

SJR

40

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 4/9/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)
4/10/87

DATE TURNED INTO OFFICE 4/23/87

Mr. President:

FINANCE

Committee considered SJR 40

Proposing amendment to the Constitution of the State of Alaska
relating to the use and expenditure of state money.

and recommended:

replace with CS SJR 40(FIN) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature]

[Signature] Do PASS
Chairman signature and recommendation

Committee Backup Attached

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

REQUEST:

Bill Version: CS SJR 40(Fin)
Publish Date: _____

Revision Date: _____
Title: Propose amendments to AK
Constitution re state money
Sponsor: _____
Requestor: _____

Agency Affected: All
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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)

Prepared by: 
Division: Senator John Binkley, Co-chairman
Senate Finance Committee

Phone: 465-4985
Date: 4/16/87

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

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

4/23/87 Cook

Duncan
moved

#1

Adopted
6-1

A M E N D M E N T

Offered in the SENATE

By Faiks

TO: CSSJR 40()

Page 3, line 12, after "fund,":

Insert "appropriations to reimburse municipalities for costs of school construction,"

Insert:

"approved by local voters."

Halterford suggestion

(Incorporated within amend #1 and moved by Duncan.)

5-0985Bd ✓
Cook

4/23/87
Duncan
mould
Adopted
#2

A M E N D M E N T

Offered in the SENATE

By Duncan

TO: CSSJR 40()

Page 3, line 12, after "fund,"
Insert "appropriations, ^{by the legislature} to meet a ^{state} disaster declared by the gover-
nor as prescribed by law," ^{natural}

4/23/87

Duncan
#3

Adopted
2-5

A M E N D M E N T

Offered in the SENATE

TO: CSSJR 40()

By Duncan

Page 3, after line 29:

Insert a new subsection to read:

"(c) Fifty percent of the money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that appropriation limit shall be deposited in the permanent fund and the remaining fifty percent shall be deposited in the budget reserve fund."

Page 4, line 5:

Delete "Money"

Insert "Fifty percent of the money"

Faiks
5-0985R
Cook
4/22/87

4/23/87
Duncan
Moved
Adopted

Original sponsors: Faiks, Halford,
Bennett, et al.

1 IN THE SENATE

2 CS FOR SENATE JOINT RESOLUTION NO. 40 (*Finance*)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska amending provi-
7 sions relating to the Alaska Permanent
8 Fund; establishing temporary provisions
9 relating to dedicated funds, the Alaska
10 Permanent Fund, the appropriation limit,
11 and the Budget Reserve Fund; and sus-
12 pending the operation of provisions
13 relating to dedicated funds, the Alaska
14 Permanent Fund, and the appropriation
15 limit.

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

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

19 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per
20 cent of all mineral lease rentals, royalties, royalty sale proceeds,
21 federal mineral revenue sharing payments and bonuses received by the
22 State shall be placed in a permanent fund. The fund is established as
23 a trust on behalf of all the residents of the State and its principal
24 shall be invested in accordance with the prudent investor rule in [,
25 THE PRINCIPAL OF WHICH SHALL BE USED ONLY FOR THOSE] income-producing
26 investments specifically designated by law as eligible for permanent
27 fund investments. All income from the permanent fund shall be depos-
28 ited in the general fund unless otherwise provided by law.

29 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended

1 by adding new sections to read:

2 SECTION 29. DEDICATED FUNDS. (a) The operation of Section 7 of
3 Article IX is suspended from July 1, 1989, through June 30, 1995, and
4 this section applies in lieu of Section 7 of Article IX.

5 (b) The proceeds of any state tax or license shall not be dedi-
6 cated to any special purpose, except as provided in Sections 30 and 32
7 of this article or when required by the federal government for state
8 participation in federal programs. This provision shall not prohibit
9 the continuance of any dedication for special purposes existing upon
10 the date of ratification Section 7 of Article IX by the people of
11 Alaska.

12 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
13 tion 15 of Article IX is suspended from July 1, 1989, through June 30,
14 1995, and this section applies in lieu of Section 15 of Article IX.

15 (b) At least twenty-five percent of all mineral lease rentals,
16 royalties, royalty sale proceeds, federal mineral revenue sharing
17 payments and bonuses received by the State shall be placed in a perma-
18 nent fund. The fund is established as a trust on behalf of all the
19 residents of the State and its principal shall be invested in accor-
20 dance with the prudent investor rule in income-producing investments
21 specifically designated by law as eligible for permanent fund invest-
22 ments.

23 (c) At the end of each fiscal year an amount equal to the capi-
24 tal gains that exceed capital losses from the sale of permanent fund
25 investments shall be added to the principal of the permanent fund to
26 help offset the effect of inflation and increase the principal. The
27 rest of the income of the permanent fund shall be distributed as
28 follows:

29 (1) forty percent to be used for dividends for State

1 residents as provided by law;

2 (2) thirty percent to be added to the principal of the
3 permanent fund to help offset the effect of inflation and increase the
4 principal; and

5 (3) thirty percent to the budget reserve fund established
6 under Section 32 of this article.

7 SECTION 31. APPROPRIATION LIMIT. (a) The operation of Sec-
8 tion 16 of Article IX is suspended from July 1, 1989, through June 30,
9 1995, and this section applies in lieu of Section 16 of Article IX.

