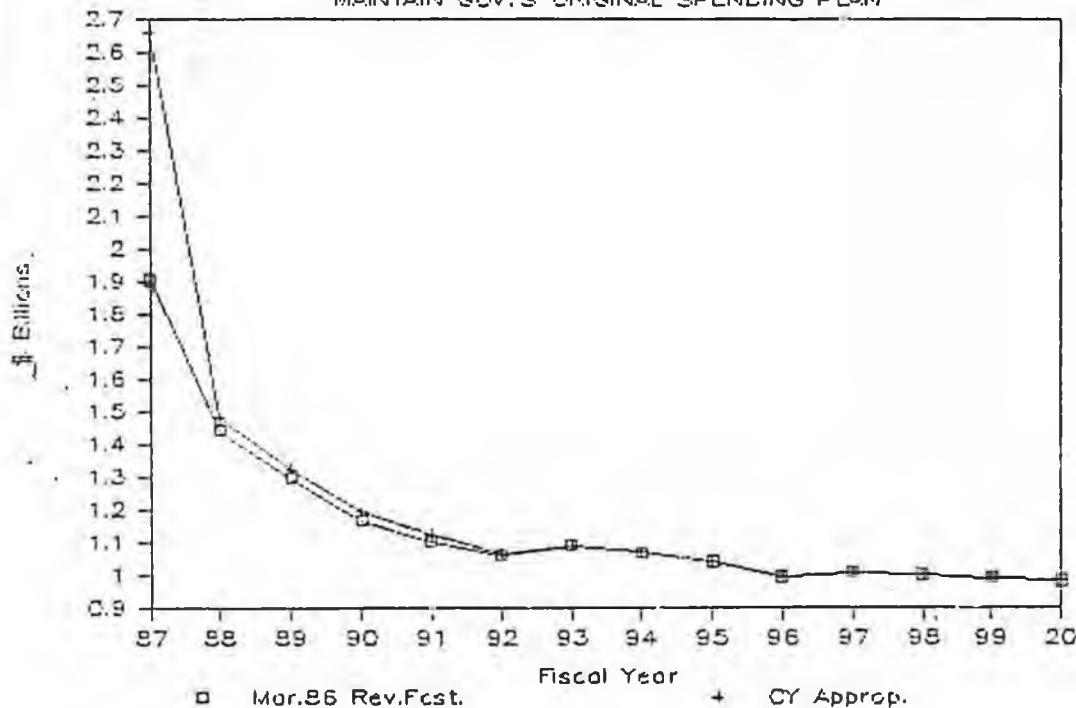
FY	REVENUES		PRV. CY APPROP.		FLOOR F. 95		SHORTFALL		PRF OUTLAY		* SPENDING REDUC.		CY APPROPRIATION		FY REG. BAL.		EARNINGS F. 95		FY END BAL.	
	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)	(Dec. 85)	(Mar. 86)
87	2710	1980											2664	2664	0	0	0	0	0	0
88	2257	1446	2664	2664	2531	2531	274	1885	175	175	99	918	2432	1621	700	700	63	63	588	588
89	2189	1298	2432	1621	2319	1548	281	242	147	147	54	95	2256	1445	588	588	53	53	494	494
90	1980	1169	2256	1445	2143	1373	163	284	123	123	40	60	2183	1292	494	494	44	44	415	415
91	1916	1185	2183	1292	1998	1228	82	123	82	184	0	19	1998	1299	415	415	37	37	378	349
92	1875	1064	1998	1269	1898	1148	23	84	23	84	0	0	1898	1146	378	349	33	31	388	296
93	1904	1093	1898	1148	1883	1091	0	0	0	0	0	0	1904	1053	308	296	34	27	414	322
94	1882	1071	1904	1093	1889	1038	0	0	0	0	0	0	1882	1071	414	322	37	29	451	351
95	1865	1044	1882	1071	1788	1017	0	0	0	0	0	0	1865	1044	451	351	41	32	492	383
96	1588	957	1865	1044	1762	992	0	0	0	0	0	0	1888	957	492	383	44	34	536	417
97	1821	1010	1885	997	1710	947	0	0	0	0	0	0	1821	1010	536	417	48	38	584	455
98	1813	1002	1821	1010	1738	968	0	0	0	0	0	0	1813	1002	584	455	53	41	637	496
99	1804	993	1813	1002	1722	952	0	0	0	0	0	0	1804	993	637	496	57	45	694	548
00	1796	985	1804	993	1714	943	0	0	0	0	0	0	1796	985	694	548	62	49	757	589

①

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BUDGET RESERVE FUND — \$ 144 Million

