

HJR

I



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

March 25, 1987

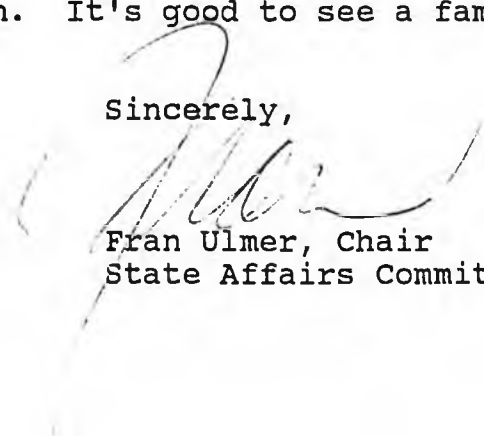
Carleen Grummett
4195 Lakeshore Court
Juneau, AK 99801

Dear Carleen:

Thank you for your public opinion message on HJR 1. We have heard this resolution in the State Affairs Committee and passed it on to the Judiciary Committee with individual recommendations. (My recommendation was do pass.) This bill is still in the Judiciary Committee and is scheduled for hearing on Thursday, March 26, at 1:30 p.m. I would encourage you to participate in that hearing if you want.

Thanks, again, Carleen. It's good to see a familiar name on a POM.

Sincerely,



Fran Ulmer, Chair
State Affairs Committee

HJR 1

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE ULMER

NAME: CARLEEN GRUMMETT

TITLE:

ADDRESS: 4195 LAKESHORE COURT

CITY: JUNEAU

ZIP: 99801

PHONE: N/A-

BILL NO: HJR 1

SUBJECT: INCOME FROM PERMANENT FUND

MESSAGE: I WOULD LIKE YOU TO SUPPORT HJR 1. ALTHOUGH I AM NOT USUALLY IN FAVOR OF ELECTORATE VOTES, ONE ON PERMANENT FUND REDISTRIBUTION WOULD GENERATE NECESSARY DEBATE AND FORCE HARD DECISIONS FOR FINDING IMMEDIATE AVAILABLE FUNDS FROM OTHER SOURCES, SUCH AS RAILBELT ENERGY, ADA, AND RESOURCES.

POHID: 00133036

DATE: 03/18/87

TIME: 13:30:36

LIONAME: JUNEAU LIO

COPIES: REPRESENTATIVES

BARNES
COTTEN
GRUENBERG
NAVARRE
SUND
TAYLOR

RECEIVED MAR 19 1987

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/19/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 3-4-87

The State Affairs Committee has considered HJR 1

Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund.

RECOMMENDS:

- replace with CS HJR 1 (SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ 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:

Scott Mendenhall

Frank Palmer

David Duley

SIGNING OTHER RECOMMENDATIONS:

Lynn Hoffman Do Not Pass

Cliff Davidson (no rec)

Terry Martin Do not Pass

Frank Palmer

Chairman's signature



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE

HOUSE JOINT RESOLUTION 1

FILE CONTENTS

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2. FISCAL NOTE, DIVISION OF ELECTIONS: \$2,200
3. PROPOSED CS HJR 1
3. (a) PROPOSED CS HJR 1 (REVISED)
4. FISCAL NOTE FOR PROPOSED CS HJR 1; -0-
5. SECTIONAL ANALYSIS PRESENTED BY REPRESENTATIVE ELLIS
6. BALLOT PROPOSITION NO. 2
7. MEMORANDUM FROM JIM KELLY TO DAVE ROSE, DATED 1/26/87
8. FISCAL NOTE, HJR 1, DEPARTMENT OF REVENUE
9. PROPOSED CHANGES TO HJR 1 BY ASSOCIATION FOR PROTECTION OF THE PERMANENT FUND
10. LETTER FROM JIM WEIDNER, PRESIDENT, ASSOCIATION FOR THE PERMANENT FUND, TO HOUSE STATE AFFAIRS COMMITTEE, DATED 2/25/87

Original sponsors: Ellis, Brown
and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 1 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska providing
7 that the distribution of income from the
8 permanent fund may be changed only by
9 law approved by a vote of the people.

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

11 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska
12 is amended to read:

13 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent
14 of all mineral lease rentals, royalties, royalty sale proceeds, feder-
15 al mineral revenue sharing payments and bonuses received by the State
16 shall be placed in a permanent fund, the principal of which shall be
17 used only for those income-producing investments specifically desig-
18 nated by law as eligible for permanent fund investments. Subject to
19 (b) of this section, all [ALL] income from the permanent fund shall be
20 deposited in the general fund unless otherwise provided by law.

21 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska is
22 amended by adding a new subsection to read:

23 (b) After January 1, 1987, the legislature may not change the
24 distribution of income from the permanent fund except by law referred
25 to a vote at a statewide election. The law may not take effect unless
26 approved by the majority of those voting in that election.

