

S B

157

PUBLIC OPINION MESSAGE

PF

DEAR: REPRESENTATIVE ULMER

NAME: CHARLES RICHMOND  
TITLE:  
ADDRESS: BOX 60101  
CITY: FAIRBANKS ZIP: 99706  
PHONE: 479-2388  
BILL NO:  
SUBJECT: PERMANENT FUND  
MESSAGE: I AM OPPOSED TO USING ANY EARNINGS FROM THE PERMANENT FUND TO  
MAKE UP FOR BUDGET SHORTFALLS WITHOUT THE VOTE OF THE PEOPLE.  
AN

)

POHID: 07092150  
DATE: 02/24/87  
TIME: 09:21:50  
LIONAME: FAIRBANKS LIO

COPIES: REPRESENTATIVES SENATORS

BOYER	BENNETT
DAVIS	COGHILL
FRANK	FAHRENKAMP
KOPONEN	HALFORD
MILLER	JOSEPHSON
ADAMS	KERTTULA
BROWN	RODEY
GOLL	STURGULEWSKI
LARSON	BINKLEY
POURCHOT	DUNCAN
RIEGER	FISCHER
SWACKHAMMER	HENSLEY
WALLIS	UEHLING
BARNES	ZHAROFF
COTTEN	
GRUENBERG	
NAVARRE	
SUND	
TAYLOR	

RECEIVED FEB 28 1987



Official Business

# Alaska State Legislature

## House

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

COMMITTEE ON STATE AFFAIRS

April 3, 1987

Andres Cadiante  
Glacier Bear Fence, Inc.  
P.O. Box 32441  
Juneau, AK 99803

Dear Mr. Cadiante:

Thank you for your public opinion message regarding SB 157. The State Affairs Committee will hold a teleconference hearing on this bill on Monday, April 6, and you are invited to come testify at that time. The hearing will be held at 3:00 p.m. in room 102 of the Capitol.

Thank you, again, for sharing your opinions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fran".

Fran Ulmer, Chair  
State Affairs Committee

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE ULMER

NAME: ANDRES CADIENTE  
TITLE: GLACIER BEAR FENCE, INC.  
ADDRESS: P.O. BOX 32441  
CITY: JUNEAU  
PHONE: 789-8660

ZIP: 99803

BILL NO:  
SUBJECT: SB 157/159 CONSTRUCTION INDUSTRY  
MESSAGE: CONCERNING SB 157/159 MANY PEOPLE WILL BE ADVERSELY AFFECTED IF THES  
ARE DELAYED FOR ONE MONTH. IT COULD DELAY PROJECTS FOR ONE YEAR. MANY EMPLOYE  
AND EMPLOYERS AND RELATED BUSINESSES MIGHT LOSE THEIR LIVELIHOODS. PLEASE HEL  
EXPEDITE.

POMID: 00161206  
DATE: 03/23/87  
TIME: 16:12:06  
LIONAME: JUNEAU LIO

*Letter  
SB(57)*



Official Business

# Alaska State Legislature

## House

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

COMMITTEE ON STATE AFFAIRS

April 3, 1987


Jody Vick  
Juneau Building Trade Council  
124 Front Street  
Juneau, AK 99801

Dear Ms. Vick:

Thank you for your public opinion message regarding SB 157. The State Affairs Committee will hold a teleconference hearing on this bill on Monday, April 6, and you are invited to come testify at that time. The hearing will be held at 3:00 p.m. in room 102 of the Capitol.

Thank you, again, for sharing your opinions.

Sincerely,

  
Fran Ulmer, Chair  
State Affairs Committee

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE ULMER

NAME: JODY VICK  
TITLE: JUNEAU BUILDING TRADE COUNCIL  
ADDRESS: 124 FRONT STREET  
CITY: JUNEAU ZIP: 99801  
PHONE: 586-3050  
BILL NO: SB 157  
SUBJECT: APPROP: PF EARNINGS RESERVE TO GENERAL FD  
MESSAGE: WE URGE IMMEDIATE PASSAGE OF SB 157 AND SB 159 TO ALLOW CONSTRUCTION  
OF BRADLEY LAKE AND OTHER CAPITOL PROJECTS TO PROCEED THIS YEAR.

POMID: 00095724  
DATE: 03/18/87  
TIME: 09:57:24  
LIONAME: JUNEAU LIO

COPIES: REPRESENTATIVES

GRUSSENDORF  
HOFFMAN  
BOUCHER  
DAVIS  
DONLEY  
MARTIN  
MENARD

RECEIVED MAR 19 1987

# HOUSE COMMITTEE REPORT

(7)

Date referred: 3/13/87

FURTHER REFERRALS: Finance

DATE: 4-6-87

The State Affairs Committee has considered CSSB 157(fin)

"An Act appropriating from the earnings reserve account of the Alaska permanent fund to the general fund."

**RECOMMENDS:**

- replace with HCS CS 157 (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:**

W. J. Bourke

Larry Martin

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

Scott M... NDR IS

Do NOT PASS

David H. Bouley NO REC

Cliff Davidson DO NOT PASS

From W... no rec

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature]

Chairman's signature

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

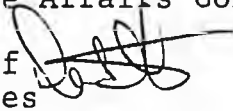
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1987

SUBJECT: Title of HCS CSSB 157 (State Affairs)

TO: Representative Fran Ulmer  
Chair, House State Affairs Committee

FROM: David R. Dierdorff   
Reviser of Statutes

Enclosed is the draft committee substitute requested by Dennis Burns for your committee.