MAINTAIN GOV.'S ORIGINAL SPENDING PLAN



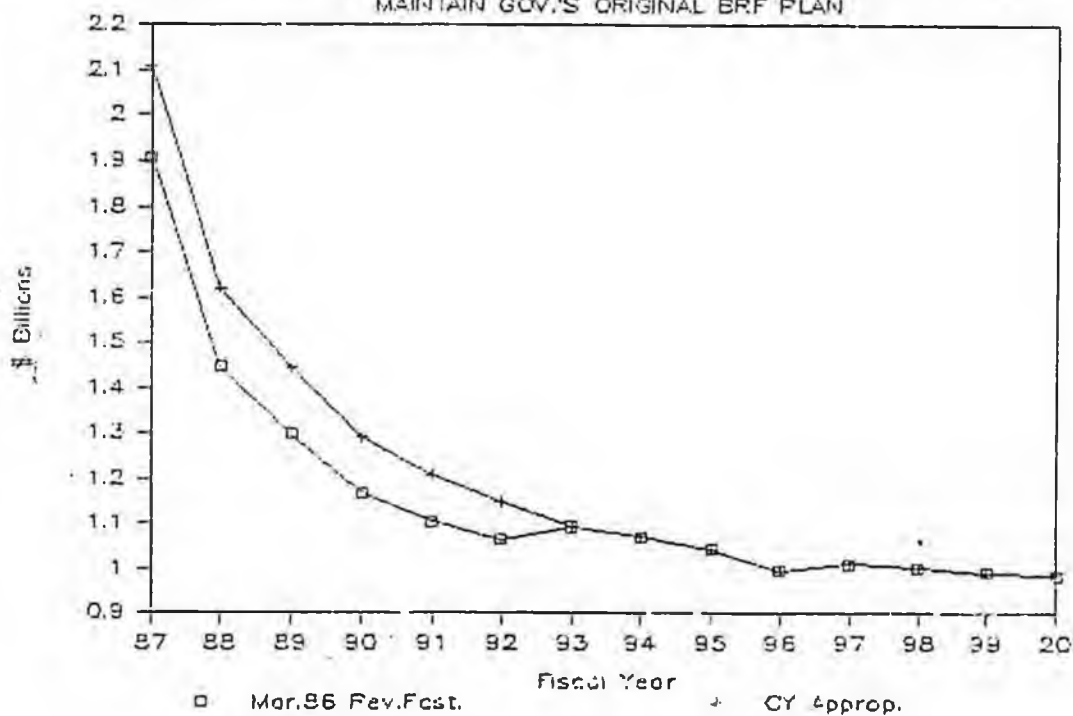
- (1) - \$ 900 million available as of 3/86
- (2) - Gov.'s budget \$ 2.664 billion
- (3) - \$900 million distributed to BRF and FY 87 spending
- (4) - March 86 Revenue forecast
- (5) - MAINTAIN GOV. ORIGINAL SPENDING PLAN

FY	REVENUES (Dec. 85)	REVENUES (Mar. 86)	PREV. CY APPROP.	CEILING 115 %	FLOOR 95 %	SHTFALL.	BRF OUTLAY	SPENDING REDUCTN.	CY APPROP.	FY BEG BAL.	EARNINGS @ 9 %	FY END BAL.
87	2719	1908			2664	756	0	0	2664	0	0	0
88	2257	1446	2664	3064	2531	1085	36	1049	1482	144	13	121
89	2109	1296	1482	1704	1408	110	30	80	1328	121	11	102
90	1980	1169	1328	1527	1262	93	25	67	1194	102	9	85
91	1916	1105	1194	1374	11	30	21	8	1126	85	8	72
92	1875	1064	1126	1295	1070	6	6	0	1070	72	6	72
93	1904	1093	1070	1231	1017	0	0	0	1093	72	6	79
94	1882	1071	1093	1257	1038	0	0	0	1071	79	7	86
95	1855	1044	1071	1232	1017	0	0	0	1044	86	8	93
96	1808	997	1044	1201	992	0	0	0	997	93	8	102
97	1821	1010	997	1147	947	0	0	0	1010	102	9	111
98	1813	1002	1010	1162	960	0	0	0	1002	111	10	121
99	1804	993	1002	1152	952	0	0	0	993	121	11	132
20	1796	985	993	1142	943	0	0	0	985	132	12	144

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BUDGET RESERVE FUND — \$ 700 MILLION MAINTAIN GOV.'S ORIGINAL BRP PLAN



- (1) - \$ 900 million available as of 3/86
- (2) - Gov.'s budget is 2.664 billion
- (3) - \$900 million distributed to BRP and FY 87 spending
- (4) - March 86 Revenue Forecast
- (5) -