10 (b) Except for appropriations to the permanent fund or for
11 Alaska permanent fund dividends, appropriations to the budget reserve
12 fund, appropriations of revenue bond proceeds, appropriations required
13 to pay the principal and interest on general obligation bonds, and
14 appropriations of money received from a non-state source in trust for
15 a specific purpose, including revenues of a public enterprise or
16 public corporation of the state that issues revenue bonds, appropria-
17 tions from the treasury made for a fiscal year shall not exceed appro-
18 priations made for the preceding fiscal year by more than five percent
19 plus the change, derived as prescribed by law, in population and
20 inflation since the beginning of the preceding fiscal year. The
21 legislature may exceed this limit in bills for appropriations if each
22 bill is approved by the governor, or passed by affirmative vote of
23 three-fourths of the membership of the legislature over a veto or item
24 veto, or becomes law without signature, and is also approved by the
25 voters as prescribed by law. Each bill for appropriations for capital
26 projects in excess of the limit shall be confined to capital projects
27 of the same type, and the voters shall, as provided by law, be in-
28 formed of the cost of operations and maintenance of the capital pro-
29 jects.

1 SECTION 32. BUDGET RESERVE FUND. (a) This section applies from
2 July 1, 1989, through June 30, 1995.

3 (b) Income of the permanent fund shall be deposited in the
4 budget reserve fund in accordance with Section 30(c) of this article.
5 Money received by the state that is subject to the appropriation limit
6 under Section 31 of this article and that exceeds that appropriation
7 limit shall be deposited in the budget reserve fund. Additional
8 appropriations may be made to the budget reserve fund.

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

12 (d) If the legislature determines that the money subject to the
13 appropriation limit received by the state in a fiscal year is less
14 than the maximum amount that may be appropriated under Section 31 of
15 this article, money may be appropriated from the budget reserve fund
16 to the general fund.

17 (e) Notwithstanding the appropriation limit in Section 31 of
18 this article, additional amounts may be appropriated from the budget
19 reserve fund to meet a state disaster declared by the governor as
20 prescribed by law.

21 SECTION 33. REPEAL. Sections 29 - 32 of Article XV are repealed
22 July 1, 1995.

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

Eliason
5-0985Ab
Cook

~~#2~~
4/23/87
Fischer
moved

4-3
Failed

A M E N D M E N T

Offered in the SENATE

TO: SJR 40

Against By Eliason
Bennett Binkley
Hansley Zharoff
Uehling Fischer
Dunedin

Page 1, after line 8:

Insert a new section to read:

"* 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 per cent 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. At the end of each fiscal year forty percent of the income from the permanent fund shall be distributed as dividends to state residents as provided by law. All other income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

Page 1, line 9:

Delete "* Section 1."

Insert "* Sec. 2."

Renumber the following section accordingly.



Alaska State Legislature

SENATE

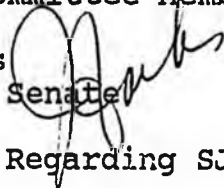
Office of the President

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

April 22, 1987

MEMORANDUM

TO: Senate Finance Committee Members

FROM: Senator Jan Faiks
President of the Senate 

SUBJECT: Questions Raised Regarding SJR 40

The following answers some of the questions raised by the committee members during its discussion of SJR 40.

1. Attached is an analysis of how the Appropriation Limit would work under SJR 40, starting with a \$2 billion base for FY 89.
2. As currently drafted, the proposed committee substitute does not exempt school debt retirement; from the Appropriation Limit. Because this is certainly my intent, attached is a proposed amendment for the committee's consideration.
3. The Distribution of Earnings and Balance chart included with the background information was prepared by Legislative Finance Division. The amount indicated for the "Per Capita Dividend" does not reflect a five year average. The amount is a straight division of the 40% deposit in the dividend account divided by the estimated number of applicants.

Should the committee have any other questions or need additional information, please let me know.

Spending Limit
(\$ Million)

FY	Base (1)	Base + 5% (2)	Pop'n Growth (3)	Inflation (4)	Spending Limit (5)	Exempt Approp (6)	Total Approp (7)	GF REVENUES (8)	Budget Reserve Fund			Net	
									Surplus/ Deficit	BRF Income (9)	Income From PF (9)	From BRF (10)	Surplus/ Deficit
89	2,000	2100	1.93%	4.90%	2,243	217	2461	1913	-548	22	236	258	-290
90	2,243	2356	2.37%	5.90%	2,550	200	2750	2026	-724	22	248	270	-454
91	2,550	2678	2.79%	5.90%	2,911	172	3083	1957	-1,126	23	261	284	-841
Return	9.00%												

- 1) FY 90 and FY 91 numbers are from prior year's spending limit
- 2) Base plus 5%
- 3) From Alaska Department of Labor
- 4) From Anchorage CPI-U
- 5) Column 2 X (Column3+Column4); Additive
- 6) Appropriations not subject to spending limit e.g. Debt Services, PF deposits, school debt
- 7) Column 5 + Column 6
- 8) Unrestricted GF Revenues, from Revenue Sources, March 87
- 9) Allocate 30% of Permanent Fund to Budget Reserve Fund
- 10) Allocate full amount of Budget Reserve Fund to General Fund

(Signed) JFD
4/22/1987

4/23/87 Cook

Duncan
moved

#1

Adopted

6-1

A M E N D M E N T

Offered in the SENATE

By Faiks

TO: CSSJR 40()

Page 3, line 12, after "fund,":

Insert "appropriations to reimburse municipalities for costs of school construction,"

Insert:

"approved by local voters."

Hallard suggestion

(Incorporated within amend #1 and moved by Duncan.)



Alaska State Legislature

#1

SENATE
Office of the President

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

April 21, 1987

MEMORANDUM

TO: Senator John Binkley, Co-Chairman
Senate Finance Committee

FROM: Senator Jan Faiks *JF*
President of the Senate

SUBJECT: Proposed Finance Committee Substitute to
SJR 40

Attached is a proposed Finance Committee Substitute for the committee's review. The only change proposed is to tighten the title. Otherwise, all other provisions are the same as that proposed in the original legislation.

