

HB

452

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA

3-16-88

3:00p.m.

2/10
D

R

F

2/11
P

2/11
N

BILL PREPARATION/ACTION*

Bill # HB 452

Date Referred: 2/10/89

Out:

Title: Approp: Toward Funding for Education

Sponsor: Frank/Miller

Referrals: CRA HES FIN

CONTACTS:*****

Name _____

DCEA Phelan PP FN 2/11;

DOE Steve Nole FN 2/11;

Rev. Royce Willes PP FN 2/11; LCH 3/10/88

Rep Frank. 2/10 notif being in [3/10];

REMARKS:

MEETINGS:*****

Date _____ Action _____

* 3-16-8 1st pub. hearing CS, JDP 3 NR.

*See other side for additional information.

CONTAC.TXT



Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Wed., March 16, 1988

SIGN-IN

Subject of meeting:

*HB 452 Approp: Forward Funding for Education

*HB 453 ~~Municipal and Education Reserve Accounts~~

and HB 453

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Jerald Mikesell	Director EFSS Dept. of Educ	2F65	DOE	will answer questions
BOB GREENG	AASB - 305 316 W 11TH ST	586-1083	AASB	?
Jim PARSYAN	Dep Dir MEAD	470	DLRA	yes
Rep. Frank				

8 HB 452

5-1791B

Original sponsors: Frank and Miller

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 452 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations of windfall
7 receipts to the education reserve account and the
8 municipal assistance reserve account; and providing
9 for an effective date."

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

11 * Section 1. That portion of the money received by the state on or
12 after the effective date of this section from the settlement or final
13 judicial determination of the Dinkum Sands case (United States v. Alaska)
14 and not deposited into the Alaska permanent fund under AS 37.13.010(a)(1)
15 or (2) or into the public school fund under AS 37.14.110, not to exceed the
16 entitlement created under AS 14.17, the foundation account, and AS 14.11,
17 the debt retirement account, for the year in which the money is received,
18 is appropriated to the education reserve account.

19 * Sec. 2. The money not included in the estimated receipts set out in
20 the budget for the fiscal year 1989 submitted under AS 37.07.020(a) that is
21 received by the state during the fiscal year ending June 30, 1989, from an
22 agreement under AS 43.05.060 or a final judicial determination against an
23 oil and gas producer or a person engaged in the transportation by pipeline
24 of oil and gas in the state is appropriated to the education reserve ac-
25 count.

26 * Sec. 3. That portion of the money received by the state on or after
27 the effective date of this section from the settlement or final judicial
28 determination of the North Slope royalty case (State v. Amerada Hess, et
29 al.) and not deposited into the Alaska permanent fund under

1 AS 37.13.010(a)(1) or (2) or into the public school fund under AS 37.14.-
2 110, not to exceed the amount appropriated in the previous fiscal year to
3 the municipal assistance fund under AS 29.60.350, for the state revenue
4 sharing program under AS 29.60.010 - 29.60.300, and for the senior
5 citizens' and disabled veterans' property tax exemption reimbursement
6 program under AS 29.45.030, is appropriated to the municipal assistance
7 reserve account.

8 * Sec. 4. Sections 1 and 2 of this Act take effect on the effective
9 date of an Act enacted by the Fifteenth Alaska State Legislature establish-
10 ing the education reserve account.

11 * Sec. 5. Section 3 of this Act takes effect on the effective date of
12 an Act enacted by the Fifteenth Alaska State Legislature establishing the
13 municipal assistance reserve account.
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Introduced: 2/10/88
Referred: Community & Regional
Affairs, Health, Education &
Social Services and Finance

① HB 453

1 IN THE HOUSE

BY FRANK AND MILLER

2 HOUSE BILL NO. 453

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state funding of public education
7 programs and municipal assistance programs; and
8 providing for 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 new sections to read:

11 Sec. 37.05.161. EDUCATION RESERVE ACCOUNT. (a) The education
12 reserve account is established in the general fund for the purpose of
13 ~~NOT TO EXCEED THE~~ receiving funds to be appropriated to the public school foundation
14 program under AS 14.17 and the school construction debt retirement
15 program under AS 14.11.100. The account consists of appropriations to
16 the account.

17 (b) The legislature may replenish the account each year by
18 making appropriations to the account that are sufficient to fund the
19 following year's appropriation for the foundation program and the
20 school construction debt retirement program.

