

HJR

13

## **HJR 13: AMERADA HESS/DINKUM SANDS AMENDMENT**

Section 2, Page 2, Line 3: Insert after "endowment."

The revenue allocated to the Permanent Fund under Section 15 from the settlement or final judicial determination of the Dinkum Sands case (United States v. Alaska) and the North Slope royalty case (State v. Amerada Hess, et. al.) shall be placed in the education endowment.

**HJR 13 AMENDMENT: INFLATION-PROOFING PRIORITY, CAP  
DIVIDENDS at \$827 (GOLL)**

Replace existing section 19 with the following:

**SECTION 19. DIVIDENDS.** After January 1, 1991, permanent fund dividends shall be no more than \$827 annually per eligible resident.

**SECTION 20. RESIDUAL DEPOSIT.** After January 1, 1991, permanent fund earnings to offset the effect of inflation on the permanent fund principal shall be placed annually in the non-education portion of the principal. The amount of the deposit shall be the residual remaining of the annual earnings after the implementation of sections 18 and 19. Total earnings minus the forty percent deposit to the education endowment and minus the amount necessary for permanent fund dividends equals the residual amount to be placed in the non-education portion of the principal.

**SECTION 21. EFFECTIVE PERIODS.** Sections 18, 19, and 20 of this article are repealed July 1, 2005, unless the legislature, by the affirmative vote of a majority of the membership assembled in joint session, extends Sections 18, 19 and 20 for a period not beyond June 30, 2010. Sections 22, 23 and 24 become effective upon the repeal of sections 18, 19, and 20.

**SECTION 22. INFLATION-PROOFING PRIORITY.** All permanent fund earnings necessary to offset the effect of inflation on the non-education portion of the principal shall be placed annually in the non-education portion of the principal.

**SECTION 23. DIVIDENDS.** Per capita permanent fund dividends shall increase by no more than one percent annually.

**SECTION 24. SURPLUS EARNINGS.** All permanent fund earnings remaining after the distributions required under sections 22 and 23 shall be placed annually in the general fund.

-- Permanent Fund/Education Fund --

FY 1991-2005:      \$PFD Capped At \$627, Savings To Non-Ed Principal

FY 2006-2015:      Slow \$PFD Growth (1% Per Yr.), Inflation-Proofing  
Priority, All Inflation-Proofing (Non-Ed Principal Only)  
To Non-Ed Principal, All Surplus Earnings After  
Distributions To General Fund

Forecast: DOR, 11/88  
PF Status: 1/31/89  
Earnings:    9%

Revenue: Low Case  
Population: Low Case  
Inflation:    6%

-- SUMMARY --

(Millions)

	Dividend		Surplus
FY	Savings		FY    To GF
		06	0
91	23	07	20
92	14	08	41
93	33	09	65
94	53	10	89
95	77	11	116
96	87	12	145
97	96	13	176
98	105	14	206
99	114	15	244
2000	124		
01	134		
02	145		
03	155		
04	167		
05	178		

-- Permanent Fund/Education Fund --

FY 1991-2005: \$FPD Capped At \$827, Savings To Non-Ed Principal

FY 2006-2015: Slow \$FPD Growth (1% Per Yr.), Inflation-Proofing Priority, All Inflation-Proofing (Non-Ed Principal Only) To Non-Ed Principal, All Surplus Earnings After Distributions To General Fund