If the Appropriation Limit were to be approved by voters in 1988 and therefore take effect for FY 89, the limit would be calculated as follows. For discussion purposes, I have used a base of 2000.0 (for the operating, capital and loans budgets):

For FY 89, the base of 2000.0 for FY 88 is increased by 5% which equals 2100.8. Added to the 2100.0 is any increase in population (based on Department of Labor estimates and inflation (based on the Anchorage CPI-U from the Department of Labor)). This equals:

$$2100.0 \times (1 + ((\overset{\text{population}}{\downarrow} .0193 + .0490))) \text{ or}$$

$$2100.0 \times (1 + .0683) \text{ or}$$

$$2100.0 \times 1.0683 = 2243.4$$

Therefore the Appropriation Limit for appropriations subject to the Limit in FY 89 is 2243.4.

The Appropriation Limit can be exceeded for appropriations for G. O. bond debt service, Permanent Fund deposits and school debt retirement. For FY 89, this is estimated to be 217.0.

Therefore,

2243.4	Amount subject to Limit
+ 217.0	Appropriations not subject to Limit
<hr/>	
2460.4	The amount which be appropriated for FY 89

The revenues estimated for FY 89 are 1913.0 which gives us a shortfall of - 547.4 (1913.0 less 2460.4) when compared to the amount which can be appropriated under the Appropriation Limit. This means we can then go into the Budget Reserve Fund to help with the shortfall.

By FY 89, 258.0 is estimated to be in the Budget Reserve Fund. This reflects the deposit of 30% of the earnings, or 236.0, from the Permanent Fund into the Budget Reserve Fund. Added to this is the 22.0 in interest income (estimated 9% rate of return) generated by the Budget Reserve Fund's balance during FY 88. Under this proposal, all of the 258.0 could be available to supplant the shortfall from the Limit. If the full amount was taken from the Budget Reserve Fund, we could expect a shortfall of - 289.4 from the maximum amount of appropriations permitted under the spending limit.

Distribution of Permanent Fund Earnings

SJR 40 also provides that the Permanent Fund interest earnings be distributed as follows:

40% for payment of dividends

30% back into the Fund's principle

30% to the Budget Reserve Fund

For the period in which SJR 40 would be in effect, the following distribution of earnings would be:

	<u>Dividend</u>	<u>Inflation Proofing</u>	<u>BRF</u>
FY 89	314.4	235.8	235.8
Per Capita:	\$597.90		
FY 90	330.8	248.1	248.1
Per Capita:	626.40		
FY 91	347.7	655.7	260..8
Per Capita:	655.70		
FY 92	365.2	273.9	273.9
Per Capita:	686.00		
FY 93	383.8	287.9	287.9
Per Capita:	718.00		
FY 94	403.3	302.5	302.5
Per Capita:	751.40		

Also attached is a more clear and readable copy of the estimated distribution of Permanent Fund earnings prepared by Legislative Finance Division. One chart reflects distribution under current law and the second reflects distribution under SJR 40. I think you'll find these copies more easy to read than those included in my original background memorandum.

State of Alaska
Permanent Fund Earnings & Balance
(millions of actual \$)

Senator Faiks' bill - **SJR 40**

Fiscal Year	Permanent Fund Contributions			Perma Fund Year-End Balance	Inflation Proofing Shortfall	Net Income	Income Distribution				Year End Assets	
	Mineral Revenues	Appropriations	Inflation Proofing				Dividend Program	Per Capita Dividend	Inflation Proofing	BRF Add/Del		BRF Balance
78	54.4			54.4		1.8						55.0
79	84.1			138.5		8.0						140.5
80	344.4			483.2		32.4	11.8					502.9
81	385.1	900.0		1,768.5		149.9	27.5			58.7	58.7	1,874.6
82	400.5	800.0	231.2	2,969.0		368.4	71.1	1,000.0		195.1	243.8	3,301.7
83	421.0	400.0	150.9	4,021.2		471.1	107.9	386.2	231.2	110.0	353.8	4,593.0
84	366.2	300.0	234.6	4,838.3		529.5	175.0	331.3	234.6	203.6	557.4	5,590.3
85	368.0	300.0	234.5	5,749.9		657.8	217.3	404.0	234.6	205.9	763.3	6,722.9
86	323.5		216.4	6,280.8		1,021.0	303.4	556.3	235.4	501.0	1,264.3	7,848.5
87	149.5	1,254.3	146.8	7,841.4	-9.1	1,046.0	391.2	715.0	146.8	598.0	598.0	8,232.6
88	165.5		238.4	8,245.3	-81.9	794.7	317.9	603.0	238.4	238.4	746.4	9,564.2
89	188.2		235.3	8,570.3	-270.3	735.0	312.4	557.3	235.3	235.3	982.2	8,584.7
90	207.8		248.1	9,125.2	-284.5	825.9	330.3	626.4	248.1	248.1	1,230.3	9,455.3
91	195.7		260.8	9,582.7	-298.5	869.3	347.7	655.7	260.8	260.8	1,491.1	9,930.4
92	212.5		273.9	10,069.1	-313.8	913.1	365.2	686.0	273.9	273.9	1,765.0	10,434.3
93	225.7		287.9	10,583.7	-329.9	959.5	383.3	718.0	287.9	287.9	2,052.9	10,967.5
94	231.6		302.5	11,117.7	-346.4	1,003.3	403.3	751.4	302.5	302.5	2,355.4	11,521.0
95	231.0		317.6	11,666.3	-363.3	1,059.6	423.5	765.7	317.6	317.6	2,673.0	12,089.7
96	230.2		333.1	12,229.5	-380.7	1,110.3	444.1	820.7	333.1	333.1	3,006.0	12,573.6
97	232.3		349.0	12,810.9	-398.7	1,163.5	465.4	856.6	349.0	349.0	3,355.1	13,275.3
98	232.1		365.5	13,408.5	-417.1	1,218.2	487.3	893.3	365.5	365.5	3,720.6	13,895.9
99	229.1		382.3	14,019.8	-435.9	1,274.4	509.3	930.7	382.3	382.3	4,102.9	14,529.6
0	223.7		399.5	14,643.1	-455.1	1,331.8	532.7	958.6	399.5	399.5	4,502.4	15,175.3
1	218.1		417.1	15,279.3	-474.6	1,390.3	556.1	1,007.0	417.1	417.1	4,919.5	15,834.1
2	213.8		435.0	15,927.1	-494.6	1,449.9	580.0	1,046.0	435.0	435.0	5,354.5	16,507.1
3	210.4		453.3	16,590.8	-515.0	1,510.9	604.4	1,085.5	453.3	453.3	5,807.7	17,195.2
4	208.7		472.0	17,271.5	-536.0	1,573.4	629.3	1,125.3	472.0	472.0	6,279.7	17,900.9
5	206.2		489.7	17,957.4	-552.7	1,637.4	655.0	1,165.9	489.7	489.7	6,771.0	18,622.3