The bill passed the Senate without an effective date provision. Thus, to add an immediate effective date to the draft, it is necessary to add the standard effective date clause to the title of the bill. This raises a question under the Uniform Rules as to whether such a title change is allowed in the second house.

Uniform Rule 35 provides in part:

A motion or proposition on a subject that requires a change in the title of the bill as enacted in the house of origin, other than a clerical or technical change is not in order in the second house.

It is my opinion that a change in the title of a bill regarding the effective date is a technical change permitted under Rule 35. This has been the position taken by this office since 1984.

The vote on passage of a bill occurs separately from the vote on the effective date section. Failure to adopt a special effective date does not defeat the bill itself or serve to rescind action in passing the bill. This is because under Article II, Sec. 14 of the state constitution a bill may become law upon a majority vote of the membership of each house. Under Article II, Sec. 18 it is only the special effective date itself that requires a two-thirds vote.

Uniform Rule 39(f) provides

(f) If a bill or portion of a bill contains material which has an effective date other than the date which is 90 days after the bill becomes law, the bill must contain a section or sections setting out the proposed effective date or dates. The section or sections relating to the effective dates must be approved by an affirmative vote of two-thirds of the full membership of each house. If a section setting out an effective date fails to receive the required two-thirds vote in either house, the section is void and without effect and is deleted from the bill. The fact that a bill contains a section which sets out an effective date shall also be noted in the title of the bill.

It is clear that changing the title to reflect whether an effective date is adopted or fails is required as a technical matter. This conclusion appears to be further supported in Rule 35 itself which provides in part

When the amendments to the body of a bill affect the numbering of sections, or passage or failure of the effective date clause affects the title, the clerk or secretary may accomplish the necessary changes without formal motion, and the changes shall be noted in the journal.

The issue has come up as to whether a bill passed by one house with an effective date and passed by the other with no effective date constitutes the same bill for purposes of determining whether identical legislation has passed each body of the legislature. Upon the advice of the attorney general that identical legislation had not passed both bodies, the governor returned SCSHB 207 am S (H failed eff. date) unsigned. (See 1980 House Journal, p. 2240 and 1980 Senate Journal, p. 1781) Legislative counsel advised that the bill became effective without the governor's signature as ch. 177, SLA 1980 and the superior court upheld the validity of the enactment. (Alaska Legislative Council v. Hammond, case no. 4FA-80-1689, Superior Court for the Fourth Judicial District.)

While we believe that the addition of effective date language to the title is permitted under the rules, I should point out that as a practical matter it may not be necessary to add an effective date to this bill. The amount to be

Representative Ulmer  
Page 3  
April 2, 1987

appropriated will not be certain (and the appropriation made by the bill can not be executed) until the annual financial report is published. Although the statute (AS 37.05.210(2)) requires publication by October 16, in the past two years it has not been published until early in the following year. I understand that the new commissioner promises to use every effort to meet the statutory deadline. Even if that occurs, it would be after the effective date of this bill without a special effective date. Consequently, the only advantage to an immediate effective date would be to encumber the necessary funds at an earlier date. That, of course, is a policy question for you to determine.

In any event, if you choose to add an effective date, we believe that that action is allowed under the Uniform Rules even though it may create some procedural delays.

DRD:mkr  
m10/088

Enclosure

Original sponsor: Rules/Governor

Funding Information

General Fund	\$ (174,900,000)
Other Funds	174,900,000
	<u>\$ -0-</u>

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 157 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act appropriating from the earnings reserve  
7 account of the Alaska permanent fund to the general  
8 fund; and providing for an effective date."

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

10 \* Section 1. An amount not to exceed \$174,900,000 that is sufficient to  
11 offset any negative amount in the "Available Fund Equity/Balance" for the  
12 general fund as reported for June 30, 1987, on the "State of Alaska, All  
13 Fund Types and Account Groups, Combined Balance Sheet" in the annual finan-  
14 cial report for fiscal year 1987 published under AS 37.05.210(2), is appro-  
15 priated from the earnings reserve account of the Alaska permanent fund  
16 (AS 37.13.145) to the general fund.

17 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).  
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29

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

Bill Version : HCS CS SB 157  
 Publish Date : \_\_\_\_\_

REQUEST: \_\_\_\_\_

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

Title : Appropriating from earnings  
reserve account of AK PF to GF

Sponsor : Governor

Requestor : \_\_\_\_\_

Agency Affected : Permanent Fund Corporation

BRU : \_\_\_\_\_

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

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

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

REVENUE	0-174.9M	-0-	-0-	-0-	-0-	-0-
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	0-174.9M	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	<b>0-174.9M</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

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

ANALYSIS : (Attach a sep. rate page if necessary)

Prepared by : Fran Ulmer, Chair

Division : House State Affairs Committee

Phone : 465-4963

Date : April 7, 1987

Approved by Commissioner : \_\_\_\_\_

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

Agency : \_\_\_\_\_

Distribution (by preparer) :