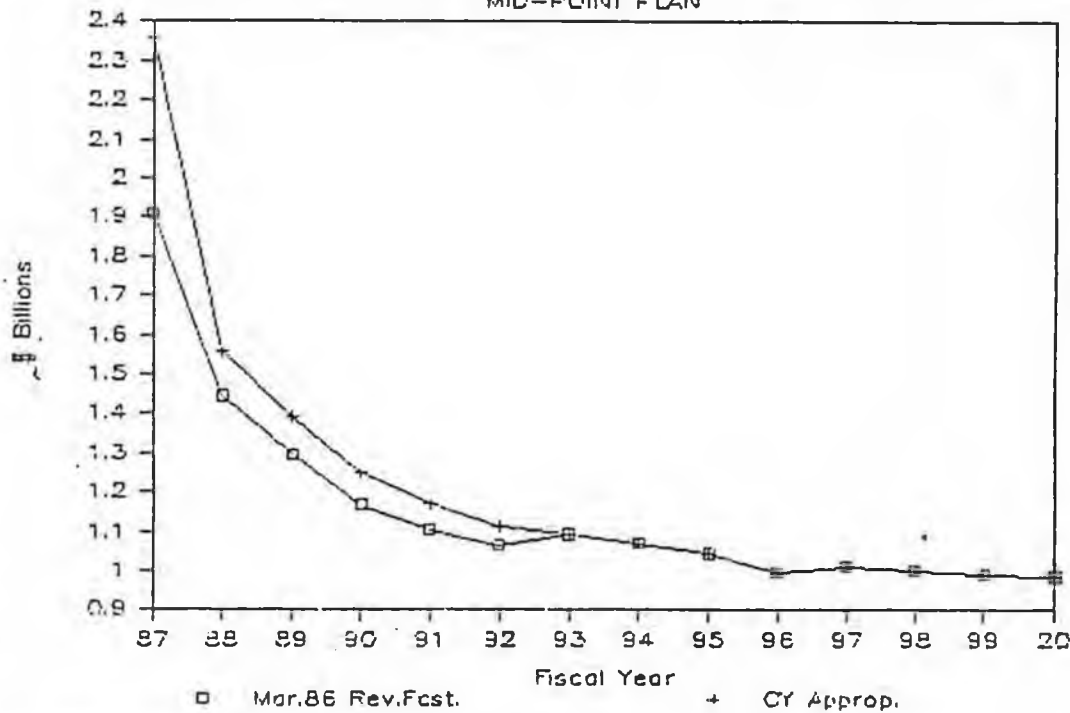
MAINTAIN GOV.'S ORIGINAL BUDGET RESERVE FUND PLAN

FY	REVENUES (Dec. 85)	REVENUES (Mar. 86)	PREV. CY APPROPR.	CEILING 115 %	FLOOR 95 %	SHRINKAGE	BRF OUTLAY	SPENDING REDUCTN.	CY APPROPR.	FY BEG BAL.	EARNINGS @ 9 %	FY END BAL.
87	2719	1908			2664	756	0	556	2108	0	0	0
88	2257	1445	2108	2424	2003	557	175	362	1621	700	63	568
89	2109	1298	1621	1864	1540	242	147	95	1445	588	53	494
90	1980	1169	1445	1672	1373	204	123	80	1292	494	44	415
91	1916	1105	1292	1486	1228	123	104	19	1209	415	37	349
92	1875	1064	1209	1390	1148	84	84	0	1148	349	31	296
93	1904	1093	1148	1321	1091	0	0	0	1093	296	27	322
94	1882	1071	1093	1257	1038	0	0	0	1071	322	29	351
95	1855	1044	1071	1232	1017	0	0	0	1044	351	32	383
96	1808	997	1044	1231	992	0	0	0	997	383	34	417
97	1821	1010	997	1147	947	0	0	0	1010	417	38	455
98	1813	1002	1010	1162	960	0	0	0	1002	455	41	496
99	1804	993	1002	1152	953	0	0	0	993	496	45	540
20	1796	985	993	1142	943	0	0	0	985	540	49	589

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BUDGET RESERVE FUND — \$ 450 MILLION MID-POINT PLAN



- (1) - \$ 900 million available as of 3/86
- (2) - Gov.'s budget \$ 2.664 billion
- (3) - \$900 million distributed to BRF and FY 87 spending
- (4) - March 86 Revenue forecast
- (5) - MID-POINT PLAN : \$450 BRF

FY	REVENUES (Dec. 85)	REVENUES (Mar. 86)	PREV. CY APPROPR.	CEILING 115 %	FLOOR 95 %	SHTFALL.	BRF OUTLAY	SPENDING REDUCTN.	CY APPROPR.	FY BEG BAL.	EARNINGS @ 9 %	FY END BAL.
87	2719	1908			2664	756	0	306	2358	0	0	0
88	2257	1446	2358	2712	2240	794	113	082	1559	450	41	378
89	2109	1298	1559	1792	1481	183	95	88	1393	378	34	318
90	1980	1169	1393	1601	1323	154	79	74	1248	318	29	267
91	1916	1105	1248	1436	1186	81	67	14	1172	267	24	224
92	1875	1064	1172	1347	1113	49	49	0	1113	224	20	195
93	1904	1093	1113	1280	1057	0	0	0	1093	195	18	213
94	1882	1071	1093	1257	1036	0	0	0	1071	213	19	232
95	1855	1044	1071	1232	1017	0	0	0	1044	232	21	253
96	1808	997	1044	1201	992	0	0	0	997	253	23	275
97	1821	1010	997	1147	947	0	0	0	1010	275	25	300
98	1813	1002	1010	1162	960	0	0	0	1002	300	27	327
99	1804	953	1002	1152	952	0	0	0	993	327	29	357
20	1796	905	993	1142	943	0	0	0	985	357	32	389