21 Sec. 37.05.162. MUNICIPAL ASSISTANCE RESERVE ACCOUNT. (a) ~~The~~
22 ~~municipal assistance reserve account is established in the general~~
23 ~~fund for the purpose of receiving funds to be appropriated to the~~
24 ~~municipal assistance fund under AS 29.60.350, for the state revenue~~
25 ~~sharing program under AS 29.60.100, and for the senior citizens' and~~
26 ~~disabled veterans' property tax exemption reimbursement program under~~
27 ~~AS 29.45.030. The account consists of appropriations to the account.~~
28

29 ~~(b) The legislature may replenish the account each year by~~
~~making appropriations to the account that are sufficient to fund the~~

Committee decided
advise of DCA-lys.
accepted as such. _____

Alaska State Legislature

STEVE FRANK

DISTRICT 20A
Finance Committee

1125 Sunset Drive
Fairbanks, Alaska 99701



While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709

House of Representatives

TO: House Community & Regional Affairs Committee

FROM: Rep. Steve Frank

RE: House Bills 452 and 453 - forward funding
municipal pass-through funds

DATE: March 16, 1988

This legislation, if enacted, would create a forward funding mechanism for all municipal pass-through funds.

Basically the bill proposes to set up two accounts; an education reserve account that would fund both the foundation formula and school debt retirement, and a municipal assistance reserve account to fund municipal assistance, revenue sharing and senior citizen/disabled veterans tax exemption.

Further, we would earmark the expected settlements from the Dinkum Sands litigation to finance the school account and the anticipated settlements from the Amerada Hess case to fund the municipal assistance account.

Since this proposal would not require a dedication of funds and doesn't take existing money off the table, its political practicality is increased. It is important to note that the legislature's ultimate power of appropriation would not be diminished since an annual appropriation would be necessary from the reserve accounts to the Departments of Education and Community and Regional Affairs as well as back in to those reserve accounts to replenish them for the next year's school and municipal funding.

The main purpose of the legislation is to allow municipalities and school districts the ability to know, with greater certainty, the level of state funding they have available during their budgeting process. Setting aside money in these reserve accounts is a distinct advantage over merely early funding because, under this proposal, the money actually exists in an account a year in advance, thus increasing the certainty of the appropriations.

Thank you for your consideration.

File Contents

HB 452 - Approp: Forward Funding for Education

<u>No.</u>	<u>Description</u>
1.	Bill - HB 452
1.1	Fiscal Note - Dept. of Educ.
2.	Memo - from Legal Services, 2/12/88
3.	Chart - General Funding Available for Approp.
4.	Dinkum-Sands Oil/Gas Prices
5.	Bill Review - Harrison
6.	Memo from Sponsor, 2/26/88

HOUSE COMMITTEE REPORT

⑦ HB 452

(5)

Date referred: 2/10/88

FURTHER REFERRALS:

HESS
Finance

DATE: MAR 16 1988

The Community and Regional Affairs Committee has considered HB 452

"An Act making special appropriations of windfall receipts to the education reserve account and the municipal assistance reserve account; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 452 (CRA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Springer Heinrich Springer

SIGNING OTHER RECOMMENDATIONS:

Herrmann Odelya Herrmann - No Rec

Collins [Signature] - No Rec

Cato [Signature] - No Rec

Springer

Heinrich Springer
Chairman's signature

(7.1) HB 452

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Special appropriation of windfall
receipts to the education reserve account
Sponsor: Frank, Miller
Requestor: House C&RA

Agency Affected: Education
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This appropriation measure has no direct fiscal implications for the Department of Education.

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 2-16-88
Approved by Commissioner: William G. Demmert Date: 2-16-88
Agency: Department of Education

Distribution (by preparer):

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

452

B
NOT TO EXCEED THE ENTITLEMENT CREATED UNDER
14.17, THE FOUNDATION ACCOUNT AND 14.11 THE
DEBT RETIREMENT ACCOUNT FOR THE YEAR
IN WHICH THE MONEY IS RECEIVED

Alaska State Legislature

Sp / CRA
DWA ✓
⑥ HB 452

STEVE FRANK

DISTRICT 20A
Finance Committee

1125 Sunset Drive
Fairbanks, Alaska 99701



While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709

FEB 29 1988

House of Representatives

TO: Rep. Henry Springer, Chairman
House Community & Regional Affairs Committee

FROM: Rep. Steve Frank

RE: House Bills 452 and 453 - forward funding
municipal pass-through funds

DATE: February 26, 1988

Recently I introduced legislation that, if enacted, would create a forward funding mechanism for all municipal pass-through funds and would like to request a hearing at your earliest convenience.