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



Official Business

# Alaska State Legislature

## House

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

STATE AFFAIRS COMMITTEE

SENATE BILL 157

FILE CONTENTS

1. SB 157: AN ACT APPROPRIATING FROM THE EARNINGS RESERVE ACCOUNT OF THE ALASKA PERMANENT FUND TO THE GENERAL FUND; AND PROVIDING FOR AN EFFECTIVE DATE.
2. GOVERNOR'S TRANSMITTAL LETTER FOR HOUSE BILL 166, DATED MARCH 3, 1987
3. PUBLIC OPINION MESSAGE FROM CHARLES RICHMOND WITH RESPONSE FROM REPRESENTATIVE ULMER
4. POSITION PAPER FROM ASSOCIATION FOR THE PROTECTION OF THE PERMANENT FUND WITH LETTER FROM REPRESENTATIVE ULMER
5. PUBLIC OPINION
6. PROPOSED HOUSE CS FOR CS FOR SENATE BILL NO. 157 (STATE AFFAIRS)

### FISCAL NOTE

- A. PERMANENT FUND CORPORATION FOR HOUSE BILL 166

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

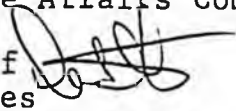
LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 2, 1987

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TO: Representative Fran Ulmer  
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FROM: David R. Dierdorff   
Revisor of Statutes

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Representative Ulmer  
Page 3  
April 2, 1987

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DRD:mkr  
m10/088

Enclosure

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

4-1-87

3:00p.m.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

File  
SB157  
#  
-SB159 7

March 20, 1987

Mr. Pat Steward  
President  
Associated General Contractors  
P.O. Box 4-2500  
Anchorage, AK 99509

Dear Pat,

The purpose of this letter is to clarify this administration's policy regarding capital spending in Fiscal Year 1988 and in those years immediately following.

For the last few years the state has adopted the practice of appropriating all public revenues, beyond the operating expenses of government, for capital projects. Probably this led to some short-term political benefits for the Legislature, but it led to instability elsewhere. O and M costs were created without any thought as to who would pay for them. Also, my impression was that Alaska contractors were unable to make any long-term plans. Politicians don't think past the next election, but a \$200,000 piece of equipment has to pay for itself over several years.

I came into office with a budget deficit of around \$800 million. I can't print the money; I have to pay those bills out of public revenues. As a result my proposed capital budget is only \$58 million. It may be expanded somewhat, but the end product will be in no way comparable to the past. We are trying to maximize the available money by putting up matching funds to attract federal dollars where we can, but still the amount will be small compared to the oil-boom days.

\*

We do expect the impounded FY 1987 projects to be released as soon as the Legislature applies Permanent Fund reserve money to the deficit. The Senate has done so in part, but the House has a number of members who object to using Permanent Fund earnings for government purposes and the bills are still sitting there. That particular logjam will probably break pretty soon and the projects can go to bid.

MAR 27 1987

REC'D

March 20, 1987

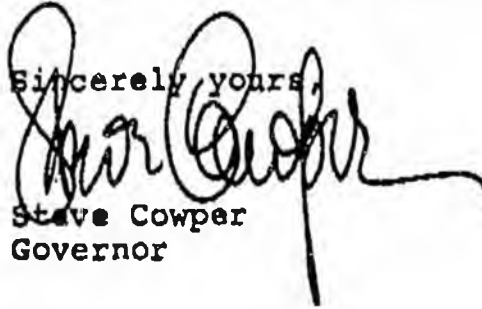
In the future I hope to set an ongoing figure of \$200 - \$250 million per year in ongoing general fund capital spending, exclusive of maintenance. Assuming our proposed revenue proposals are adopted, we should have enough to handle that amount over time. The money will become available because of reductions in the state's debt service and from earnings on a proposed budget reserve account of approximately \$1 billion.

The budget reserve account is important because without it a two-dollar downward fluctuation in crude oil prices will cause the schools to close. I want to start with a \$300 million deposit and add \$150 million a year until we have reached an amount which represents one-half of total state spending. Assuming a reserve account of \$1 billion, the earnings available for capital expenditures should be from \$60 to \$100 million per years, depending on interest rates.

As you know, I grew up in the road construction business. My father was head of the Carolinas Branch of the AGC in the '50s, and if he had not been disabled in an accident I would be a contractor today instead of a politician. Even in the best of times being a contractor is a risky business. I think the state should take steps to bring some stability to its capital budget process. In the short run that may be painful but over the long haul I think it will help Alaska contractors as well as the Alaskan economy in general.

My best to your membership. We will pull through this transition period. The Alaska of the future will be a better place for all of us.

Sincerely yours,



Steve Cowper  
Governor

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 157 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act appropriating from the earnings reserve  
7 account of the Alaska permanent fund to the general  
8 fund."

*change #15 read  
this title*

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

*on SB 157  
GF - on -*

10 \* Section 1. (a) An amount calculated under (b) of this section is  
11 appropriated from the earnings reserve account in the permanent fund  
12 (AS 37.13.145) to the general fund.