ASSUMPTIONS:

Mineral Revenues are Dept of Revenue Mar 87 33 percentile forecast
Inflation & Rate of Return assumptions are from Permanent Fund Corporation:

Inflation 87	1.92%
Inflation 88	4.00%
Inflation 89-05	6.00%
Return 87	13.97%
Return 88	9.00%
Return 89-05	9.00%

Effective Date: FY 88

Assumptions: 30% to Infl Proofing, 40% to Dividends, 30% to Budget Reserve Account (BRF)

State of Alaska
Permanent Fund Earnings & Balance
(billions of nominal \$)

CURRENT LAW

Fiscal Year	Permanent Fund Contributions			Perma Fund Year-End Balance	Inflation Proofing Shortfall	Net Income	Income Distribution			OIA Add/Del	OIA Balance	Year End Assets
	Mineral Revenues	Appropriations	Inflation Proofing				Dividend Program	Per Capita Dividend	Inflation Proofing			
78	54.4			54.4		1.8						55.0
79	84.1			138.5		8.0						140.5
80	344.4			483.2		32.4	11.3					502.9
81	385.1	900.0		1,768.5		149.9	27.5			58.7	58.7	1,874.6
82	400.5	800.0	231.2	2,969.0		368.4	71.1	1,000.0		185.1	243.8	3,301.7
83	421.0	400.0	150.9	4,021.2		471.1	107.9	386.2	231.2	110.0	353.8	4,593.0
84	356.2	300.0	234.6	4,838.3		529.5	175.0	331.3	234.6	203.6	557.4	5,530.3
85	368.0	300.0	234.6	5,740.9		657.8	217.3	404.0	234.6	205.9	763.3	6,722.9
86	323.5		216.4	6,280.8		1,021.0	303.4	556.3	216.4	501.0	1,264.3	7,848.5
87	149.5	1,264.3	147.7	7,842.3		1,046.0	391.2	714.9	147.7	507.1	507.1	8,740.6
88	166.5		320.4	8,329.2		794.7	425.1	806.5	320.4	49.2	556.3	9,310.6
89	183.2		511.0	9,028.4	-1231.2	846.2	458.4	871.3	511.0	-123.2	433.1	9,519.9
90	207.3		554.2	9,790.4	-136.7	901.5	484.0	916.6	554.2	-136.7	296.4	10,570.8
91	195.7		599.2	10,585.3	-116.9	959.8	477.6	900.6	599.2	-116.9	179.5	11,242.3
92	212.5		647.9	11,445.6	-98.7	1,024.5	475.3	892.7	647.9	-98.7	80.8	12,001.7
93	226.7		670.7	12,343.0	-60.8	1,096.9	507.0	948.4	670.7	-60.8	.0	12,850.1
94	231.6		632.7	13,207.2	.0	1,174.1	541.5	1,098.7	632.7	.0	.0	13,748.7
95	231.0		676.9	14,115.1	.0	1,255.5	578.6	1,073.7	676.9	.0	.0	14,693.7
96	230.2		722.4	15,067.7	.0	1,341.1	618.7	1,143.3	722.4	.0	.0	15,636.3
97	232.3		769.6	16,069.6	.0	1,430.9	661.4	1,217.2	769.6	.0	.0	16,739.9
98	232.1		819.0	17,120.7	.0	1,525.3	706.3	1,294.9	819.0	.0	.0	17,827.0
99	229.1		870.7	18,220.4	.0	1,624.3	753.6	1,375.8	870.7	.0	.0	18,974.0
0	223.7		924.5	19,368.5	.0	1,727.6	803.2	1,460.4	924.5	.0	.0	20,171.3
1	218.1		980.5	20,567.2	.0	1,835.6	855.1	1,548.5	980.5	.0	.0	21,422.3
2	213.8		1,038.9	21,820.0	.0	1,948.3	909.4	1,640.2	1,038.9	.0	.0	22,723.4
3	210.4		1,100.0	23,130.4	.0	2,066.2	966.2	1,735.5	1,100.0	.0	.0	24,096.6
4	208.7		1,164.1	24,503.1	.0	2,189.7	1,025.6	1,834.7	1,164.1	.0	.0	25,523.7
5	206.2		1,226.6	25,935.9	.0	2,318.9	1,087.7	1,937.8	1,231.2	.0	.0	27,023.5

ASSUMPTIONS:

Mineral Revenues are Dept of Revenue Mar 87 30 percentile forecast
 Inflation & Rate of Return assumptions are from Permanent Fund Corporation:
 Inflation 87 1.92%
 Inflation 88 4.00%
 Inflation 89-05 6.00%
 Return 87 13.97%
 Return 88 9.00%
 Return 89-05 9.00%

Original sponsors: Faiks, Halford,
Bennett, et al.