Forecast: DOR, 11/89  
 PF Status: 1/31/89  
 Earnings: 9%

Revenue: Low Case  
 Population: Low Case  
 Inflation: 6%

PRINCIPAL

INCOME

Y Start	Balance	Approp- rations	Dee'd State Rev's	Educ. Fund	Inflation Proofing	FY END BALANCE			Inflation Proofing Shortfall	Net Income		Distributions				Reserves		FY
						Educ. Fund	Non-Ed PF Total	Combined Total		PF Total	Educ. Fund	Educ. Fund	Div- idends	Per Capita Dividends	Inflation Proofing	OF	Add (Delete)	
80	8,585	0	184		361		9,119	0	823			466	\$838.20	361	15	806	80	
81	9,119	0	100		466		9,775	0	816			475	\$856.80	466	(122)	483	81	
82	9,775	0	83	184	614	184	10,471	(23)	971		184	448	\$827.00	614	(286)	198	82	
83	10,648	0	80	422	362	834	10,803	293	1,028	17	404	452	\$827.00	362	(198)	0	83	
84	11,528	0	86	470	164	1,117	11,133	533	1,091	87	412	456	\$827.00	164	0	0	84	
85	12,250	0	85	524	174	1,858	11,377	566	1,158	101	423	460	\$827.00	174	0	0	85	
86	13,033	0	81	582	186	2,258	11,825	602	1,232	148	433	465	\$827.00	185	0	0	86	
87	13,881	0	77	647	190	2,824	11,977	641	1,312	203	444	469	\$827.00	196	0	0	87	
88	14,801	0	74	717	208	3,487	12,133	685	1,398	262	454	473	\$827.00	208	0	0	88	
89	15,800	0	69	796	220	4,483	12,362	732	1,492	330	465	478	\$827.00	220	0	0	89	
90	16,884	0	65	880	232	5,408	12,653	785	1,594	404	475	482	\$827.00	232	0	0	90	
91	18,062	0	62	974	245	6,422	12,920	843	1,705	487	487	486	\$827.00	245	0	0	91	
92	19,342	0	58	1,077	258	7,544	13,191	906	1,826	578	498	491	\$827.00	258	0	0	92	
93	20,736	0	55	1,189	271	8,784	13,467	976	1,957	678	511	495	\$827.00	271	0	0	93	
94	22,251	0	51	1,314	285	10,154	13,748	1,053	2,099	791	524	500	\$827.00	285	0	0	94	
95	23,902	0	47	1,458	300	11,748	14,037	1,137	2,255	914	533	505	\$827.00	300	0	0	95	
96	24,785	0	43	1,610	313	13,368	14,334	1,177	2,338	1,067	544	509	\$827.00	313	0	0	96	
97	25,699	0	39	0	362	11,356	15,235	0	2,423	1,022	0	538	\$824.82	362	0	0	97	
98	26,590	0	35	0	916	11,356	16,186	0	2,508	1,022	0	549	\$833.06	916	0	0	98	
99	27,541	0	32	0	973	11,356	17,191	0	2,597	1,022	0	560	\$841.40	973	0	0	99	
00	28,546	0	29	0	1,033	11,356	18,253	0	2,692	1,022	0	572	\$849.81	1,033	0	0	00	
01	29,609	0	26	0	1,097	11,356	19,376	0	2,792	1,022	0	583	\$858.31	1,097	0	0	01	
02	30,732	0	24	0	1,164	11,356	20,564	0	2,897	1,022	0	595	\$866.89	1,164	0	0	02	
03	31,919	0	22	0	1,235	11,356	21,821	0	3,000	1,022	0	607	\$875.56	1,235	0	0	03	
04	33,178	0	20	0	1,310	11,356	23,151	0	3,129	1,022	0	620	\$884.32	1,310	0	0	04	
05	34,505	0	18	0	1,390	11,356	24,558	0	3,253	1,022	0	632	\$893.16	1,390	0	0	05	
06	35,914	0	16	0	1,475	11,356	26,049	0	3,385	1,022	0	645	\$902.09	1,475	0	0	06	
07	LS:	0	1,661	10,871	16,288	11,356	26,049	37,405	53,779	15,180	6,812	85,492	\$85,113.47	16,288	13,205	0	07	

FY 20015)