*175  
142*

*Make Joint  
App.*

13 (b) The amount that may be appropriated under (a) of this section is  
14 the lesser of:

15 (1) *175 on 142.8*  
~~\$154,000,000~~, or →

16 (2) \$882,000,000 less the total of - *5045*

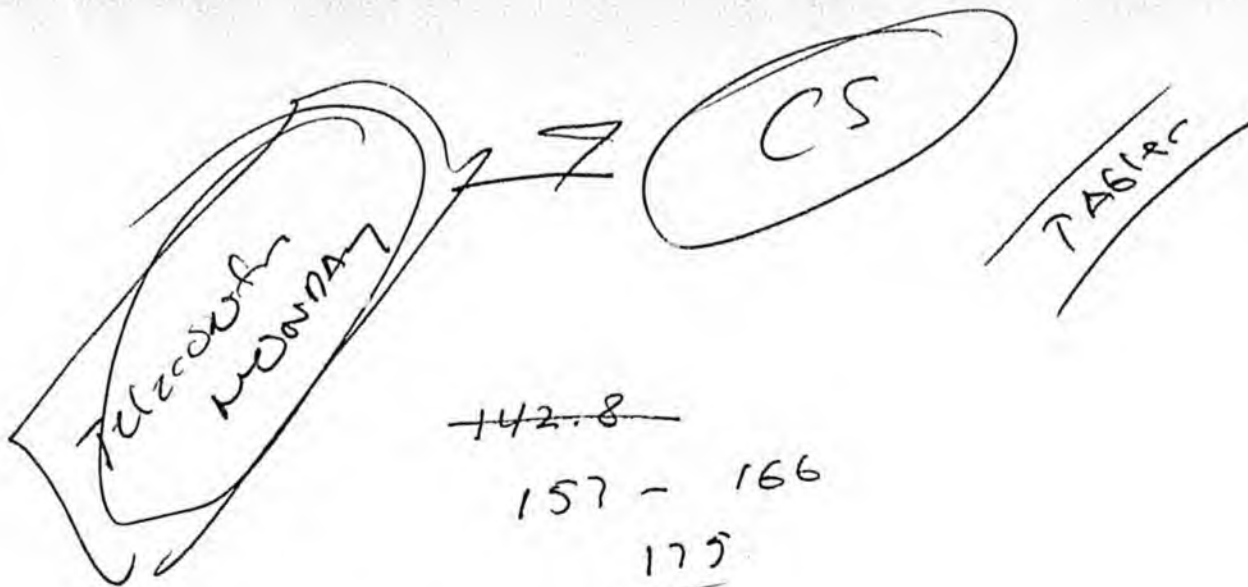
17 (A) the sum transferred from the budget reserve fund  
18 (AS 37.05.156) to the general fund by legislation enacted by the First  
19 Session of the Fifteenth Legislature;

20 (B) the total of appropriations made from the Railbelt  
21 energy fund (AS 37.06.153) by legislation enacted by the First Session  
22 of the Fifteenth Legislature that were formerly funded by the general  
23 fund; and

24 (C) the amount obtained by subtracting the January 1987  
25 revenue forecast for fiscal year 1987 prepared by the Department of  
26 Revenue from the March 1987 revenue forecast.

*Detail*

*SB 157  
Revenue?*



~~142.8~~  
 157 - 166  
175

① sec. 1  
 SA CS  
174.9

② effect date  
 sect 2. 7th effect increased  
 effective date

③ Title amended TOO

As Amended to file  
 157  
 jw

b.k.21

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITAL  
JUNEAU, ALASKA 99801  
907 465 3800

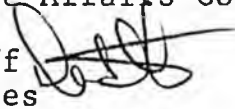
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1987

SUBJECT: Title of HCS CSSB 157 (State Affairs)

TO: Representative Fran Ulmer  
Chair, House State Affairs Committee

FROM: David R. Dierdorff   
Revisor of Statutes

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It is clear that changing the title to reflect whether an effective date is adopted or fails is required as a technical matter. This conclusion appears to be further supported in Rule 35 itself which provides in part

When the amendments to the body of a bill affect the numbering of sections, or passage or failure of the effective date clause affects the title, the clerk or secretary may accomplish the necessary changes without formal motion, and the changes shall be noted in the journal.

The issue has come up as to whether a bill passed by one house with an effective date and passed by the other with no effective date constitutes the same bill for purposes of determining whether identical legislation has passed each body of the legislature. Upon the advice of the attorney general that identical legislation had not passed both bodies, the governor returned SCSHB 207 am S (H failed eff. date) unsigned. (See 1980 House Journal, p. 2240 and 1980 Senate Journal, p. 1781) Legislative counsel advised that the bill became effective without the governor's signature as ch. 177, SLA 1980 and the superior court upheld the validity of the enactment. (Alaska Legislative Council v. Hammond, case no. 4FA-80-1689, Superior Court for the Fourth Judicial District.)

While we believe that the addition of effective date language to the title is permitted under the rules, I should point out that as a practical matter it may not be necessary to add an effective date to this bill. The amount to be

Representative Ulmer  
Page 3  
April 2, 1987

appropriated will not be certain (and the appropriation made by the bill can not be executed) until the annual financial report is published. Although the statute (AS 37.05.210(2)) requires publication by October 16, in the past two years it has not been published until early in the following year. I understand that the new commissioner promises to use every effort to meet the statutory deadline. Even if that occurs, it would be after the effective date of this bill without a special effective date. Consequently, the only advantage to an immediate effective date would be to encumber the necessary funds at an earlier date. That, of course, is a policy question for you to determine.

In any event, if you choose to add an effective date, we believe that that action is allowed under the Uniform Rules even though it may create some procedural delays.