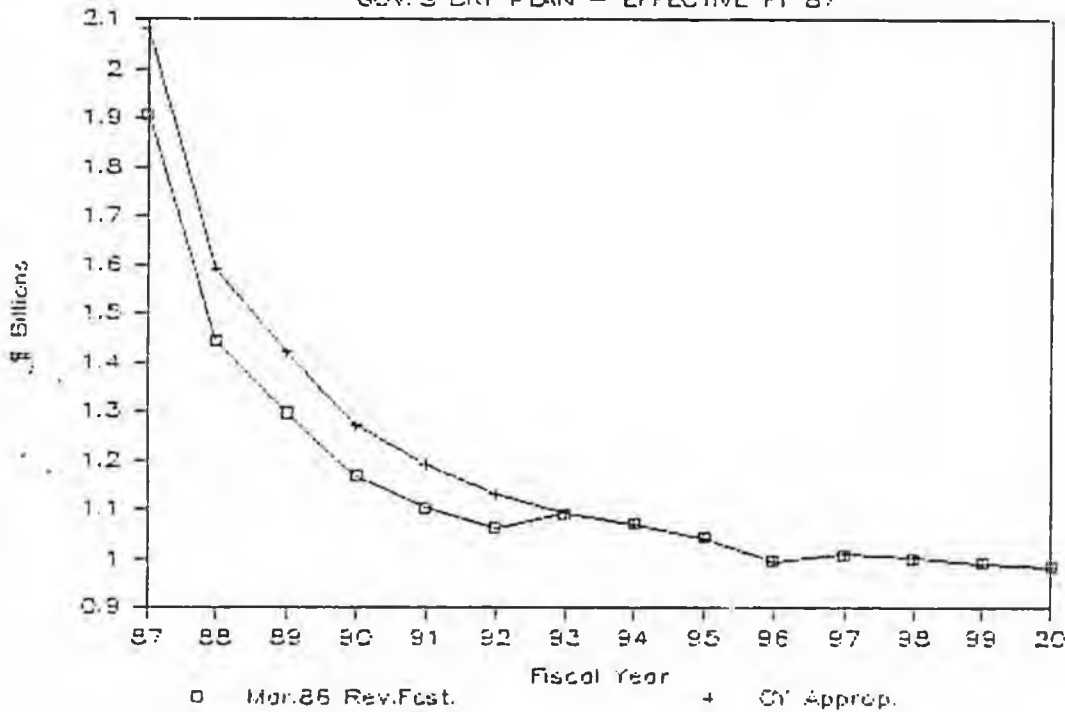
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RECOMMENDATION

(6)

BUDGET RESERVE FUND - FY 87: \$700 MILLION

GOV.'S BRF PLAN - EFFECTIVE FY 87



- (1) - \$ 900 million available as of 3/86
- (2) - Gov.'s budget \$ 2.664 billion
- (3) - \$900 million distributed to BRF and FY 87 spending
- (4) - March '87 Revenue Forecast
- (5) - GOV.'S ORIGINAL BRF PLAN - BRF EFFECTIVE FY 87 \$700

*

-- BUDGET RESERVE FUND --

FY	REVENUES (Dec. 85)	REVENUES (Mar. 86)	PREV. CY APPROP.	CEILING 115 %	FLOOR 95 %	SHTFALL.	BRF OUTLAY	SPENDING REDUCTN.	CY APPROP.	FY BEG BAL.	EARNINGS @ 9 %	FY END BAL.
87	2719	1908			2664	756	175	381	2083	700	63	588
88	2257	1446	2083	2295	1979	533	147	386	1593	588	53	454
89	2109	1298	1593	1832	1513	215	123	92	1421	494	44	415
90	1980	1169	1421	1635	1350	181	104	78	1273	415	37	349
91	1916	1105	1273	1464	1209	104	87	17	1192	349	31	293
92	1875	1064	1192	1371	1133	69	69	0	1132	293	26	251
93	1904	1093	1133	1202	1076	0	0	0	1093	251	23	273
94	1882	1071	1093	1257	1038	0	0	0	1071	273	25	298
95	1855	1044	1071	1232	1017	0	0	0	1044	298	27	325
96	1808	997	1044	1201	992	0	0	0	997	325	29	354
97	1821	1010	997	1147	947	0	0	0	1010	354	32	386
98	1813	1002	1010	1162	960	0	0	0	1002	386	35	420
99	1804	953	1002	1152	952	0	0	0	993	420	38	458
20	1796	985	993	1142	943	0	0	0	985	458	41	499

(6)

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT H — ANCHORAGE
1024 WEST SIXTH AVENUE
ANCHORAGE, ALASKA 99501

WHILE IN JUNEAU
P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4525



COMMITTEES
BUDGET & AUDIT
HEALTH, EDUCATION & SOCIAL SERVICES
RULES
TRANSPORTATION
SENATE CHAIR, ANCHORAGE CAUCUS

OFFICE OF MINORITY WHIP

April 21, 1986

The Honorable Jan Faiks
✓ The Honorable John Sackett
The Honorable Al Adams
P.O. Box V
Juneau, Alaska 99811

RE: House Bill 161

Dear Finance Committee Chairpersons:

As you know, I have been a strong advocate of the student loan program in Alaska. I continue to believe that the program represents a wise investment in Alaska's future.

However, over time, it seems inevitable that changes in the program are going to be necessary. For example, I would urge that the legislature give notice of an intention, to be implemented five or six years hence, to move the program away from its present worldwide portability towards a policy in which student loans will be available for use within the State of Alaska, at public or private facilities here, unless the program sought by a student is not available within the state. In the interval, we would be building our University system and improving our offerings at the University and community colleges.

I am enclosing a draft amendment which would save the State, according to information given to me, \$8-\$16 million dollars per year without jeopardizing any loan recipients ability to go to school. The amendment would require that all applicants for student loans through the Commission on Postsecondary Education, of which I was formerly a member, would complete forms for financial assistance from the federal government through the federal guaranteed student loan program. Students receiving a federally guaranteed student loan would still enjoy forgiveness through the state system of up to 50%, just as they enjoy partial forgiveness under the wholly state funded system.