27 * Sec. 3. The amendments proposed by this resolution shall be placed
28 before the voters of the state at the next general election in conformity
29 with art. XIII, sec. 1, Constitution of the State of Alaska, and the

1 election laws of the state.

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Draft 19 Feb 87

VERSION 1

All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. Any change in the uses of Permanent Fund income from the uses on January 1, 1987 must be approved by the voters in a regular or special election.

VERSION 2

All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. No change in the statutory law relating to Permanent Fund income as of January 1, 1987 shall take effect without approval by the voters in a regular or special election.

VERSION 3

All income from the permanent fund shall be [deposited in the general fund unless otherwise provided by law] used only for the payment of dividends, offsetting the impact of inflation on principal, reserves for dividends and inflation, and the operating expenses of the permanent fund unless otherwise provided by statute ratified by the voters at the next regular or special election.

VERSION 4

All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. No change in the law relating to permanent fund income shall take effect without approval of the voters in a regular or special election.

VERSION 5

All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. No change in the law relating to permanent fund income shall take effect unless provided by statute ratified by the voters at the next regular or special election.

Notes:

Version 3 may limit changes in the use of Permanent Fund income to changes in the dividends, inflation-proofing, reserves and/or Fund expenses.

Version 4 appears to allow the Legislature to take either an appropriation(s) or an authorizing measure to

the voters.

Version 5 appears to require a policy bill to pass and win voter approval before appropriations could be made, or take effect if already made.

Every version except 3 seems to leave open the technical possibility that legislators could (using the old constitutional language) simply appropriate income to the general fund, where it could be spent at will.



Official Business

Alaska State Legislature

House

RECEIVED JAN 20 1983

Pouch V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: The Honorable Fran Ulmer, Chair,
House State Affairs Committee

FROM: Representative Johnny Ellis *JE*

DATE: January 20, 1987

RE: Hearings and Title Change for HJR 1

I would like to request that you please schedule a hearing date for HJR 1 at your earliest convenience.

As you know, this joint resolution is designed to require public input before any change is made in the distribution of income from the permanent fund. To that end, I also request that a committee substitute with the following title change be introduced for consideration on the first day of hearings:

"Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund; and providing that the distribution may be changed only by law approved by vote of the people."

I believe the title change will make the intent of the legislation more clear.

Thank you for your consideration of this matter.

Original sponsors: Ellis, Brown and Navarre

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE JOINT RESOLUTION NO. 1 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
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15 of all mineral lease rentals, royalties, royalty sale proceeds, feder-
16 al mineral revenue sharing payments and bonuses received by the State
17 shall be placed in a permanent fund, the principal of which shall be
18 used only for those income-producing investments specifically desig-
19 nated by law as eligible for permanent fund investments. [ALL INCOME
20 FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE GENERAL FUND UNLESS
21 OTHERWISE PROVIDED BY LAW.]

22 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska is
23 amended by adding new subsections to read:

24 (b) At the end of each fiscal year, fifty percent of the income
25 ~~earned on the principal of the permanent fund~~ shall be distributed as
26 dividends to state residents as provided by law. An amount sufficient
27 to offset the effect of inflation on the principal of the permanent
28 fund during the year shall be transferred from the balance of the
29 income to the principal of the permanent fund as provided by law. The

Handwritten notes:
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D.S. 1/21/87
AKP
OUT.

1 rest of the income shall be deposited into a separate account in the
2 Alaska permanent fund and shall be available for appropriation.

3 (c) The distribution of income under (b) of this section during
4 a fiscal year may be changed only by law approved by a vote of the
5 people.

6 * Sec. 3. The amendments proposed by this resolution shall be placed
7 before the voters of the state at the next general election in conformity
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
9 tion laws of the state.

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Cook
1/28/87

1/24/87
↳

Original sponsors: Ellis, Brown and Navarre

1 IN THE HOUSE

2 CS FOR HOUSE JOINT RESOLUTION NO. 1 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
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17 shall be placed in a permanent fund, the principal of which shall be
18 used only for those income-producing investments specifically desig-
19 nated by law as eligible for permanent fund investments. [ALL INCOME
20 FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE GENERAL FUND UNLESS
21 OTHERWISE PROVIDED BY LAW.]

22 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska is
23 amended by adding new subsections to read:

24 (b) Net income of the permanent fund/ excluding the income from
25 the earnings reserve account/ shall be computed annually as of the
26 last day of the fiscal year in accordance with generally accepted
27 accounting principles, excluding any unrealized gains or losses.
28 Income available for distribution under (c) of this section equals
29 twenty-one percent of the net income for the last five fiscal years,

1 including the fiscal year just ended, but may not exceed the net
2 income for the fiscal year just ended plus the balance in the earnings
3 reserve account.