DRD:mkr  
m10/088

Enclosure

w01387X  
Dierdorff  
4/2/87

Original sponsor: Rules/Governor

Funding Information

General Fund	\$(174,900,000)
Other Funds	<u>174,900,000</u>
	\$ -0-

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 157 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act appropriating from the earnings reserve  
7 account of the Alaska permanent fund to the general  
8 fund; and providing for an effective date."

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

10 \* Section 1. An amount not to exceed \$174,900,000 that is sufficient to  
11 offset any negative amount in the "Available Fund Equity/Balance" for the  
12 general fund as reported for June 30, 1987, on the "State of Alaska, All  
13 Fund Types and Account Groups, Combined Balance Sheet" in the annual finan-  
14 cial report for fiscal year 1987 published under AS 37.05.210(2), is appro-  
15 priated from the earnings reserve account of the Alaska permanent fund  
16 (AS 37.13.145) to the general fund.

17 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).  
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## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of March 20, 1987

FY	PRINCIPAL					INCOME									
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Distributions			Reserves					
							Net Income	Dividends	Per Capita Dividends**	Inflation Proofing	General Fund	Add (Delete)	FY End Balance		
78			54		54					2			1		
79	54		84		139					8			7		
80	139		344		483					32	12		12		
81	483	900	385		1,769					150	28		28	59	59
82	1,769	800	401		2,969					368	71	\$1,000.00	71	195	244
83	2,969	400	421	231	4,021					471	103	\$386.15	231	110	354
84	4,021	300	366	151	4,838					530	175	\$331.29	151	204	557
85	4,238	300	368	235	5,741					658	217	\$404.00	235	205	763
86	5,741		323	216	6,281					1,021	303	\$556.26	216	501	1,264
87	6,281	1,264	150	148	7,643					1,047	339	\$723.21	148	154	356
88	7,643		165	320	8,329					781	422	\$726.20	320	19	394
89	8,329		137	511	9,026					331	454	\$842.16	511	( 134)	261
90	9,026		206	554	9,787					395	478	\$883.53	554	( 147)	114
91	9,787		194	586	10,567	13				942	471	\$865.58	536	( 114)	
92	10,567		211	539	11,317	108				1,006	467	\$953.98	539		
93	11,317		225	579	12,121	113				1,077	498	\$907.67	579		
94	12,121		230	622	12,973	120				1,153	532	\$965.71	622		
95	12,973		230	665	13,368	127				1,233	568	\$1,023.35	665		
96	13,868		229	710	14,807	136				1,318	608	\$1,095.60	710		
97	14,807		231	757	15,795	146				1,406	650	\$1,167.14	757		
98	15,795		231	805	16,831	156				1,499	694	\$1,242.19	805		
99	16,831		228	856	17,915	167				1,597	741	\$1,320.33	856		
0	17,915		223	909	19,047	179				1,699	790	\$1,402.17	909		
1	19,047		217	955	20,228	191				1,805	841	\$1,487.32	955		
2	20,228		215	1,022	21,466	204				1,917	894	\$1,575.97	1,022		
3	21,466		210	1,033	22,753	218				2,033	950	\$1,668.12	1,033		
4	22,758		208	1,146	24,111	232				2,155	1,009	\$1,763.84	1,146		
5	24,111		205	1,212	25,529	247				2,282	1,070	\$1,853.60	1,212		
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Cumulative Totals:		3,964	6,742	14,822	25,529	2,357				29,905	13,437	\$25,110.43	14,822	333	1,264
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ASSUMPTIONS: 1.92% Inflation Rate FY 87  
13.94% Rate of Return FY 87

4.00% Inflation Rate FY 88  
9.00% Rate of Return FY 88

\* SOURCE: Alaska Department of Revenue  
88% Case Forecast - March 1987

Original sponsor: Rules/Governor

Funding Information

General Fund	\$ (174,900,000)
Other Funds	174,900,000
	\$ <u>-0-</u>

IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 157 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act appropriating from the earnings reserve account of the Alaska permanent fund to the general fund; and providing for an effective date."

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

\* Section 1. An amount not to exceed \$174,900,000 that is sufficient to offset any negative amount in the "Available Fund Equity/Balance" for the general fund as reported for June 30, 1987, on the "State of Alaska, All Fund Types and Account Groups, Combined Balance Sheet" in the annual financial report for fiscal year 1987 published under AS 37.05.210(2), is appropriated from the earnings reserve account of the Alaska permanent fund (AS 37.13.145) to the general fund.

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).



Official Business

**COMMITTEE:**  
HOUSE STATE AFFAIRS

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**DATE:** 4-1-87

**Subject of meeting:**  
HB 154  
CSSB 157  
HB 166

# SIGN-IN

NAME	ADDRESS	PHONE	REPRESENTING	If testifying, which Bill #?
Pat Shaw	Box 022036 Juneau 99802	586-1457 586-1710	self	HB 154
John Hancock	Dept of Rev	465-2343	State	NO HB 154
✓ Bill Schneider	Assoc General Contractors <small>Box 4-2509 Anchorage 99509</small>	561-5354	AG	SB 157
Jim Kelly	APFC	2047	APFC	SB 157
✓ Pat Steward	President - A.G.C. <small>134 W. Prudhoe Bay Box 4-2509 Anch. 99509</small>	586-1740	AGC	SB 157
✓ Mary Hallinan			OMB	SB 157