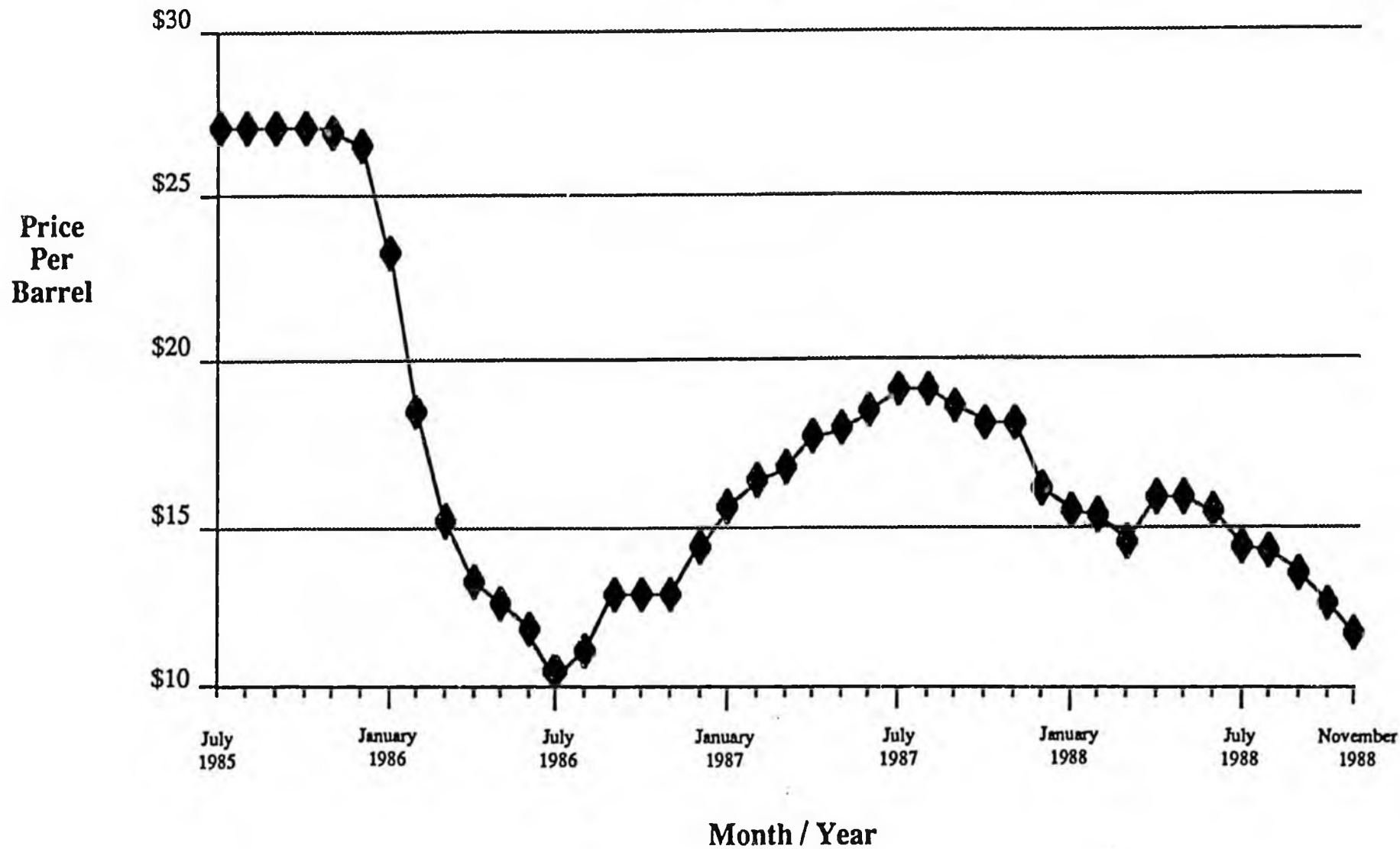
PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