4 (c) At the end of each fiscal year, fifty percent of the income
5 available for distribution from the permanent fund shall be distribut-
6 ed as dividends to state residents as provided by law. An amount
7 sufficient to offset the effect of inflation on the principal of the
8 permanent fund during the year shall be transferred from the balance
9 of the income available for distribution to the principal of the
10 permanent fund as provided by law. The rest of the income available
11 for distribution shall be deposited into the earnings reserve account,
12 a separate account in the Alaska permanent fund, and shall be avail-
13 able for appropriation. Income from the investment of the earnings
14 reserve account shall be treated as an addition to that account.

15 (d) The legislature may change the distribution of income from
16 the permanent fund under this section for a fiscal year by law and may
17 by resolution refer that law to a vote at a regular or special
18 election. The law may not take effect unless approved by the majority
19 of those voting in that election.

20 * Sec. 3. The amendments proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
23 tion laws of the state.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HJR 1
Publish Date: 1/19/87

REQUEST _____

Revision Date: _____
Title: Prop. an Amend. to the Constitution of the SOA rel. to income from PF
Sponsor: Ellis, et. al.
Requestor: State Affairs, Judic. & Fin.

Agency Affected: Revenue
BRU: Research

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

PFD PROGRAM	0	0	-9.15	-36.22	-49.78	-6.97
PF-ERA	0	+9.15	+37.07	+53.84	+15.73	+4.19
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See attached sheet.

Prepared By: Mary Ellen Frank *MEF*
Division: Revenue, Research

Phone: 465-2174
Date: 1/26/87

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

Date: 1/26/87

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE ANALYSIS
CONTINUATION

If the first sentence of Sec. 2., Article IX, sec. 15 C SOA (b) is interpreted literally, it would be inconsistent with existing AS 37.13.140 and 145 Income and Distribution of Income and the changes above would result. The proposal refers to the PF principal earnings as distributable while existing statute calculates distributable income on earnings of both the principal and the Earnings Reserve Account. Also, the existing statute, calculates the PFD distribution as 21 percent of the last five years of PF earnings while the proposal refers to half of current principal earnings.

465-2047

Original sponsors: Ellis, Brown and Navarre

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
 2 CS FOR HOUSE JOINT RESOLUTION NO. 1 (State Affairs)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
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 15 of all mineral lease rentals, royalties, royalty sale proceeds, feder-
 16 al mineral revenue sharing payments and bonuses received by the State
 17 shall be placed in a permanent fund, the principal of which shall be
 18 used only for those income-producing investments specifically desig-
 19 nated by law as eligible for permanent fund investments. [ALL INCOME
 20 FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE GENERAL FUND UNLESS
 21 OTHERWISE PROVIDED BY LAW.]

current language

technical this is not current practice

22 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska is
23 amended by adding new subsections to read:

24 (b) Net income of the permanent fund shall be computed annually
 25 as of the last day of the fiscal year in accordance with generally
 26 accepted accounting principles, excluding any unrealized gains or
 27 losses. Income available for distribution under (c) of this section
 28 equals twenty-one percent of the net income for the last five fiscal
 29 years, including the fiscal year just ended, but may not exceed the

37 (3.140)

1 net income for the fiscal year just ended plus the balance in the
2 earnings reserve account.

3 (c) At the end of each fiscal year, fifty percent of the income
4 available for distribution from the permanent fund shall be distribut-
5 ed as dividends to state residents as provided by law. An amount
6 sufficient to offset the effect of inflation on the principal of the
7 permanent fund during the year shall be transferred from the balance
8 of the income available for distribution to the principal of the
9 permanent fund as provided by law. The rest of the income available
10 for distribution shall be deposited into the earnings reserve account,
11 a separate account in the Alaska permanent fund, and shall be avail-
12 able for appropriation. Income from the investment of the earnings
13 reserve account shall be treated as an addition to that account.

14 (d) The legislature may ^{not} change the distribution of income from
15 the permanent fund under this section for a fiscal year ~~by law~~ and may
16 ~~refer that law to a vote~~ ^{except by law referred to a vote} at a regular or special election. The law
17 may not take effect unless approved by the majority of those voting in
18 that election.

19 * Sec. 3. The amendments proposed by this resolution shall be placed
20 before the voters of the state at the next general election in conformity
21 with art. XIII, sec. 1, Constitution of the State of Alaska, and t' . elec-
22 tion laws of the state.

Original sponsors: Ellis, Brown and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 1 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
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21 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
22 tion laws of the state.