**POTENTIAL IMPACTS ON THE PERMANENT FUND**

**IF THE INCOME TAX PROPOSAL**

**AND/OR THE ELF PROPOSAL**

**ARE NOT ADOPTED**

Office of the Governor  
Division of Policy

March/24/1987

OVERVIEW OF POTENTIAL  
PERMANENT FUND IMPACTS,  
FY 87 - FY91

Introduction:

The Four-Year Outlook that Governor Cowper has adopted points out the need to address Alaska's fiscal problems through a variety of cost-cutting measures and new revenue sources. The new revenue sources which he has proposed include a personal income tax, suspension of the Economic Limit Factor (ELF) for the Prudhoe Bay oil field, and the use of Permanent Fund reserves to eliminate the FY87 and FY88 budget deficits.

The projections in this packet show the estimated effects on the Permanent Fund if the Governor's income tax proposal and/or his ELF proposal were not adopted, and the revenue thereby foregone had to be made up from Permanent Fund earnings. (A summary of the required draws on the Permanent Fund is included.)

Base Case:

This projection shows the current status and outlook for the Permanent Fund, based on the most recent Alaska Permanent Fund Corporation projection (February 28, 1987). The earnings and inflation assumptions shown are those used by the Corporation in making its projections, and are employed in all of the projections included here.

Case 1:

This projection shows the effects on the Permanent Fund if the Fund's earnings were used just to meet the FY87 and FY88 budget deficits identified in the Four-Year Outlook. As can be seen, this would produce inflation-proofing shortfalls three years sooner than under the Base Case, resulting in the loss of \$186 million in inflation-proofing deposits to the Fund's principal. Because of the lost earnings this would entail, the Fund's principal by the end of FY91 would be about \$189 million less than under the Base Case.

Case 2:

This projection shows the effects on the Permanent Fund if the Fund's earnings were used to meet the FY87 and FY88 deficits, and to make up the revenue that would be needed if the Governor's income tax proposal were not adopted. As can be seen, this would produce inflation-proofing shortfalls as early as FY89, resulting in the loss of more than \$1.1 billion in inflation-proofing deposits to the Fund's principal. Because of this, the Fund's principal by FY91 would be more than \$1.16 billion less than under the Base Case.

Case 3:

This projection shows the effects on the Permanent Fund if the Fund's earnings were used to meet the FY87 and FY88 deficits, and to make up the revenue that would be needed if the Governor's ELF proposal were not adopted. As can be seen, this also would produce inflation-proofing shortfalls as early as FY89, and would result in the loss of about \$628 million in inflation-proofing deposits to the Fund's principal. Because of this, the Fund's principal by FY91 would be about \$656 million less than under the Base Case.

Case 4:

This projection shows the effects on the Permanent Fund if the Fund's earnings were used to meet the FY87 and FY88 deficits, and to make up the revenue that would be needed if neither the Governor's income tax proposal nor his ELF proposal were adopted. As can be seen, this would produce inflation-proofing shortfalls by FY89, and would result in the loss of about \$1.47 billion in inflation-proofing deposits to the Fund's principal. Because no inflation-proofing funds would be available by FY90, part of the draws for FY90 and FY91 would have to come directly out of funds otherwise available for Dividends. Because of this, the Fund's principal by FY91 would be more than \$1.55 billion less than under the Base Case.

23-Mar-87

**BASE CASE**  
**2/28/87 PERMANENT FUND PROJECTION**  
**INCLUDES FEBRUARY 1987 STOCK SALE**

**PRINCIPAL**

FY	FY Start Balance	Appropriations	Dedicated Revenue	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall
87	6,281	1,264	103	147	7,795	0
88	7,795	0	137	317	8,249	0
89	8,249	0	160	505	8,913	0
90	8,913	0	167	545	9,624	0
91	9,624	0	162	587	10,373	0
<b>Total:</b>					10,373	0

**INCOME**

Net Income	Distributions:			General Fund	Reserves:	
	Dividends	Per Capita Dividends	Inflation-Proofing		Add (Delete)	FY End Balance
1,046	389	\$723	147	0	510	510
789	423	\$788	317	0	49	559
838	455	\$845	505	0	(122)	438
889	480	\$887	545	0	(135)	302
943	473	\$869	587	0	(117)	186
<b>4,505</b>	<b>2,220</b>	<b>\$4,112</b>	<b>2,101</b>	<b>0</b>		<b>186</b>

Ann. Avg. = \$822

**ASSUMPTIONS:**

	FY87	FY88	After FY88
Rate of Return	13.97%	9.0%	9.0%
Inflation	1.92%	4.0%	6.0%

30th Percentile Revenue Forecast (January 1987)

Source: Division of Policy, Office of the Governor

**EFFECTS:**

- o First inflation-proofing shortfall occurs in FY93 (not shown).
- o Total inflation-proofing shortfall through FY91 is zero.
- o FY91 end balance (principal) is \$10,373 million.