Basically we propose to set up two accounts; an education reserve account that would fund both the foundation formula and school debt retirement as well as a municipal assistance reserve account to fund municipal assistance, revenue sharing and senior citizen/disabled veterans tax exemption.

Further, we would earmark the expected settlements from the Dinkum Sands litigation to finance the school account and the anticipated settlements from the Amerada Hess case to fund the municipal assistance account.

Since this proposal would not require a dedication of funds and doesn't take existing money off the table, its political practicality is increased. It is important to note that the legislature's ultimate power of appropriation would not be diminished since an annual appropriation would be necessary from the reserve accounts to the Departments of Education and Community and Regional Affairs as well as back in to those reserve accounts to replenish them for the next year's school and municipal funding.

The main purpose of the legislation is to allow municipalities and school districts the ability to know, with greater certainty, the level of state funding they have available during their budgeting process. Setting aside money in these reserve accounts is a distinct advantage over merely early funding because, under this proposal, the money actually exists in an account a year in advance, thus increasing the certainty of the appropriations.

Thank you for your consideration.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

1.1 HB 452

BILL VERSION: HB-452
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Special appropriation of windfall receipts to the education reserve account
Sponsor: Frank, Miller
Requestor: House C&RA

Agency Affected: Education
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This appropriation measure has no direct fiscal implications for the Department of Education.

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 2-16-88
Approved by Commissioner: William G. Demmert Date: 2-16-88
Agency: Department of Education

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

② HB 452

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 12, 1988

SUBJECT: Section-by-section Summary of HB 452,
an Act making special appropriations
of windfall receipts to the education
reserve account and the municipal
assistance reserve account.

TO: Representative Steve Frank

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum contains a section-by-section summary of
HB 452 as requested by Rick Solie of your staff.

A section-by-section summary of a bill should not be con-
sidered an authoritative interpretation of the bill. The
bill itself is the best statement of its contents.

SECTION 1 of the bill appropriates a portion of the money
received by the state on or after the effective date of this
section of the bill from the settlement or final judicial
determination of the Dinkum Sands case (United States v.
Alaska) to the education reserve account. The actual amount
of money appropriated into the education reserve account
will be that amount remaining after deposits into the per-
manent fund under AS 37.13.010(a)(1) or (2) and the public
school fund under AS 37.14.110 are made.

SECTION 2 of the bill appropriates any unanticipated wind-
falls received by the state during fiscal year 1989 from
agreements under AS 43.05.060 or final judicial deter-
minations against oil and gas producers or oil and gas
pipeline companies to the education reserve account.

SECTION 3 of the bill appropriates a portion of the money
received by the state after the effective date of this sec-
tion of the bill from the settlement or final judicial
determination of the North Slope royalty case (State v.

Representative Steve Frank
Page 2
February 12, 1988

Amerada Hess et al.) to the municipal assistance reserve account. The actual amount of money appropriated into the municipal assistance reserve account will be that amount remaining after deposits into the permanent fund under AS 37.13.010(a)(1) or (2) and the public school fund under AS 37.14.110 are made.

SECTION 4 of the bill provides that the appropriations made by secs. 1 and 2 of the bill take effect on the effective date of a bill enacted by the Fifteenth Alaska State Legislature that creates the education reserve account. However money is not placed into the education reserve account unless the conditions attached to the appropriations occur, such as settlement or final judicial determination of the Dinkum Sands case or the receipt of certain windfall revenues during fiscal year 1989.

SECTION 5 of the bill provides that the appropriation made by sec. 3 of the bill takes effect on the effective date of a bill enacted by the Fifteenth Alaska State Legislature that creates the municipal assistance reserve account. However, money is not placed into the municipal assistance reserve account unless the conditions attached to the appropriations occur, such as settlement or final judicial determination of the Amerada Hess case.