Introduced: 1/19/87
 Referred: State Affairs, Judiciary
 and Finance

1 IN THE HOUSE

BY ELLIS, BROWN
 AND NAVARRE

2

HOUSE JOINT RESOLUTION NO. 1

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Proposing an amendment to the Constitu-

6

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7

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8

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1 a fiscal year may be changed only by law approved by a vote of the
2 people.

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6 tion laws of the state.

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: CS HJR 1

Publish Date: 1/30/87

REQUEST

Revision Date:

Title: An Amendment Relating to Income from PF/Distribution by Vote of People

Sponsor: Ellis, Brown and Navarre

Requestor: Ellis

Agency Affected: Revenue

BRU:

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Royce Weller
 Division: Commissioner's Office

Phone: 465-2300
 Date: 1/30/87

Approved by Commissioner: *Hugh Malone for*
 Agency:

Date: 1/30/87

Distribution (by Agency preparing fiscal note):

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

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: HJR #1
Title: Amend. To Constitution: relating to
income from permanent fund.
Sponsor: Ellis, Brown and Navarre
Requestor: Ellis

Agency Affected: Office of the Governor
BRU: Division of Elections
Components: II

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL			2.2			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING			2.2			

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND			2.2			
FEDERAL FUNDS						
OTHER						
TOTAL			2.2			

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*Costs included cover 2 to 3 additional pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote
(cont.)

Prepared by: Linda Edgeworth Phone: 465-4611
Division: Elections Date: 1/28/87
Approved by Commissioner: *Carol P. Kankari* Date: Jan. 29, 1987
Agency: Office of the Governor/ Division of Elections

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HJR #1

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

BALLOT PROPOSITION NO. 2
PERMANENT FUND FROM NON-RENEWABLE RESOURCES REVENUE
Constitutional Amendment

(SCS CSSS House Joint Resolution No. 39 [Resources] am S)

BALLOT FORM:

A vote "FOR" adopts the amendment.

A vote "AGAINST" rejects the amendment.

FOR ()
AGAINST ()

VOTE CAST BY MEMBERS OF 9TH STATE LEGISLATURE ON FINAL PASSAGE

Senate	(20 members):	Yeas <u>18</u>	Nays <u>1</u>	Absent or Not Voting <u>1</u>
House	(40 members):	Yeas <u>36</u>	Nays <u>1</u>	Absent or Not Voting <u>3</u>

SUMMARY OF PROPOSITION

This proposal, if approved, would amend the Constitution of the State of Alaska by amending Article IX, Section 7 (Dedicated Funds) and adding a new Section to Article IX (Section 15, Alaska Permanent Fund). It would establish a constitutional permanent fund into which at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State would be paid. The principal of the fund would be used only for income-producing investments permitted by law and the income from the fund would be deposited in the general fund of the State and be available to be appropriated for expenditure by the State unless otherwise provided by law.

- - Summary prepared by Legislative Affairs Agency
as required by law

STATEMENT IN FAVOR OF PROPOSITION NO. 2

Alaskans Should Strongly Support the Establishment of a "Permanent Fund"

Just as a wise and prudent family sets aside money in a savings account for the future, so should Alaska's state government set aside a rainy day fund to benefit this and future generations of Alaskans. In a "Permanent Fund", you - the voter - can prevent a major source of income from being doled out for day-to-day needs or desires of state government by placing up to 25% of all revenue generated from non-renewable resources such as mineral leases, rentals, royalties and federal mineral revenue sharing payments and bonuses into such a fund.

In recent years the state legislature has been spending \$2.00 for every \$1.00 taken in. Authorities estimate that if the present rate of spending continues, Alaska will require a budget in excess of one billion dollars by or before 1980. Establishment of this "Permanent Fund" will provide for the use of the principal for *income-producing investments only* and provide a businesslike approach of permitting the State to meet countless community needs.

Today, as the result of anticipated oil and gas revenues, Alaska stands on the brink of unprecedented prosperity. No one, but no one, argues that these non-renewable resources will last but for a few decades. Similarly, no one should fail to recognize that in those years ahead the cost of state government will continue to spiral upwards. Now is the time to ask ourselves the question: "When the oil and gas is depleted, where will the funds to feed our giant government come from?" The answer is: the "Permanent Fund".

While it is to be hoped that such a fund may contribute to cutting cost or, at least, holding the line on state spending, its major

value would be that it would require our elected officials to pause, reflect and research any proposal before blindly authorizing expenditure of taxpayers' monies. This would provide needed time for the press and the public to also be aware of the pending project and its merit, instead of being out of public view and hidden in the spending pattern of normal day-to-day operations. Projects invested in with sources from the "Permanent Fund" could help broaden Alaska's narrow based economy and bring more stability to our State.