23-Mar-87

**CASE 1**  
**DRAWS FOR FY87 AND FY88 DEFICITS**

**PRINCIPAL**

FY	FY Start Balance	Appropriations	Dedicated Revenue	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall
87	6,281	1,264	103	147	7,795	0
88	7,795	0	137	317	8,249	0
89	8,249	0	160	505	8,913	0
90	8,913	0	167	494	9,573	50
91	9,573	0	162	449	10,184	136
<b>Total:</b>					10,184	186

**INCOME**

Net Income	Distributions:			General Fund	Reserves:	
	Dividends	Per Capita Dividends	Inflation-Proofing		Add (Delete)	FY End Balance
1,046	389	\$723	147	142.8	367	367
776	421	\$785	317	150.3	(113)	254
809	451	\$837	505	0	(146)	108
858	472	\$872	494	0	(108)	0
910	461	\$848	449	0	0	0
<b>4,399</b>	<b>2,194</b>	<b>\$4,065</b>	<b>1,912</b>	<b>293.1</b>		<b>0</b>

Ann. Avg. = \$813

**ASSUMPTIONS:**

	FY87	FY88	After FY88
Rate of Return	13.97%	9.0%	9.0%
Inflation	1.92%	4.0%	6.0%

30th Percentile Revenue Forecast (January 1987)

**EFFECTS:**

- o First inflation-proofing shortfall occurs in FY90.
- o Total inflation-proofing shortfall through FY91 is \$186 million.
- o FY91 end balance (principal) is \$189 million lower than Base Case.

Source: Division of Policy, Office of the Governor

23-Mar-07

**CASE 2**  
**DRAWS FOR FY87 AND FY88 DEFICITS,**  
**AND NO INCOME TAX**

**PRINCIPAL**

**INCOME**

**Distributions:**

**Reserves:**

FY	FY Start Balance	Appropriations	Dedicated Revenue	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall	Distributions:				Reserves:		
							Not Income	Dividends	Per Capita Dividends	Inflation-Proofing	General Fund	Add (Doloto)	FY End Balance
87	6,281	1,264	103	147	7,795	0	1,046	389	\$723	147	142.8	367	367
88	7,795	0	137	317	8,249	0	776	421	\$785	317	233.3	(196)	171
89	8,249	0	160	268	8,676	237	801	450	\$835	268	255.0	(171)	0
90	8,676	0	167	89	8,931	441	825	467	\$864	89	269.0	0	0
91	8,931	0	162	117	9,210	429	849	451	\$828	117	282.0	0	0
<b>Total:</b>					9,210	1,107	4,297	2,178	\$4,035	938	1,182.1		0

Ann. Avg. = \$807

**ASSUMPTIONS:**

	FY87	FY88	Alt or FY88
Rate of Return	13.97%	9.0%	9.0%
Inflation	1.92%	4.0%	6.0%

30th Percentile Revenue Forecast (January 1987)

**EFFECTS:**

- o First inflation-proofing shortfall occurs in FY88.
- o Total inflation-proofing shortfall through FY91 is \$1.107 billion.
- o FY91 end balance (principal) is \$1.163 billion lower than Base Case.

Source: Division of Policy, Office of the Governor

23-Mar-87

**CASE 3**  
**DRAWS FOR FY87 AND FY88 DEFICITS,**  
**AND NO ELF**

**PRINCIPAL**

**INCOME**

FY	FY Start Balance	Appropriations	Dedicated Revenue	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall	Distributions:				Reserves:		
							Not Income	Dividends	Per Capita Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
87	6,281	1,264	103	147	7,795	0	1,046	389	\$723	147	142.8	367	367
88	7,795	0	137	317	8,249	0	776	421	\$785	317	237.6	(201)	167
89	8,249	0	160	415	8,824	89	801	450	\$835	415	102.4	(167)	0
90	8,824	0	167	258	9,248	281	839	469	\$867	258	112.6	0	0
91	9,248	0	162	307	9,717	258	879	455	\$837	307	116.9	0	0
<b>Total:</b>					<b>9,717</b>	<b>628</b>	<b>4,341</b>	<b>2,184</b>	<b>\$4,047</b>	<b>1,444</b>	<b>712.3</b>		<b>0</b>

Ann. Avg. = \$809

**ASSUMPTIONS:**

	FY87	FY88	After FY88
Rate of Return	13.97%	9.0%	9.0%
Inflation	1.92%	4.0%	6.0%

30th Percentile Revenue Forecast (January 1987)

**EFFECTS:**

- o First Inflation-proofing shortfall occurs in FY89.
- o Total Inflation-proofing shortfall through FY91 is \$628 million.
- o FY91 end balance (principal) is \$656 million lower than Base Case.

Source: Division of Policy, Office of the Governor

## CASE 4

DRAWS FOR FY87 AND FY88 DEFICITS,  
NO ELF, AND NO INCOME TAX

## PRINCIPAL

FY	FY Start Balance	Appropriations	Dedicated Revenue	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall
87	6,281	1,264	103	147	7,795	0
88	7,795	0	137	317	8,249	0
89	8,249	0	160	84	8,492	421
90	8,492	0	167	0	8,659	520
91	8,659	0	162	0	8,821	529
<b>Total:</b>					8,821	1,470

## INCOME

Net Income	Distributions:				Reserves:	
	Dividends	Per Capita Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
1,046	389	\$723	147	142.8	367	367
776	421	\$785	317	320.6	(284)	84
793	435	\$808	84	357.4	(84)	0
808	427	\$787	0	381.6	0	0
824	425	\$780	0	398.9	0	0
<b>Total:</b>	<b>2,097</b>	<b>\$3,883</b>	<b>548</b>	<b>1,601.3</b>		<b>0</b>

Ann. Avg. = \$777

## ASSUMPTIONS:

	FY87	FY88	After FY88
Rate of Return	13.97%	9.0%	9.0%
Inflation	1.92%	4.0%	6.0%

30th Percentile Revenue Forecast (January 1987)

Source: Division of Policy, Office of the Governor

## EFFECTS:

- o First Inflation-proofing shortfall occurs in FY89.
- o Total Inflation-proofing shortfall through FY91 is \$1.47 billion.
- o FY91 end balance (principal) is \$1.552 billion lower than Base Case.
- o Inflation-proofing funds not available in FY90 and FY91, so part of draws come directly out of Dividends.