GU:bb
wkb2/076

GENERAL FUNDS AVAILABLE FOR APPROPRIATION

③ HB 452

	<u>30 % Rev Est</u>	<u>50 % Rev Est</u>
FY 87 CARRY FORWARD	19.7	19.7
FY 88 REVENUES	1,934.0	2,095.0
FY 88 ADJUSTMENTS	147.5	147.5
DINKUM SANDS	<u>159.8</u>	<u>159.8</u>
TOTAL FY 88 AVAILABLE	2,261.0	2,422.0
FY 88 EXPENDITURES:		
OPERATING	1,738.1	1,738.1
SCHOOL DEBT REIMBURSEMENT	109.5	109.5
G.O. DEBT	148.0	148.0
CAPITAL	98.2	98.2
LOANS	22.6	22.6
FY 88 SUPPLEMENTALS	60.2	60.2
JOBS BILL	<u>75.2</u>	<u>75.2</u>
TOTAL FY 88 EXPENDITURES	2,251.8	2,251.8
FY 88 CARRY FORWARD***	9.2	170.2
FY 88 CARRY FORWARD	9.2	170.2
FY 89 REVENUES	1,784.6	1,981.0
FY 89 ADJUSTMENTS	68.2	68.2
Total FY 89 Revenues	1,862.0	2,219.4
PROPOSED FY89 EXPENDITURES:		
OPERATING	1,844.3	1,844.3
SCHOOOL DEBT REIMBURSEMENT	117.7	117.7
G.O. DEBT	135.6	135.6
OTHER DEBT	11.8	11.8
CAPITAL	79.4	79.4
LOANS	30.6	30.6
NEW LEGISLATION	<u>10.0</u>	<u>10.0</u>
TOTAL FY 89 EXPENDITURES	2,229.4	2,229.4
FY 89 CARRY FORWARD	-367.4	-10.0

Notes to this revenue analysis:

Revenue Estimates are base^d on the Feb. 11, 1988 memo from Dept. of Revenue. New forecast is expected around the 25th of March.

FY 88 supplementals include the Governor's latest request, plus the 300.0 for formation of the Aleutians East Borough.

Under proposed FY 89 Expenditures, the operating budget proposal does not include the Governor's additional request of 21.6 million. New legislation estimate of 10.0 million is only an estimate.

WHAT ARE THE OIL AND GAS CASES ABOUT?

I. United States v. Alaska "DINKUM SANDS"

A. Issues involved:

1. The "enclave issues": use of strict application of the method of arcs and circles versus straight baselines

2. Is Dinkum Sands an island?

3. The counterclaim issues:

(a) whether NPRA's submerged lands are Alaska's;

(b) whether Alaska has title to the submerged lands underlying the coastal lagoons between the Canning River and the Canadian border;

(c) whether the 1975 expansion of the ARCO dock is part of the state's coastline; and

(d) whether the southern portion of Harrison Bay is part of the inland waters of Alaska.

B. Amount in litigation

Currently in escrow is approximately \$900 million. That amount is expected to exceed \$1 billion at the time a final decision is rendered.

C. Current status

1. Currently pending before a special master of the United States Supreme Court.

2. After special master's decision, parties may present their respective cases to the United States Supreme Court.

3. Estimated final decision: 1990.

D. Representation

1. Tom Koester, Assistant Attorney General.

2. John Briscoe, partner in the San Francisco law firm of Washburn and Kemp.

II. State v. Amerada Hess, et al.

A. Issues involved:

1. Interpretation of the state's lease form DL-1;

2. Determination of disposition of each barrel of oil produced between 1977 and 1986.

B. Amount in litigation

The defendants have estimated the range as between \$300 million and \$2 billion.

C. Current status

1. The case is expected to go to trial in October 1989. There is a rigorous schedule leading to that trial date

(depositions, witness lists, expert testimony, summary judgment motions, etc.)

2. Trial is expected to last six months.

3. Decision in superior court in Spring 1990, with right of appeal to Alaska Supreme Court. Earliest decision: 1992.

4. Three defendants have filed suit in U.S. District Court claiming that no Alaska court can try the case fairly because if the state succeeds, the permanent fund will be enriched -- accordingly, the permanent fund dividends will be increased. Each qualified juror and judge would therefore benefit from the outcome of the case -- a conflict of interest. The state has moved to dismiss the complaint.

D. Representation

1. Lead counsel is Wilson Condon of Hellen, Partnow & Condon, Anchorage.

2. Morrison and Foerster of San Francisco, Law Offices of Spencer Hosie (San Francisco), and Law Offices of Robert Stoller (Anchorage) support the effort.

III. Pipeline Matters

A. Issues presented

1. TAPS

(a) compliance with the terms of the settlement;
(b) monitoring of Arctic Slope efforts to seek reversal of the settlement in the United States Supreme Court.