We would caution the public that while a "Permanent Fund" could provide a tool for accomplishing real needs for community improvements, it will, in the final analysis, not replace our collective responsibility to elect state administrators and legislators who will use the same reason and restraint in spending the public money as they would their own funds.

Establishment of a "Permanent Fund" is an exciting concept and when approved and properly used can serve long and well the best public interest of Alaskans.

VOTE "FOR"

THE ESTABLISHMENT OF A "PERMANENT FUND"

-- Alaska State Chamber of Commerce

STATEMENT AGAINST PROPOSITION NO. 2

The drafters of the Alaska Constitution wisely prohibited the dedication of state moneys based on the experience of other states of our nation.

This is being sold on the basis that it will cut back expenditures of state government. Such is a worthy goal but a permanent fund will not obtain that result. Those who would spend large sums of money are well aware of methods of increasing taxes. In 1975 when the state apparently ran out of money, it imposed a new oil and gas reserve tax amounting to over \$200 million a year. If this amendment passes and large sums go into the fund, the legislature and administration will impose additional taxes. The only restraint that we'll ever have on the growth of the state budget will be to elect fiscally responsible people.

Various federal government revenue sharing programs must be considered. Since the federal government takes such a large share of the taxes, each state must, by necessity, look to revenue sharing to get part of that money back. If Alaska establishes a multi-billion dollar permanent fund, you can be assured that Congress will change revenue sharing formulas so that Alaska will be cut back. Congress will say other states and municipalities are having a very difficult time raising funds to meet the necessities of government while Alaska has a large permanent fund.

It is axiomatic that government should never have more money than it needs to meet its immediate requirements. Alaska ought not to have funds excess to its needs for current operating budgets and an adequate reserve for income fluctuations.

The State of Alaska will not have a surplus until about 1979. At that time we should invest our large sums in the following manner:

1. Build all new capital improvements, i.e. roads, bridges, schools and harbors with cash rather than incurring additional bonded indebtedness.
2. Pay off our existing bonded indebtedness.
3. Increase revenue sharing to local government.
4. Reduce state taxes.

The argument that we should set some money aside from non-renewable income for future generations sounds well and even has merit. I suggest that it would be more meritorious, however, to give future generations adequate school buildings, adequate roads, adequate docks and not give them a huge pile of cash and an onerous bonded indebtedness.

The supporters of this amendment have also dangled in front of the public the idea that the money will be used to make credit available for such things as home mortgages. This is a worthy goal but does not follow from the creation of a permanent fund. The drafters of this amendment had the opportunity to include language that the fund be used for credit. They chose not to include such language. Further, the State can make money available for home mortgages without the need of any permanent fund. A good example is the current Veterans Loan Program.

The public rightly is concerned about very large government expenditures. A permanent fund will not reduce them. Only a fiscally responsible governor and legislature can do that.

-- Tom Fink, C.L.U.
Former Member of Alaska
House of Representatives

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

BOND PROPOSITIONS

Bond Proposition No. 10 Water Supply and Sewerage Systems Construction Bonds \$31,000,000	66,693	51,528	45-55
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MEASURES AND
BALLOT PROPOSITIONS

Capital Site Selection Ballot Measure Pages

Larson Lake	33,170		1-11
Mount Yenlo	16,169		
Willow	56,219		

	<u>YES</u>	<u>NO</u>	<u>PAGES</u>
Ballot Proposition No. 1 Action on Veto of Bills Constitutional Amendment	71,829	39,980	12-22
Ballot Proposition No. 2 Permanent Fund From Non- Renewable Resource Revenue Constitutional Amendment	75,588	38,518	12-22
Ballot Proposition No. 3 Administration and Review of State Land Disposals Constitutional Amendment	46,652	64,744	12-22
Ballot Proposition No. 4 Direct Financial Aid to Students Constitutional Amendment	54,636	64,211	12-22
Ballot Proposition No. 5 Initiative to Repeal Limited Entry Initiative	44,304	75,125	23-33
Ballot Proposition No. 6 Advisory Vote on Unicameral Legislature Initiative	58,782	55,204	23-33

INTENT

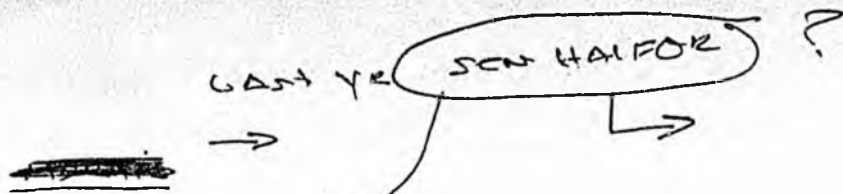
DRAFTED LANGUAGE THAT WOULD ALLOW THE VOTERS TO DECIDE WHETHER THEY, THE CREATORS OF THE P.F., WOULD LIKE TO HAVE A SAY IN ANY CHANGES TO THE WAY WE DISTRIBUTE THE EARNINGS OF THE FUND

HE'S NOT TRYING TO CHANGE THE WAY WE DIST. THE EARNINGS - SIMPLY WANT TO REJOIN THE STATE QUC - IT WOULD NOT IMPACT ON OUR CURRENT ABILITY TO (OR ABILITY TO APPL. THE ERA.