1 IN THE SENATE

2 CS FOR SENATE JOINT RESOLUTION NO. 40 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska establishing
7 temporary provisions relating to dedi-
8 cated funds, the Alaska Permanent Fund,
9 the appropriation limit, and the Budget
10 Reserve Fund; and suspending the opera-
11 tion of provisions relating to dedicated
12 funds, the Alaska Permanent Fund, and
13 the appropriation limit.

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

15 * Section 7. Article XV, Constitution of the State of Alaska, is amend-
16 ed by adding new sections to read:

17 SECTION 29. DEDICATED FUNDS. (a) The operation of Section 7 of
18 Article IX is suspended from July 1, 1989, through June 30, 1995, and
19 this section applies in lieu of Section 7 of Article IX.

20 (b) The proceeds of any state tax or license shall not be dedi-
21 cated to any special purpose, except as provided in Sections 30 and 32
22 of this article or when required by the federal government for state
23 participation in federal programs. This provision shall not prohibit
24 the continuance of any dedication for special purposes existing upon
25 the date of ratification Section 7 of Article IX by the people of
26 Alaska.

27 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
28 tion 15 of Article IX is suspended from July 1, 1989, through June 30,
29 1995, and this section applies in lieu of Section 15 of Article IX.

1 (b) At least twenty-five percent of all mineral lease rentals,
2 royalties, royalty sale proceeds, federal mineral revenue sharing
3 payments and bonuses received by the State shall be placed in a perma-
4 nent fund, the principal of which shall be used only for those income-
5 producing investments specifically designated by law as eligible for
6 permanent fund investments.

7 (c) At the end of each fiscal year income of the permanent fund
8 shall be distributed as follows:

9 (1) forty percent to be used for dividends for State resi-
10 dents as provided by law;

11 (2) thirty percent to be added to the principal of the
12 permanent fund to help offset the effect of inflation and increase the
13 principal; and

14 (3) thirty percent to the budget reserve fund established
15 under Section 32 of this article.

16 SECTION 31. APPROPRIATION LIMIT. (a) The operation of Sec-
17 tion 16 of Article IX is suspended from July 1, 1989, through June 30,
18 1995, and this section applies in lieu of Section 16 of Article IX.

19 (b) Except for appropriations to the permanent fund or for
20 Alaska permanent fund dividends, appropriations to the budget reserve
21 fund, appropriations of revenue bond proceeds, appropriations required
22 to pay the principal and interest on general obligation bonds, and
23 appropriations of money received from a non-state source in trust for
24 a specific purpose, including revenues of a public enterprise or
25 public corporation of the state that issues revenue bonds, appropria-
26 tions from the treasury made for a fiscal year shall not exceed appro-
27 priations made for the preceding fiscal year by more than five percent
28 plus the change, derived as prescribed by law, in population and
29 inflation since the beginning of the preceding fiscal year. The

1 legislature may exceed this limit in bills for appropriations if each
2 bill is approved by the governor, or passed by affirmative vote of
3 three-fourths of the membership of the legislature over a veto or item
4 veto, or becomes law without signature, and is also approved by the
5 voters as prescribed by law. Each bill for appropriations for capital
6 projects in excess of the limit shall be confined to capital projects
7 of the same type, and the voters shall, as provided by law, be in-
8 formed of the cost of operations and maintenance of the capital pro-
9 jects.

10 SECTION 32. BUDGET RESERVE FUND. (a) This section applies from
11 July 1, 1989, through June 30, 1995.

12 (b) Income of the permanent fund shall be deposited in the
13 budget reserve fund in accordance with Section 30(c) of this article.
14 Money received by the state that is subject to the appropriation limit
15 under Section 31 of this article and that exceeds that appropriation
16 limit shall be deposited in the budget reserve fund. Additional
17 appropriations may be made to the budget reserve fund.

18 (c) Money in the budget reserve fund shall be invested so as to
19 yield competitive market rates to the fund. Income from investment of
20 the fund shall be retained in the fund.

21 (d) If the legislature determines that the money subject to the
22 appropriation limit received by the state in a fiscal year is less
23 than the maximum amount that may be appropriated under Section 31 of
24 this article, money may be appropriated from the budget reserve fund
25 to the general fund.

26 (e) Notwithstanding the appropriation limit in Section 31 of
27 this article, additional amounts may be appropriated from the budget
28 reserve fund to meet a state disaster declared by the governor as
29 prescribed by law.

SECTION 33. REPEAL. Sections 29 - 32 of Article XV are repealed
July 1, 1995.

* Sec. 2. 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 elec-
tion laws of the state.

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Alaska State Legislature

PRESIDENT
907-465-3755

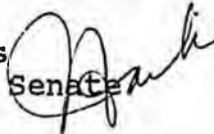
JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

April 11, 1987

MEMORANDUM

TO: Senator John Binkley, Co-Chairman
Senate Finance Committee

FROM: Senator Jan Faiks 
President of the Senate

SUBJECT: Senate Joint Resolution 40
Proposing Amendments to the Constitution
of the State of Alaska Relating to the Use
and Expenditure of State Money

I appreciate the Finance Committee's prompt consideration of SJR 40. The resolution places three main issues before the voters in the 1988 general election. These are:

1. Distribution of the earnings of the Permanent Fund;
2. A new appropriation limit; and
3. Creation of the Budget Reserve Fund in the Constitution.