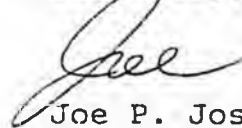
The only effect most applicants would notice from the adoption of the enclosed language is the requirement that they complete additional paper work. The federal program would be the loan of first resort and about 20% of Alaska's students, it is estimated, would qualify.

The Honorable Jan Faiks
The Honorable John Sackett
The Honorable Al Adams
April 21, 1986
Page Two

At present, most students don't bother to even apply for the federal program because of the inconvenience and, as a result, we spend state money that we ought not to be spending when some federal money is available.

With best personal regards, I am

Sincerely,



Joe P. Josephson
State Senator

JPJ:rak
Enclosure

Sec. 14.43.103. FEDERAL ASSISTANCE. The scholarship loan shall be used as a loan of last resort and shall only be granted to an applicant who, if eligible, first exhausts Federal Guaranteed Student Loan availability. As a condition of loan award, each applicant must submit, with the loan application, information necessary to determine whether the applicant qualifies for financial assistance from the federal government.

RECEIVED
APR 11 1986

Ferguson
5/8/86

Proposed
Bill 10

WORK DRAFT COPY
Original sponsor: Ferguson

WORK DRAFT COPY

WORK DRAFT COPY
5/7/86 10:00am

Funding Information

General Fund	\$ 50,000,000
Other Funds	-0-
	<u>\$ 50,000,000</u>

Bill for...

or SB362

1 This funding will be included in House Bill 574, the
 2 reappropriation bill when it gets to the Senate. HAD loans worth \$60
 3 million will be sold to AHFC to strengthen AHFC's portfolio. The funds, in
 4 turn, will be utilized to fund water and sewer projects.

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

8 * Section 1. The sum of \$ 43,956,400 is appropriated from the general
 9 fund for to the Department of Administration for payment as grants to
 10 municipalities for water, sewer and solid waste facilities under AS 37.05:

<u>APPROPRIATION</u>	<u>AMOUNT</u>
12 Akhick - Sanitary Landfill Relocation	500,000
13 Aleknagik - Water and Sewer	90,000
14 Aniak - Waste Disposal Improvements	1,500,000
15 Buckland - Water and Sewer and Solid Waste	761,000
16 Cordova - Copper River Highway Sewer	900,000
17 Craig - Water Source Project	2,100,000
18 Emmonak - Water and Sewer	2,000,000
19 Fort Yukon - Water/Sewer System	900,000
20 Goodnews Bay - Water/Waste Disposal Improvements	150,000
21 Hooper Bay - Water, Sewer and Solid Waste	2,029,000
22 Hughes - Safe Water Facility	350,000
23 Juneau - City and Borough - Water and Sewer	1,738,000
24 Kasaan - Water and Sewer	30,000
25 Kasigluk - Washeteria Improvements	98,500
26 Kenai - Thompson Park Water & Sewer Improvements	1,433,000
27 King Cove - Water and Sewer Expansion	336,000
28 Kivalina - Water and Sewer Expansion	1,300,000
29 Klawock - Sewer Improvements	100,000

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1	City of Kodiak - Water, Sewer, Solid Waste and Landfill	1,300,000
2	Kodiak Island Borough - Services Dist 1 Water/Sewer	2,121,100
3	Koyuk - Water and Sewer	2,000,000
4	Marshall - Safe Water Facility	151,600
5	McGrath - Water System	365,300
6	Mekoryuk - Waste/Water Disposal Improvement	750,000
7	Nenana - Water/Sewer, Phase II	4,000,000
8	Newhalen - Sewer System	549,300
9	Newtok - Water/Waste Disposal Improvements	200,000
10	Nightmute - Water/Waste Disposal Improvements	1,000,000
11	Nondalton - Water and Sewer	100,000
12	Ouzinkie - Water and Sewer Improvements	720,000
13	Palmer - Water and Sewer	1,300,000
14	Port Lions - Water and Sewer Renovations	380,000
15	St. Mary's Water and Sewer Renovations	650,000
16	St. Michael - Water and Sewer	1,500,000
17	St. Paul - Water, Sewer and Sanitary Landfill	1,000,000
18	Saxman - Industrial Zone Water Improv. Phase II	485,000
19	Selawik - Water and Sewer	340,000
20	Stebbins - Water and Sewer	1,600,000
21	Tanana - Waste Disposal Improvements	368,000
22	Thorne Bay - Water Storage Tank and replace water line	
23	crossing Deer Creek	200,000
24	Tunnunak - Water/Waste Disposal Improvements	1,750,000
25	Wasilla - Water and Sewer Extension	1,200,000
26	White Mountain - Water and Sewer	1,600,000

* Sec. 2. The sum of \$ 7,743,600 is appropriated from the general fund for payment to the Department of Environmental Conservation as grants for capital projects to the following municipalities and unincorporated commun-

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ities participating in the village sewerwater program under AS 46.07:

<u>APPROPRIATION</u>	<u>AMOUNT</u>
Akiak - Waste Disposal Study	10,000
Alatna - Water/Waste Disposal Study	10,000
Atmautluak - Waste Disposal Demonstration Project	35,000
Beaver - Waste Disposal Study	10,000
Chignik Lagoon - VSW Project Completion	400,000
Crooked Creek - Water and Sewer Improvements	148,500
Egegik - Sewer System	706,900
Golovin - Water and Sewer	300,000
Igiugig - Water and Sewer	730,000
Iliamna - Sewer and Water	446,200
Kipnuk - Solid Waste Disposal Site	247,000
Kokhanok - Water and Sewer Feas. Study	15,000
Kongiganak - Water/Waste Disposal Improvements	1,245,000
Metlakatla - Storm Drains	500,000
Nikiski - Landfill	150,000
Nikolai - Safe Water Study	10,000
Nunapitchuk - Waste Disposal Demonstration Project	35,000
Quinhagak - Water/Waste Disposal Improvements	1,000,000
Red Devil - Water/Waste Disposal Study	10,000
St. George - VSW Project	800,000
Snungnak - Water and Sewer	400,000
Tuluksak - Water Disposal Demonstration Project	35,000

* Sec. 3. The sum of \$ 4,300,000 is appropriated from the general fund to the Department of Environmental Conservation for payment as grants to municipalities for water, sewer and solid waste facilities under AS 46.03:

<u>APPROPRIATION</u>	<u>AMOUNT</u>
Billingham - Water and Sewer	950,000

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Galena - Water and Sewer System - Phase II 2,250,000

Nulato - Water and Sewer System - Phase II 1,500,000

* Sec. 4. The sum of \$3,500,000 is appropriated from the general fund to the Department of Community and Regional Affairs for the supplemental housing program water, sewer and related utility projects.

* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.070(c).

Original sponsor: Rules/Governor

Funding Information:

General Fund: -\$ 114,400
Other Funds: 1,272,900
\$1,158,500

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 362 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making, amending, and transferring operating
7 appropriations; and providing for an effective date."

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

9 * Section 1. The sum of \$189,000 is appropriated from the general fund
10 to the Department of Administration, telecommunications services, for costs
11 associated with the Joint State/Federal Board proceedings.

12 * Sec. 2. Section 26, ch. 98, SLA 1985, page 15, line 10, is amended to
13 read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
14 Office of Public		
15 Advocacy (24 positions)	<u>3,148,900</u>	<u>3,148,900</u>
	[2,323,000]	[2,323,000]

16 * Sec. 3. Section 26, ch. 98, SLA 1985, page 14, lines 9 and 10 are
17 amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
18 ALLOCATIONS		
19 Longevity Bonus	<u>46,145,600</u>	<u>46,145,600</u>
	[48,024,600]	[48,024,600]
20 Grants	<u>45,767,900</u>	
	[47,646,900]	

21 * Sec. 4. Section 12, ch. 98, SLA 1985, is amended to read:

22 * Sec. 12. The sum of \$9,637,600 [9,149,600] is appropriated
23 from the general fund to the Department of Law to fund legal
24

1 proceedings involving oil and gas revenue due or paid to the state or
 2 state title to oil and gas land, including, but not limited to, the
 3 North Slope royalty Case (State v. Amerada Hess, et al.), the Oil and
 4 Gas Corporate Income Tax Case (ARCO v. State), the Trans Alaska Pipe-
 5 line Rate Case, litigation against the Alaska Oil Company, and United
 6 States v. Alaska, for fiscal year 1986 and succeeding fiscal years.

7 * Sec. 5. The sum of \$711,900 is appropriated from the general fund to
 8 the Department of Law to pay judgments and claims against the state for the
 9 fiscal year ending June 30, 1986.

10 * Sec. 6. The sum of \$25,400 is appropriated from federal funds and
 11 \$25,400 from the general fund to the Department of Education, Alaska Post-
 12 secondary Education Commission for the student incentive grant program for
 13 the fiscal year ending June 30, 1986.

14 * Sec. 7. (a) Section 26, ch. 98, SLA 1985, page 26, lines 16 and 17,
 15 are amended to read:

	ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
K-12 Support		<u>547,805,600</u>	<u>515,331,100</u>	<u>32,474,500</u>
		[549,475,800]	[516,975,800]	[32,500,000]
Foundation				
Program	<u>492,787,500</u>			
	[494,432,200]			

23 (b) Section 26, ch. 98, SLA 1985, page 27, line 7, is amended to
 24 read:

	ALLOCATIONS
Student Lunch	
Program	<u>9,474,500</u>
	[9,500,000]

27 * Sec. 8. (a) Section 26, ch. 98, SLA 1985, page 27, line 21, is
 28 CSSB 362(Fin)

1 amended to read:

2	APPROPRIATION	GENERAL	OTHER
3	ITEMS	FUND	FUNDS

4 Management,

5 Law and

6 Finance

<u>2,153,300</u>	872,400	<u>1,280,900</u>
[2,127,800]		[1,255,400]

8 (b) Section 26, ch. 98, SLA 1985, page 28, line 14, is amended to
9 read:

10 ALLOCATIONS

11 District Support

12 Services (20

13 positions) 1,336,400

14 [1,310,900]

15 * Sec. 9. Section 27, ch. 98, SLA 1985, page 123, lines 14 - 16, are
16 amended to read:

17	APPROPRIATION	GENERAL
18	ITEMS	FUND

19 SB 56 An Act

20 relating to a

21 Longevity Bonus.

22 Appropriated to

23 Department of

24 Health & Social

25 Services

<u>1,650,200</u>	<u>1,650,200</u>
[2,573,800]	[2,573,800]

27 * Sec. 10. Section 26, ch. 98, SLA 1985, page 35, lines 9 and 10 are
28 amended to read:

29	APPROPRIATION	GENERAL	OTHER
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1		ALLOCATIONS	ITEMS	FUND	FUNDS
2	Medical				
3	Assistance		<u>79,987,500</u>	<u>45,942,200</u>	<u>34,045,300</u>
4			[79,163,200]	[45,678,400]	[33,484,800]
5	Medicaid	<u>67,525,800</u>			
6		[66,701,500]			

* Sec. 11. (a) Section 26, ch. 98, SLA 1985, page 34, line 23, is amended to read:

9		APPROPRIATION	GENERAL	OTHER
10		ITEMS	FUND	FUNDS
11	Assistance			
12	Payments	<u>62,748,600</u>	<u>38,608,600</u>	
13		[62,257,600]	[38,117,600]	24,140,000

(b) Section 26, ch. 98, SLA 1985, page 35, line 6, is amended to read:

16		ALLOCATIONS
17	Adult Public	
18	Assistance	<u>13,930,500</u>
19		[13,439,500]

* Sec. 12. The sum of \$896,900 is appropriated from the general fund to the Department of Health and Social Services for pharmacy payments for the General Relief Medical program for the fiscal year ending June 30, 1986.

* Sec. 13. The sum of \$770,000 is appropriated to the Department of Health and Social Services to pay for costs associated with increased caseloads in the Aid to Families with Dependent Children program, for the fiscal year ending June 30, 1986, from the following sources:

27	Federal Receipts	\$221,600
28	General Fund Match	385,000
29	Interagency Receipts	163,400

* Sec. 14. The sum of \$168,800 is appropriated from the general fund to the Department of Health and Social Services, general relief assistance program, to pay for increased costs of providing rent, burial and other services for the fiscal year ending June 30, 1986.

* Sec. 15. Section 26, ch. 98, SLA 1985, page 38, lines 9 and 10, are amended to read:

	ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Juvenile				
Custody		<u>17,438,800</u>	<u>17,238,800</u>	
		[17,146,800]	[16,946,800]	200,000
Foster Care	<u>6,602,500</u>			
	[6,310,500]			

* Sec. 16. Section 32, ch. 107, SLA 1983, page 19, line 5, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Medical			
Assistance	<u>67,680,400</u>	<u>40,933,700</u>	<u>26,746,700</u>
	[70,085,700]	[42,674,300]	[27,411,400]

* Sec. 17. Section 22, ch. 122, SLA 1984, page 20, line 23, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Medical Assis-			
tance	<u>76,516,900</u>	<u>46,559,400</u>	<u>29,957,500</u>
	[74,111,600]	[44,818,800]	[29,292,800]

The appropriation for medical assistance program services to pay outstanding FY 1985 claims lapses June 30, 1986.

1 * Sec. 18. The sum of \$150,000 is appropriated from the Disabled Fish-
 2 ermen's Reserve Fund to the Department of Labor for payment of benefits to
 3 disabled fishermen for the fiscal year ending June 30, 1986.

4 * Sec. 19. The sum of \$50,000 is appropriated from the general fund to
 5 the Alaska Public Utilities Commission for costs associated with Joint
 6 State/Federal Telecommunications Board hearings in Alaska.

7 * Sec. 20. Section 26, ch. 98, SLA 1985, page 63, lines 19 and 20 are
 8 amended to read:

	ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND
Alaska National			
Guard Benefits		<u>1,927,100</u>	<u>1,927,100</u>
		[2,097,100]	[2,097,100]
Retention			
Benefits	<u>508,800</u>		
	[678,800]		

17 * Sec. 21. Section 26, ch. 98, SLA 1985, page 62, lines 12 and 13, are
 18 amended to read:

	ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Alaska National				
Guard		<u>6,767,000</u>	<u>3,259,700</u>	3,507,300
		[6,723,000]	[3,215,700]	
Office of Adju- tant General (27 positions)	<u>1,439,800</u>			
	[1,395,800]			

28 * Sec. 22. (a) Section 26, ch. 98, SLA 1985, page 104, line 10, is
 29 amended to read:

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APPROPRIATION GENERAL
ITEMS FUND

Regional

Operations

56,009,700 56,009,700

[55,507,100] [55,507,100]

(b) Section 26, ch. 98, SLA 1985, page 104, line 22, is amended to read:

ALLOCATIONS

Cook Inlet

Correctional

Center (115

positions) 7,208,400

[7,088,400]

(c) Section 26, ch. 98, SLA 1985, page 105, line 4, is amended to read:

ALLOCATIONS

Wildwood Cor-

rectional

Center (85 posi-

tions) 5,592,200

[5,377,100]

(d) Section 26, ch. 98, SLA 1985, page 105, line 9, is amended to read:

ALLOCATIONS

Lemon Creek

Correctional

Center (86 posi-

tions) 5,209,900

[5,042,400]

1 * Sec. 23. Section 27, ch. 98, SLA 1985, page 123, lines 4 - 7, are
 2 amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
5 SB 4 An		
6 Act Relating		
7 to Correctional		
8 Restitution		
9 Centers. Appro-		
10 priated to De-		
11 partment of		
12 Corrections	<u>572,100</u>	<u>572,100</u>
	[1,074,700]	[1,074,700]

14 * Sec. 24. The sum of \$340,700 is appropriated from the general fund to
 15 the Department of Corrections for increased personal services costs for
 16 security and probation personnel within the Regional Operations for the
 17 fiscal year ending June 30, 1986.