PROPOSED CHANGES WOULD HAVE AN IMPACT ON THE PRINCIPLE OF THE FUND, DIVIDENDS AND I.P.

PEOPLE SHOULD HAVE A MAYOR SAY IN THE P.F. PROPOSED CHANGES.

HE FEELS THE LEG. WILL GO ALONG WITH COWPER AND SPEND THE ERA - HE WANTS THE PEOPLE TO HAVE A SAY



TWO CHANGES:

Sec. 2 (Original) - Return to:

(b) 21-22 -

INCREASE OVERSIGHT IN NEW CCS (HAIFOR) → take into account

- Original - Note was described in the AFFIRMATIVE
 NEW CCS SAY - LEG. CANNOT MAKE
 change - without USFC.

Justification FOR length: That the proposal
 be described in detail FOR the people -
 in the public interest to state clearly
 the current Dist. FORMULA.

NO
 His Resolution HAS AN IMPACT ON the ABILITY
 to take the MONEY OUT OF the ERA - AVAILABLE -

STATUTE 000

F.Y. 87

P.E. had two parts: PRINCIPAL + INCOME

PRINCIPAL

6,281 Billion

• UIC

UIC (25% Royalties (103 M))

I. F. (1982)

↳ TAKE A PORTION OF NET INCOME AND

TRANSFER IT TO PRINCIPAL -

→ ALL NET INCOME IS SUBJECT TO

APPROPRIATION BY THE LEG.

→ LEG, HOWEVER, DETERMINED THAT

WE WERE TO INCREASE PRICING

I. P. Q: LAW REQUIRES FORMULA GOV IT IS
THE % CHANGE IN THE CONSUMER BALANCE
OF THE CONSUMER INDEX ALL US GOV
CONSUMERS -

$$1.9\% \times 70 \text{ (CPI CHANGE)} \times \text{PRINCIPAL BALANCE} = 147 \text{ M}$$

Last yr. there was a power struggle between
House + Senate in terms of writing
the App. of ERA, Senate sent out
A Bill to make the App. but it was
contingent upon passage of another
Bill that got rid of UDR account
+ 5 yr accuracy. House changed
UDR to ERA and replaced 5 yr
accuracy with 2:20 which was the
smallest possible change they could
make + still make it count.

? { ERA is the 289 ff -> Balance went
to purchase on July 1, July 2 only
two days emergency -

Should call for immediate renewal
unfunded unless you want to

Worst case / All money used up for
FP + UDR. no left in ERA -

On July money left in ~~it~~ for div. only. -

→ IF you dont I.P., slowly lose
the pulse rate -

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

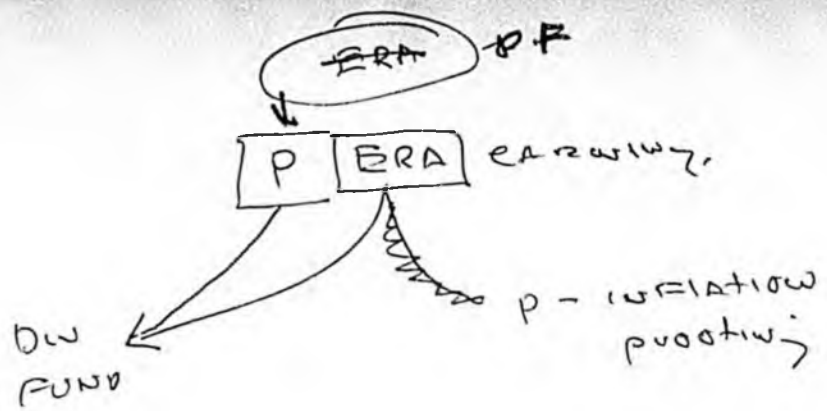
Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