Should the voters approve the constitutional amendment, its provisions would sunset on July 1, 1995. As a result, the resolution is written so that these new sections, where applicable, replace current sections of the Constitution by suspending them from July 1, 1989 to June 30, 1995.

The following is a sectional analysis of SJR 40.

Section 1.

Amends the Constitution by adding the following new sections:

OUT OF SESSION

6060 YUKON DRIVE ANCHORAGE, ALASKA 99516 907-274-6611

Section 29. DEDICATED FUNDS.

(b) Allows dedication of funds to the Permanent Fund, dedication of its earnings, and dedication to the Budget Reserve Fund.

Section 30. ALASKA PERMANENT FUND.

(b) This section is the same as the current constitutional provision regarding 25% of royalties going into the Permanent Fund except that it deletes the following sentence: "All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law".

Provides that the income from the Permanent Fund shall be distributed as follows:

- (1) 40% to be used for dividends;
- (2) 30% to be added back into the principal for inflation-proofing;
- (3) 30% to the Budget Reserve Fund.

Section 31. APPROPRIATION LIMIT.

(b) Establishes a new appropriation limit which says that appropriations shall not exceed the appropriations made the preceding fiscal year by more than 5% plus the change in population and inflation. Excluded from calculating the limit are appropriations to the Permanent Fund or for dividends, appropriations to the Budget Reserve Fund, appropriations of revenue bond proceeds, appropriations for debt obligations.

The limit can be exceeded if an appropriation bill is placed before and approved by the voters. If such a bill is for capital projects, it shall be confined to similar projects and voters shall be informed of the cost of operations and maintenance of the projects.

Section 32. BUDGET RESERVE FUND.

(b) Provides for deposit of Permanent Fund earnings into the Budget Reserve Fund. In addition, money received by the state which exceeds the amount which can be spent under the Appropriation Limit shall be deposited in the Budget Reserve Fund.

(c) The Fund shall be invested and its earnings retained.

(d) If the state does not receive sufficient revenues to meet the Appropriation Limit, funds may be appropriated from the Budget Reserve Fund to the General Fund.

(e) Additional funds can be appropriated to meet a state disaster declared by the Governor. Such an appropriation is not subject to the Appropriation Limit.

Section 33. REPEAL.

Repeals all the above sections on July 1, 1995.

Section 2.

Provides that these amendments shall be placed before the voters at the next general election.

For the committee's further reference, I have attached an analysis of the impact of the Permanent Fund earnings distribution plan which was prepared by the Legislative Finance Division. In addition, also attached are the current sections of the Alaska Constitution which are amended by SJR 40.

Should you have any questions or if I can provide any other information, please let me know.

Thank you.

State of Alaska
Permanent Fund Earnings & Balance
(millions of nominal \$)

CURRENT LAW

Fiscal Year	Permanent Fund Contributions			Per Fund Year-End Balance	Net Income	Income Distribution				Year End Assets	
	Mineral Revenues	Appropriations	Inflation Proofing			Dividend Program	Per Capita Dividend	Inflation Proofing	OIA Add/Del		OIA Balance
78	54.4			54.4	1.8						55.0
79	84.1			138.5	8.0						140.5
80	344.4			483.2	32.4	11.8					502.9
81	385.1	900.0		1,768.5	149.9	27.5			58.7	58.7	1,874.6
82	400.5	800.0	231.2	2,969.0	368.4	71.1	1,000.0		185.1	243.3	3,301.7
83	421.0	400.0	150.9	4,021.2	471.1	107.9	386.2	251.2	110.0	353.3	4,593.0
84	366.2	300.0	234.6	4,838.3	529.5	175.0	331.3	234.5	203.5	557.4	5,530.8
85	359.0	300.0	234.6	5,740.9	557.8	217.3	404.0	234.6	205.9	763.3	6,722.9
86	323.5		216.4	6,290.8	1,021.0	303.4	556.3	216.4	501.0	1,264.3	7,846.5
87	192.2	1,264.3	146.8	7,794.1	1,046.0	391.2	714.9	146.8	508.0	508.0	8,593.3
88	139.0		317.3	8,249.4	788.9	424.5	895.3	317.3	47.1	555.1	9,259.0
89	160.8		504.5	8,914.3	837.3	456.9	868.9	504.5	-124.1	430.9	9,302.6
90	168.2		545.0	9,528.0	888.7	481.1	911.1	545.0	-137.4	293.5	10,402.6
91	153.5		587.5	10,379.0	942.7	472.9	891.3	587.5	-117.7	175.9	11,027.3
92	165.6		632.7	11,178.3	1,002.5	463.3	879.5	632.7	-98.5	77.4	11,724.0
93	167.2		648.3	11,993.8	1,069.5	497.7	931.0	648.3	-77.4	.0	12,491.5
94	158.9		608.6	12,761.3	1,137.8	529.2	986.0	608.6	.0	.0	13,290.5
95	154.2		646.9	13,562.4	1,209.9	563.0	1,044.5	646.9	.0	.0	14,125.4
96	147.7		686.2	14,396.3	1,285.1	598.9	1,105.8	686.2	.0	.0	14,995.2
97	145.7		726.8	15,258.8	1,363.5	636.8	1,172.1	726.8	.0	.0	15,805.6
98	141.5		769.2	16,179.5	1,445.6	676.4	1,239.9	769.2	.0	.0	16,855.9
99	137.0		813.5	17,130.0	1,531.2	717.7	1,310.3	813.5	.0	.0	17,847.7
0	130.2		859.6	18,119.8	1,620.5	760.8	1,383.4	859.6	.0	.0	18,880.7
1	124.1		907.7	19,151.6	1,713.5	805.9	1,459.2	907.7	.0	.0	19,957.4
2	118.0		957.7	20,227.3	1,810.4	852.7	1,537.9	957.7	.0	.0	21,080.0
3	113.3		1,009.9	21,350.5	1,911.6	901.7	1,619.6	1,009.9	.0	.0	22,252.2
4	110.3		1,064.6	22,525.4	2,017.3	952.7	1,704.3	1,064.6	.0	.0	23,478.1
5	104.8		1,121.8	23,752.0	2,127.8	1,005.0	1,792.3	1,121.8	.0	.0	24,758.0