18 * Sec. 25. The sum of \$808,200 is appropriated from the general fund to
 19 the Department of Corrections to pay increased medical costs for inmates
 20 for the fiscal year ending June 30, 1986.

21 * Sec. 26. The sum of \$265,947 is appropriated from the general fund to
 22 the following agencies to pay miscellaneous claims and stale-dated war-
 23 rants:

24 Department of Administration	\$49,592
25 Department of Education	96,800
26 Department of Health and Social Services	99,446
27 Department of Fish and Game	4,858
28 Department of Corrections	8,000
29 Department of Commerce and Economic	

1 the Alaska Judicial Council for additional expenses for the fiscal year
 2 ending June 30, 1986.

3 * Sec. 34. The sum of \$22,000 is appropriated from the general fund to
 4 the Commission on Judicial Conduct for additional expenses for the fiscal
 5 year ending June 30, 1986.

6 * Sec. 35. The sum of \$32,500 is appropriated from the general fund to
 7 the Department of Military and Veterans' Affairs for veterans' services for
 8 the fiscal year ending June 30, 1986.

9 * Sec. 36. The sum of \$6,000,000 is appropriated from the public facil-
 10 ity planning fund (AS 35.10.135) to the general fund.

11 * Sec. 37. (a) Section 26, ch. 98, SLA 1985, page 118, lines 9 and 10
 12 is amended to read:

	ALLOCATIONS	APPROPRIATION	GENERAL
		ITEMS	FUND
Budget and Audit Committee		<u>5,685,000</u>	<u>5,685,000</u>
		[5,875,000]	[5,875,000]
Legislative Audit			
(45 posi-			
tions)	<u>2,347,700</u>		
	[2,447,700]		

21 (b) Section 26, ch. 98, SLA 1985, page 118, line 16 is amended to
 22 read:

	ALLOCATIONS
Legislative	
Finance (36	
positions)	<u>2,987,300</u>
	[3,077,300]

28 * Sec. 38. Section 26, ch. 98, SLA 1985, page 119, line 19 is amended
 29 to read:

1		APPROPRIATION	GENERAL
2		ITEMS	FUND
3	Ombudsman (23 positions)	<u>1,528,600</u>	<u>1,528,600</u>
4		[1,536,100]	[1,536,100]

5 * Sec. 39. The sum of \$397,500 is appropriated from the general fund to
6 the Legislative Council for additional legislative session expenses for the
7 fiscal year ending June 30, 1986.

8 * Sec. 40. The appropriations made by secs. 5, 6, 12 - 14, 17, 18, 24 -
9 26, 32 - 34, 35 and 39 of this Act lapse on June 30, 1986.

10 * Sec. 41. The appropriations made by secs. 1, 19, and 27 - 31 of this
11 Act lapse on June 30, 1987.

12 * Sec. 42. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

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Cook
4/21/86.

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 362 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation, the budget reserve fund, and the reserve
8 for emergency operating expenses account; and pro-
9 viding for an effective date."

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

11 * Section 1. AS 37.05 is amended by adding a new section to read:

12 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)

13 There is established as a separate fund in the state treasury the
14 budget reserve fund. The budget reserve fund consists of appro-
15 priations to the fund and of money dedicated to the fund by art. IX,
16 sec. 17, of the Alaska Constitution.

17 (b) For the purposes of determining the appropriation limitation
18 amount under art. IX, sec. 16, of the Alaska Constitution, an appro-
19 priation is considered to be made in the fiscal year in which it takes
20 effect. The determination of the change in population for purposes of
21 art IX, sec. 16, of the Alaska Constitution shall be based on an
22 annual estimate of population by the Department of Labor. The deter-
23 mination of the change in inflation for purposes of art. IX, sec. 16,
24 of the Alaska Constitution shall be based on the Anchorage CPI-U
25 prepared by the United States Bureau of Labor Statistics. For the
26 purposes of art. IX, sec. 17, of the Alaska Constitution, the amount
27 of money received by the state that is subject to the appropriation
28 limit includes the balance in the general fund carried forward from
29 the preceding fiscal year.

1 (c) If the legislature determines that the money subject to the
2 appropriation limit received by the state in a fiscal year is less
3 than the maximum permitted to be appropriated under art. IX, sec. 16,
4 of the Alaska Constitution, up to 25 percent of the balance of the
5 budget reserve fund may be appropriated to the general fund. Deter-
6 mination of the need for budget reserve fund expenditures for a fiscal
7 year must be made by the legislature during the third quarter of that
8 fiscal year.

9 (d) The Department of Revenue shall manage and invest assets of
10 the budget reserve fund in the manner set out for the management and
11 investment of the assets of the Alaska Permanent Fund Corporation
12 under AS 37.13.120. The department has all of the duties and authori-
13 ty given the corporation and its board of directors under AS 37.13.-
14 120.

15 (e) Notwithstanding other provisions of this section, appropria-
16 tions may be made from the budget reserve fund needed by the governor
17 to meet a disaster. In this subsection, "disaster" has the meaning
18 given in AS 26.23.230.

19 * Sec. 2. AS 37.05.159 is repealed.

20 * Sec. 3. This Act takes effect on the effective date of an amendment
21 to the Constitution of the State of Alaska establishing the budget reserve
22 fund.
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