HOUSE JOINT RESOLUTION NO. 13  
EDUCATION AMENDMENT

BRIEFING PACKET

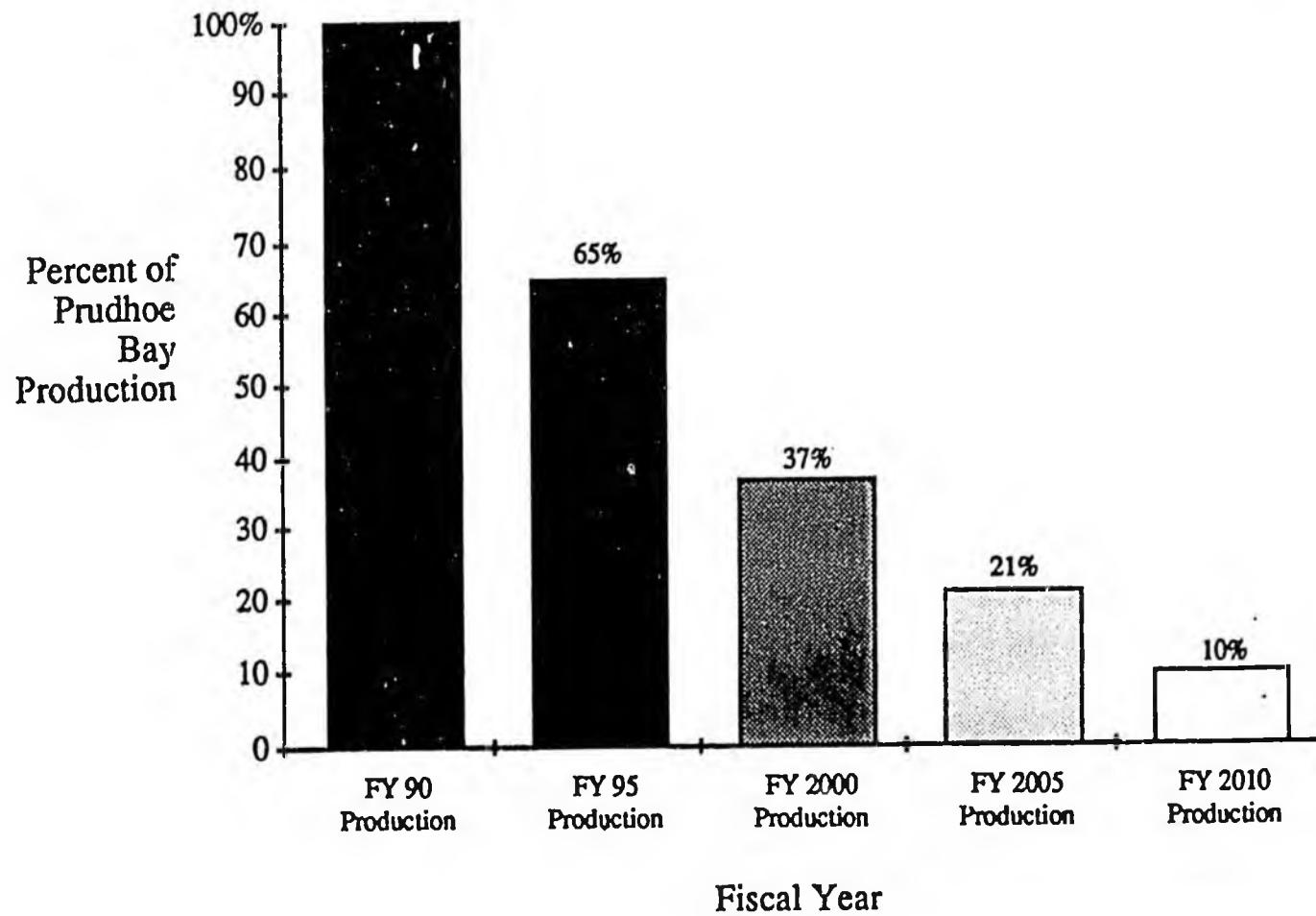
Office of the Governor,  
Division of Policy  
April 17, 1989

# ANS Gulf Contract Prices, 1985-1988



# Decline in Oil Production at Prudhoe Bay

(by percent, based on 100% production in FY 90)



**USE OF ONE-TIME MEASURES  
TO BALANCE ALASKA'S BUDGET  
(Millions of Dollars)**

FY 87

10% REDUCTION OPERATING PROGRAMS	\$ 194.0
ZERO OUT BUDGET RESERVE FUND	\$ 427.4
RAILBELT ENERGY FUND SOURCE CHANGE	\$ 50.0
LOAN PROGRAM CLOSEOUTS	\$ 19.7
CAPITAL PROJECT CLEAN-UP	\$ 86.0
SETTLEMENT PAYMENTS (TAPS, ARCO, 8-G)	\$ 70.5
LEASE BONUSES	\$ .5
OTHER BACK TAX PAYMENTS	\$ 5.5
<b>TOTAL ONE-TIME MEASURES</b>	<b>\$ 853.60</b>

FY88

8-G/DINKUM SANDS PAYMENT	\$ 159.9
TAPS SETTLEMENT PAYMENT	\$ 2.1
CAPITAL PROJECT CLEAN-UP	\$ 22.3
LEASE BONUSES	\$ 5.5
OTHER BACK TAX PAYMENTS	\$ 10.9
<b>TOTAL ONE-TIME MEASURES</b>	<b>\$ 200.7</b>

FY 89

ARCO TAX SETTLEMENT	\$ 172.3
BOND FUND CLEAN-UP	\$ 4.7
LEASE BONUSES	\$ 20.7
OTHER BACK TAX PAYMENTS TO DATE	\$ 57.8
<b>TOTAL ONE-TIME MEASURES YEAR-TO-DATE</b>	<b>\$ 255.5</b>

*Division of Policy 1/11/89*

# ALASKA SCHOOLS' FUNDING NEEDS

FY 1991 - FY 2015

Fiscal Year	Foundation	Plus Other Formula	Plus Formula and Debt
91	490	538	654
	496	546	662
	504	556	672
	512	566	682
95	522	578	686
	531	589	685
	535	596	669
	548	611	683
00	555	620	692
	560	628	692
	566	637	699
	570	644	693
05	575	651	698
	580	658	706
	585	667	715
	591	676	725
10	596	685	733
	602	694	743
	608	703	752
	614	712	762
15	619	722	774
	625	732	785
	631	742	797
	637	753	809
643	763	821	