ASSUMPTIONS:

Mineral Revenues are Dept of Revenue Jan 35 30 percentile forecast
 Inflation & Rate of Return assumptions are from Permanent Fund Corporation:

Inflation 87	1.92%
Inflation 88	4.00%
Inflation 89-05	6.00%
Return 87	13.97%
Return 88	9.00%
Return 89-05	9.00%

State of Alaska
Permanent Fund Earnings & Balance
(billions of nominal \$)

Senator Faiks' bill

Fiscal Year	Permanent Fund Contributions			Perm Fund Year-End Balance	Inflation Proofing Shortfall	Net Income	Income Distribution				Year End Assets	
	Mineral Revenues	Appropriations	Inflation Proofing				Dividend Program	Per Capita Dividend	Inflation Proofing	BRF Add/Del		BRF Balance
78	54.4			54.4		1.8						55.0
79	84.1			139.5		8.0						140.5
80	344.4			483.2		32.4	11.8					502.9
81	395.1	900.0		1,769.5		149.9	27.5			53.7	53.7	1,874.5
82	400.5	800.0	231.2	2,969.0		353.4	71.1	1,000.0		195.1	243.9	3,301.7
83	421.0	400.0	150.9	4,021.2		471.1	107.9	366.2	231.2	190.0	353.3	4,593.0
84	366.2	300.0	234.6	4,838.3		529.5	175.0	331.3	234.6	203.6	557.4	5,538.3
85	368.0	300.0	234.6	5,740.9		557.8	217.3	404.0	234.6	205.9	763.3	6,722.9
86	323.5		216.4	6,290.8		1,021.0	303.4	555.3	216.4	501.0	1,264.3	7,848.5
87	102.2	1,264.3	146.8	7,794.1	.0	1,046.0	391.2	715.0	146.8	508.0	508.0	8,165.3
88	138.0		236.7	8,169.8	-80.5	789.9	315.5	599.6	236.7	296.7	744.7	8,494.3
89	160.9		233.2	8,562.8	-266.6	777.4	311.0	591.4	233.2	293.2	977.9	8,973.9
90	168.2		244.5	8,975.5	-279.4	814.9	325.0	617.3	244.5	244.5	1,222.4	9,301.4
91	163.5		256.1	9,395.0	-292.3	853.6	341.4	643.9	256.1	256.1	1,479.4	9,736.5
92	166.6		268.0	9,829.5	-305.7	893.2	357.3	671.0	268.0	258.0	1,746.4	10,136.9
93	167.2		280.3	10,277.1	-319.5	934.2	373.7	699.0	280.3	296.3	2,025.7	10,555.9
94	158.9		292.3	10,728.8	-333.4	976.0	390.4	727.3	292.3	292.9	2,319.5	11,113.2
95	154.2		305.5	11,138.5	-347.5	1,019.4	407.3	755.8	305.5	305.5	2,625.0	11,555.9
96	147.7		318.4	11,554.6	-361.8	1,061.4	424.5	784.6	318.4	318.4	2,943.4	12,079.1
97	145.7		331.6	12,131.9	-376.5	1,105.2	442.1	813.7	331.6	331.5	3,275.0	12,573.9
98	141.5		345.0	12,618.3	-391.4	1,150.0	460.0	843.2	345.0	345.0	3,619.9	13,073.3
99	137.0		358.7	13,114.0	-406.6	1,195.5	478.2	871.1	358.7	358.7	3,978.6	13,592.3
0	130.2		372.6	13,616.8	-422.1	1,242.0	496.3	903.3	372.6	372.6	4,351.2	14,113.6
1	124.1		386.7	14,127.7	-437.7	1,289.1	515.6	933.8	386.7	386.7	4,738.0	14,643.3
2	119.0		401.1	14,646.8	-453.7	1,337.0	534.9	964.5	401.1	401.1	5,139.1	15,181.3
3	112.3		415.7	15,175.9	-469.9	1,385.7	554.3	995.6	415.7	415.7	5,554.8	15,730.0
4	110.3		430.6	15,716.7	-486.6	1,435.4	574.1	1,027.1	430.6	430.6	5,985.4	16,290.3
5	104.8		619.6	16,441.1	-339.4	1,486.1	594.4	1,059.1	445.8	445.8	6,431.2	17,035.5

ASSUMPTIONS:

Mineral Revenues are Dept of Revenue Jan 36 30 percentile forecast
Inflation & Rate of Return assumptions are from Permanent Fund Corporation:

Inflation 87	1.92%
Inflation 88	4.00%
Inflation 89-05	6.00%
Return 87	13.97%
Return 88	9.00%
Return 89-05	9.00%

Effective Date: FY 88

Assumptions: 30% to Incl Proofing, 40% to Dividends, 30% to Budget Reserve Accounts(BRF)

transferred, nor shall the public credit be used, except for a public purpose.

**Dedicated
Funds**

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

(The amendment to this section was approved by the voters of the state November 2, 1976 and became effective February 21, 1977. This amendment inserted "as provided in section 15 of this article or" in the first sentence.)

State Debt

SECTION 8. No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective. [Amendment approved November 2, 1982]

Effect of amendments. - The amendment approved November 2, 1982, inserted "or unless authorized by law for housing loans for veterans" in the first sentence.