2. Pipeline rate cases (Kuparuk, Endicott, and Milne Point) are aimed at determining that the tariffs are just and reasonable.

B. Amounts at stake

1. The TAPS settlement has brought in more than \$1.2 billion through reduced tariffs (thus increasing the wellhead value for purposes of both taxation and royalties).

2. The compliance effort is to determine that the TAPS owners abide by the terms of the settlement. This year, our audit raised major exceptions to the owners' tariff filings, resulting in \$40 million in additional revenues to the state.

3. The Kuparuk, Endicott, and Milne Point pipeline rate cases together raise in excess of \$70 million in potential gains to the state over the life of the respective pipelines.

C. Current status

1. TAPS compliance monitoring is on-going. The TAPS settlement appeal by Arctic Slope Regional Corporation to the United States Supreme Court is expected shortly.

2. The Kuparuk case is currently awaiting decision by an administrative law judge. The Endicott case goes to hearing in late June 1988. Milne Point has not announced resumption of production yet.

D. Representation

1. Lead counsel is Robert Loeffler, partner in Washington, D.C. office of Morrison and Foerster.

2. Edward Twomey, Newman & Holtzinger, Washington, D.C.

IV. The Tax Cases

A. Issues presented

Because of the confidentiality provisions of AS 43.05.230, the department cannot detail the specific issues or taxpayers who have disputed the state's tax assessments. The disputes arise under AS 43.21 (separate accounting income tax) and AS 43.55 (the oil and gas production tax). Parallels may be drawn to the Amerada Hess litigation to the extent that a netback to the point of production for purposes of determining a value is

required. In the income tax cases, various deductions are also at issue.

B. Amounts at stake

Cases funded by the Department of Law account for approximately \$500 million to \$1 billion of the estimated \$2.3 billion in disputed taxes.

C. Current status

One major case is scheduled to go to hearing in June 1988 and conclude in early 1989, to be followed by a second major case in 1989. Smaller cases will be scheduled on an on-going basis.

D. Representation

1. The major tax cases are directed in-house by Assistant Attorney General Barbara Herman.

2. Ms. Herman and her staff are assisted by the law firms of Preston, Thorgrimson (Anchorage) and Morrison and Foerster's Washington, D.C. office.

5 HB 452



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

March 16, 1988

TO: Rep. Henry Springer, Chairman HCRA

FROM: David C. Harrison, P.A., HCRA *DCH*

HB 452 "An Act making special appropriations of windfall receipts to the education reserve account and the municipal assistance reserve account; and providing for an effective date." Sponsors Frank and Miller

REVIEW of HB 452

Section 1. Under this section an education reserve account is to be set up from that portion of the money received from the Dinkum Sands not deposited to the Alaska permanent fund or into the public education reserve account made available.

AS 37.13.010(a) refers to Article IX § 15 of the Alaska Constitution that established a separate fund the Alaska permanent fund.

AS 37.14.110 refers to Public School Fund that is established as a separate fund in the public school fund. Sums come from the management of state land, amounts paid to the state proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments of bonuses.

Sec. 2, refers to money not included in the estimated receipts based upon the governor's budget for FY 1989. Also money from an agreement(s) under AS 43.05.060 whereby settlements under judicial determination are awarded to the state against certain persons and industries - such money would be appropriated to the education reserve account.

AS 37.07.020(a) refers to the governor's responsibility in preparing and submitting the state budget.

COMMENTS: Copy of General Funds Available for Appropriation provides an insight into revenue estimates based upon Feb. 11, 1988, memo from Dept. of Revenue. It is noted that a part of the Dinkum Sands settlement of \$159.8 million has been made a part of the revenue estimates to the general fund for FY '89. No doubt the permanent fund share has been deposited to the permanent fund.

If HB 452 becomes law, after requirements of the permanent fund are made what is left will be deposited to (1) the education reserve account and to (2) the municipal reserve account for municipal revenue sharing, municipal assistance account and for property tax exemption program.

Sec. 3, refers to money received from Amerada Hess, et al., settlement that would not be placed in the Alaska permanent fund or the public school fund would be appropriated to the municipal reserve account.

COMMENTS: Please see attached "What Are the Oil and Gas Cases About?" Litigation, amounts involved and those involved are listed for your review.

Sec. 4, refers to effective dates establishing the education reserve account, specifically Secs. 1 and 2.

Sec. 5, provides an effective date for Sec. 3 for the municipal reserve account.