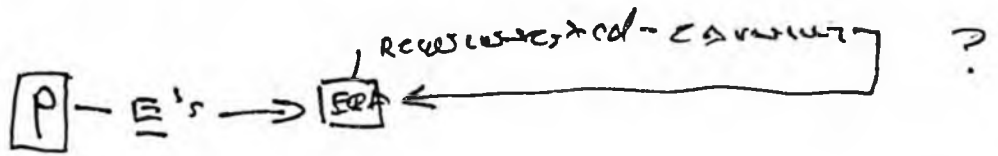
HSA

1-30-87

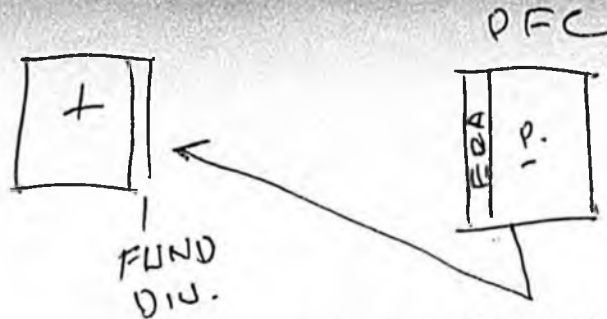
3:00p.m.



net income: includes earnings from investment or gov't P + ERA account.



- can't use income from ERA investment for inflation proofing.



However, just fiscal yr. included - + low 900 - 000

CSHJR 1:

Sec. 1.

Article IX, Sec. 15: Line 20, 21 and 22. This deletion sets up the distribution scheme in Sec. 2 (b), (c) and (d). This distribution scheme is consistent with AK statute.

(b) Adds new subsection to constitution; basically says that, of the computed net income, 21 percent of it is distributed under (c).

(c) Three points:

- 1) Gives 50 percent to dividend fund as per law.
- 2) After above is accomplished, take a portion of what is left for inflation proofing.
- 3) Remainder goes to ERA.

(d) Legislature can change (c), but any changes have to be approved by a vote of the people.

QUESTIONS

- 1) Does net income include earnings from the ERA?
- 2) Do we need to include all of the language in this resolution to the constitution?

730
697

2 finance: Wednesday
→ drafting request to L.S.
for Duncan bill

E.R.A. : R
Dividend:
G.F.

799
1021
658
530
471

Previous
5-yr net income

\$ 60,000,000
as written w/ 186
amendment must go
to G.F. Duncan

5/67/86
Finance
minutes = 2 ch. 28 - 148

- doesn't effect div. of i.p.
- effects ERA (reducers)

$X.21 = i a. fr d.$
(income available for dist.)

①

$2 = PFD$

②

inflation
proof

i p

③

$i. a. fr dis$
(~~net income~~) - PFD
- i p

inflation proof

Earning less net
revenue

= ERA

A.G. = inflation
Gov^{or} = remedial leg.

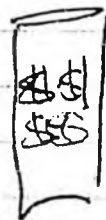
Dividends

21% of last 5 yrs earnings

v.

net income for current yr.

> <



'86 net income > i.a.d.

60,000,000

Anytime the current yr's net income is >
the i.a.f.d (or 21% of last 5 yrs. earnings)

~~there~~ the difference is not provided for in

statute. Constitutionally, it must go to

G. F.

(1) Revenue & Board would like the first sentence in (b) to read:

(b) At the end of each fiscal year, fifty percent of the distributable income of the Alaska permanent fund shall be distributed as dividends to state residents as provided by law.

(this precludes EBA confusion)

Legal Services says that because "distributable income" is not defined in the Constitution or used anywhere else, we ought not to introduce the term here w/out clarifying it. And if we do clarify it by "as determined by law" we are defeating our purpose of restricting ~~the~~ changes to the current distribution system.

(2) If we go w/ bill as is, or minor chg. above, D.O.R. will require a zero fiscal note.

chgs in current restriction from using EBA
F.D.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HJR 1

Publish Date: 7/19/87

REQUEST

Revision Date:

Title: Prop. an Amend. to the Constitu-
tion of the SOA rel. to income from PF

Sponsor: Ellis, et. al.

Requestor: State Affairs, Judic. & Fin.

Agency Affected: Revenue

BRU: Research

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PFD PROGRAM	0	0	-9.15	-36.22	-49.78	-6.97
PF-ERA	0	+9.15	+37.07	+53.84	+15.73	+4.19
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attached sheet.

Prepared By: Mary Ellen Frank

Division: Revenue, Research

Phone: 465-2174

Date: 7/26/87

Approved by Commissioner:

Agency: Revenue

Date: 7/26/87

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE ANALYSIS
CONTINUATION

If the first sentence of Sec. 2., Article IX, sec. 15 C SOA (b) is interpreted literally, it would be inconsistent with existing AS 37.13.140 and 145 Income and Distribution of Income and the changes above would result. The proposal refers to the PF principal earnings as distributable while existing statute calculates distributable income on earnings of both the principal and the Earnings Reserve Account. Also, the existing statute, calculates the PFD distribution as 21 percent of the last five years of PF earnings while the proposal refers to half of current principal earnings.

9

IN THE HOUSE BY
 MODIFICATIONS PROPOSED February 19, 1987 Thursday 10:04am
 HOUSE JOINT RESOLUTION NO. 1
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 FIFTEENTH LEGISLATURE -FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund and providing that income distribution may be changed only by law approved by a vote of the people.