Local Debts

SECTION 9. No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

**Interim
Borrowing**

SECTION 10. The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

Exceptions

SECTION 11. The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

Budget

SECTION 12. The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

Expenditures

SECTION 13. No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

**Legislative
Post-Audit**

SECTION 14. The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

**Alaska
Permanent
Fund**

SECTION 15. At least twenty-five per cent 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.

(The addition of this section was approved by the voters of the state November 2, 1976 and became effective February 21, 1977.)

**Appropriation
Limit**

SECTION 16. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury. [Amendment approved November 2, 1982]

ARTICLE X

LOCAL GOVERNMENT

**Purpose and
Construction**

SECTION 1. The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

**Local
Government
Powers**

SECTION 2. All local government powers shall be vested in boroughs and cities. The State may delegate taxing powers to organized boroughs and cities only.

Boroughs

SECTION 3. The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law. The standards shall include population, geography, economy, transportation, and other factors. Each borough shall embrace an area and population with common interests to the maximum degree possible. The legislature shall classify boroughs and prescribe their powers and functions. Methods by which boroughs may be organized, incorporated, merged, consolidated, reclassified, or dissolved shall be prescribed by law.

Assembly

SECTION 4. The governing body of the organized borough shall be the assembly, and its composition shall be established by law or charter.

(The amendment to this section was approved by the voters of the state August 22, 1972 and became effective October 14, 1972. It deleted the second and third sentences which specified city and non-city representation on the borough assembly.)

**Service
Areas**

SECTION 5. Service areas to provide special services within an organized borough may be established, altered, or abolished by the assembly, sub-

BY FAIKS, HALFORD, BENNETT, UEHLING,
FAHRENKAMP, JONES, DUNCAN, COGHILL,
FISCHER, ABOOD, HENSLEY, JOSEPHSON,
ZHAROFF AND BINKLEY

1 IN THE SENATE

2

SENATE JOINT RESOLUTION NO. 40

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Proposing amendments to the Constitution

6

of the State of Alaska relating to the

7

use and expenditure of state money.

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

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15 cated to any special purpose, except as provided in Sections 30 and 32
16 of this article or when required by the federal government for state
17 participation in federal programs. This provision shall not prohibit
18 the continuance of any dedication for special purposes existing upon
19 the date of ratification Section 7 of Article IX by the people of
20 Alaska.

21 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
22 tion 15 of Article IX is suspended from July 1, 1989, through June 30,
23 1995, and this section applies in lieu of Section 15 of Article IX.

24 (b) At least twenty-five percent of all mineral lease rentals,
25 royalties, royalty sale proceeds, federal mineral revenue sharing
26 payments and bonuses received by the State shall be placed in a perma-
27 nent fund, the principal of which shall be used only for those income-
28 producing investments specifically designated by law as eligible for
29 permanent fund investments.

1 (c) At the end of each fiscal year income of the permanent fund
2 shall be distributed as follows:

3 (1) forty percent to be used for dividends for State resi-
4 dents as provided by law;

5 (2) thirty percent to be added to the principal of the
6 permanent fund to help offset the effect of inflation and increase the
7 principal; and

8 (3) thirty percent to the budget reserve fund established
9 under Section 32 of this article.

10 SECTION 31. APPROPRIATION LIMIT. (a) The operation of Sec-
11 tion 16 of Article IX is suspended from July 1, 1989, through June 30,
12 1995, and this section applies in lieu of Section 16 of Article IX.

13 (b) Except for appropriations to the permanent fund or for
14 Alaska permanent fund dividends, appropriations to the budget reserve
15 fund, appropriations of revenue bond proceeds, appropriations required
16 to pay the principal and interest on general obligation bonds, and
17 appropriations of money received from a non-state source in trust for
18 a specific purpose, including revenues of a public enterprise or
19 public corporation of the state that issues revenue bonds, appropria-
20 tions from the treasury made for a fiscal year shall not exceed appro-
21 priations made for the preceding fiscal year by more than five percent
22 plus the change, derived as prescribed by law, in population and
23 inflation since the beginning of the preceding fiscal year. The
24 legislature may exceed this limit in bills for appropriations if each
25 bill is approved by the governor, or passed by affirmative vote of
26 three-fourths of the membership of the legislature over a veto or item
27 veto, or becomes law without signature, and is also approved by the
28 voters as prescribed by law. Each bill for appropriations for capital
29 projects in excess of the limit shall be confined to capital projects

1 of the same type, and the voters shall, as provided by law, be in-
2 formed of the cost of operations and maintenance of the capital pro-
3 jects.

4 SECTION 32. BUDGET RESERVE FUND. (a) This section applies from
5 July 1, 1989. through June 30, 1995.

6 (b) Income of the permanent fund shall be deposited in the
7 budget reserve fund in accordance with Section 30(c) of this article.
8 Money received by the state that is subject to the appropriation limit
9 under Section 31 of this article and that exceeds that appropriation
10 limit shall be deposited in the budget reserve fund. Additional
11 appropriations may be made to the budget reserve fund.

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

15 (d) If the legislature determines that the money subject to the
16 appropriation limit received by the state in a fiscal year is less
17 than the maximum amount that may be appropriated under Section 31 of
18 this article, money may be appropriated from the budget reserve fund
19 to the general fund.

20 (e) Notwithstanding the appropriation limit in Section 31 of
21 this article, additional amounts may be appropriated from the budget
22 reserve fund to meet a state disaster declared by the governor as
23 prescribed by law.

24 SECTION 33. REPEAL. Sections 29 - 32 of Article XV are repealed
25 July 1, 1995.

26 * Sec. 2. The amendments proposed by this resolution shall be placed
27 before the voters of the state at the next general election in conformity
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
29 tion laws of the state.