24-Mar-87

**COMPONENTS OF ANNUAL DRAWS  
ON PERMANENT FUND EARNINGS**

FY 87 - FY91

**DRAWS FOR CASE 1 :**

	FY87	FY88	FY89	FY90	FY91
Deficits	142.8	150.3			
<b>Total:</b>	<b>142.8</b>	<b>150.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**DRAWS FOR CASE 3 :**

	FY87	FY88	FY89	FY90	FY91
Deficits	142.8	150.3			
No ELF		87.3	102.4	112.6	116.9
<b>Total:</b>	<b>142.8</b>	<b>237.6</b>	<b>102.4</b>	<b>112.6</b>	<b>116.9</b>

**DRAWS FOR CASE 2 :**

	FY87	FY88	FY89	FY90	FY91
Deficits	142.8	150.3			
No Income Tax		83.0	255.0	269.0	282.0
<b>Total:</b>	<b>142.8</b>	<b>233.3</b>	<b>255.0</b>	<b>269.0</b>	<b>282.0</b>

**DRAWS FOR CASE 4 :**

	FY87	FY88	FY89	FY90	FY91
Deficits	142.8	150.3			
No Income Tax		83.0	255.0	269.0	282.0
No ELF		87.3	102.4	112.6	116.9
<b>Total:</b>	<b>142.8</b>	<b>320.6</b>	<b>357.4</b>	<b>381.6</b>	<b>398.9</b>

Source: Division of Policy, Office of the Governor



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of March 20, 1987

FY	PRINCIPAL						INCOME					RESERVES	
	FY Begin Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Distributions			General Fund	Add (Delete)	FY End Balance
								Dividends	Per Capita Dividends**	Inflation Proofing			
78			54		54		2				1		
79	54		84		139		8				7		
80	139		344		483		32	12			12		
81	483	900	385		1,769		150	28			28	59	59
82	1,769	800	401		2,969		368	71	\$1,000.00		71	135	244
83	2,969	400	421	231	4,021		471	103	\$366.15	231	110	110	354
84	4,021	300	366	151	4,833		530	175	\$331.29	151		204	557
85	4,833	300	368	235	5,741		658	217	\$404.00	235		205	763
86	5,741		323	216	6,281		1,021	303	\$556.26	216		581	1,264
87	6,281	1,264	150	143	7,843		1,047	389	\$723.21	143	510		
88	7,843		165	320	8,329		747	418	\$779.54	320		3	3
89	8,329		187	357	8,872	154	795	446	\$828.14	357		( 3)	
90	8,872		206	380	9,458	165	846	466	\$862.03	380			
91	9,458		194	446	10,098	133	901	455	\$835.72	446			
92	10,098		211	515	10,825	103	962	446	\$815.82	515			
93	10,825		225	555	11,605	103	1,031	476	\$867.06	555			
94	11,605		230	596	12,431	114	1,105	509	\$922.65	596			
95	12,431		230	638	13,299	121	1,182	544	\$983.44	638			
96	13,299		229	682	14,210	130	1,264	582	\$1,048.48	682			
97	14,210		231	727	15,168	139	1,350	623	\$1,117.83	727			
98	15,168		231	775	16,173	149	1,440	666	\$1,190.52	775			
99	16,173		228	824	17,225	160	1,535	711	\$1,266.56	824			
0	17,225		223	875	18,323	172	1,634	758	\$1,345.65	875			0
1	18,323		217	929	19,469	184	1,737	808	\$1,428.53	929			1
2	19,469		215	985	20,669	196	1,845	860	\$1,514.36	985			2
3	20,669		210	1,043	21,922	209	1,953	914	\$1,603.90	1,043			3
4	21,922		208	1,105	23,235	223	2,076	971	\$1,696.35	1,105			4
5	23,235		205	1,169	24,609	238	2,199	1,031	\$1,793.52	1,169			5
-----													
Cumulative Totals:	2,964		6,742	13,902	24,609	2,699	23,892	12,573	\$24,301.92	13,902	739	1,264	
-----													

ASSUMPTIONS: 1.92% Inflation Rate FY 87  
13.54% Rate of Return FY 87

4.00% Inflation Rate FY 83  
9.00% Rate of Return FY 83

\* SOURCE: Alaska Department of Revenue  
201 Case Forecast - March 1987

STATUS QUD EXCEPT FOR FY 87 ONLY,  
EARNINGS RESERVE TO GENERAL FUND

5.00% Inflation Rate FY 83-05  
9.00% Rate of Return FY 83-05

\*\* SOURCE: Population Projections From  
DOR Revenue Source Book - Page 44