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

*Section 1. Article IX, sec. 15, Constitution of the State of Alaska is amended to read:

SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. [ALL INCOME FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE GENERAL FUND UNLESS OTHERWISE PROVIDED BY LAW.]

*Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska is amended by adding new subsections to read:

(b) At the end of each fiscal year, fifty percent of the income earned on the principal of the permanent fund shall be distributed as dividends to state residents as provided by law. The remainder shall be deemed [AN AMOUNT] sufficient to offset the effect of inflation on the principal of the permanent fund during the year and shall be transferred from the balance of the income to the principal of the permanent fund as provided by law. [THE REST OF THE INCOME SHALL BE DEPOSITED INTO A SEPARATE ACCOUNT IN THE ALASKA PERMANENT FUND AND SHALL BE AVAILABLE FOR APPROPRIATION.]

(c) The distribution of income under (b) of this section during a fiscal year may be changed only by law approved by a vote of the people.

* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*Proposed changes
 to HJR-1
 presented to
 House state affairs
 comm. Monday 2/23/1986*

February 25, 1987 Wednesday

Chairman and Members of the House State Affairs Committee
Juneau, Ak. 99811

Subject: Permanent Fund Constitutional Amendment Modification to HJR-1

Dear Members:

It is the position of our Association that *NO* Permanent Fund earnings should *EVER* be used to make up for budget shortfalls or in any other manner which does not benefit each stockholder fairly and equally without a vote of the stockholders.

To these ends we drafted our HJR-1 modification.

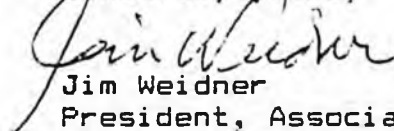
It was drafted to represent, what we believe is, the best possible constitutional amendment codifying a policy of using half the earnings for dividends and depositing the remainder to the principal. *It carries forth an established, successful, 10 year, historic precedent.*

The modification constitutionally establishes using Permanent Fund earnings in the only two ways which benefit each stockholder in a fair and equal manner.

- * The first is by distributing fund earnings in equal dividends to shareholders.
- * The second is by depositing the remaining earnings (not distributed as dividends) into the principal for inflation proofing and/or growth. Inflation proofing reduces erosion of dividend purchasing power; growth insures higher dividends for present and future generations.

Attached is a copy of a letter that appeared in the Fairbanks Daily Miner sharing the timeless wisdom of Aesop.

Sincerely yours,



Jim Weidner
President, Association For the
Permanent Fund
Fairbanks, Ak. 99701
488-6366

This letter appeared in the Fairbanks Daily New Miner
02/29/1987

February 8, 1987

Letters to the Editor
Fairbanks Daily News Miner
Fairbanks, Alaska 99791

A few words of wisdom, from a Greek fabulist Aesop (620 -560 B. C.). I have taken the liberty of renaming his 2,500 year old story, "The Ant and The Grasshopper".

"A PERMANENT FUND ALLEGORY"

Out in the fields on a warm sunny day an Ant was busy gathering grains of wheat and corn for his winter's food. A Grasshopper, chirping and dancing to his heart's content, saw the Ant at work and laughed, "Why not sing and dance with me instead of toiling all day long?"

"I am working to store up food for the long cold winter," replied the Ant. "Perhaps you will wish some time that you had laid some away too."

"Why worry about winter when we have so much now?" said the Grasshopper, and went on his merry way. The Ant said nothing but went on busily working.

When winter came the poor Grasshopper was almost dead of hunger for the ground was hard and the snow had covered all his food.

Sadly he came to the house of the Ant and begged for something to eat. "What," cried the Ant, "did you store nothing away when the weather was sunny and warm? What did you do all summer long?"

"I was so busy singing and dancing," said the Grasshopper, "that I had no time to store up food, and before I knew it the summer had gone."

"Singing and dancing, were you!" scoffed the Ant, turning his back on the Grasshopper. "Then sing and dance now!"

The poor Grasshopper crept away silently, regretting he had been so foolish during the summer in not providing for the winter that he knew must come.

IT IS WISE TO PUT SOMETHING AWAY FOR TOMORROW'S WINTER.

Those who fail to learn from their mistakes are doomed to repeat them!

I *proudly* support the Permanent Fund and the dividend program!

Sincerely Yours
/s/

Lynnette Mailloux
5479 C. H. S. R.
Fairbanks, Alaska 99712

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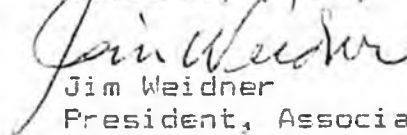
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