Division Of Policy - 2/24/89  
 (Based on Dept. of Education projections)  
 [EDNEEDS4.XLS]

1/31/89

**OPERATING AID TO SCHOOLS**

*(Millions of Dollars - Unrestricted General Fund)*

	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Foundation Program	195	216	267	345	415	430	455	474	381	410	420
Formula Programs (1)	31	36	41	45	47	52	49	45	45	39	45
Reimbursement for School Construction Debt	22	24	38	39	56	94	95	105	116	109	109
<b>TOTAL</b>	<b>248</b>	<b>276</b>	<b>346</b>	<b>429</b>	<b>518</b>	<b>576</b>	<b>599</b>	<b>624</b>	<b>542</b>	<b>558</b>	<b>574</b>
Total Operating Budget	837	959	1364	1706	1898	1958	2110	2116	1844	1912	1981
Percent of Total Operating Budget	30%	29%	25%	25%	27%	29%	28%	29%	29%	29%	29%

1. Other educational formula programs include pupil transportation, tuition students, schools for the handicapped, youth in detention, boarding home grants, and community schools.

Source: Office of the Governor / Division of Policy

**With Education Amendment**

3% Real Rate Of Return - Education Appropriations Start In FY 2001  
40% Dedication Through Year 2005

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Low-Case  
Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	191	10,471		\$837.57
92	611	11,304	17	\$816.36
93	1,079	11,979	55	\$846.18
94	1,601	12,692	97	\$878.74
95	2,180	13,442	144	\$915.39
96	2,822	14,247	196	\$927.92
97	3,534	15,114	254	\$936.62
98	4,319	16,047	318	\$944.14
99	5,186	17,055	389	\$950.54
0	6,142	18,144	467	\$956.19
1	6,641	18,771	553	\$961.29
2	7,148	19,400	598	\$965.48
3	7,661	20,030	643	\$968.79
4	8,181	20,662	690	\$969.70
5	8,708	21,295	736	\$971.30

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**With Education Amendment**

4% Real Rate Of Return - Education Appropriations Start In FY 2001  
40% Dedication Through Year 2005

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Mid-Case  
Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	217	10,701		\$863.60
92	705	11,814	22	\$870.88
93	1,259	12,709	70	\$932.28
94	1,889	13,654	126	\$998.72
95	2,599	14,646	189	\$1,070.94
96	3,399	15,718	260	\$1,098.28
97	4,298	16,883	340	\$1,120.28
98	5,304	18,149	430	\$1,140.32
99	6,430	19,525	530	\$1,158.82
0	7,688	21,024	643	\$1,176.00
1	8,321	21,890	769	\$1,192.40
2	8,967	22,758	832	\$1,207.49
3	9,625	23,631	897	\$1,221.15
4	10,296	24,507	962	\$1,231.71
5	10,978	25,383	1,030	\$1,242.35

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**CASE A - 3% Real Rate Of Return**

Education Appropriations Start In 2003 Session For FY 2004

Education Fund Deposits Stop After FY 2005

Low Revenue Case, Low Population Growth

Forecast: DOR, 11/88

Revenue: Low-Case

PF Status: 12/31/88

Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	191	10,471		\$837.57
92	611	11,304	17	\$816.36
93	1,079	11,979	55	\$846.18
94	1,601	12,692	97	\$878.74
95	2,180	13,442	144	\$915.39
96	2,822	14,247	196	\$927.92
97	3,534	15,114	254	\$936.62
98	4,319	16,047	318	\$944.14
99	5,186	17,055	389	\$950.54
0	6,142	18,144	467	\$956.19
1	7,194	19,324	553	\$961.29
2	8,351	20,602	647	\$965.99
3	9,623	21,989	752	\$969.95
4	10,154	22,627	866	\$972.32
5	10,690	23,265	914	\$975.20

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**CASE B - 4% Real Rate Of Return**

Education Appropriations Start In 2003 Session For FY 2004

Education Fund Deposits Stop After FY 2005

Low Revenue Case, Low Population Growth

Forecast: DOR, 11/88

Revenue: Low-Case

PF Status: 12/31/88

Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	213	10,494		\$859.17
92	691	11,508	21	\$861.73
93	1,229	12,291	69	\$916.33
94	1,836	13,116	123	\$974.48
95	2,518	13,983	184	\$1,037.66
96	3,280	14,920	252	\$1,056.13
97	4,133	15,939	328	\$1,069.08
98	5,084	17,048	413	\$1,080.07
99	6,144	18,257	508	\$1,089.51
0	7,323	19,578	614	\$1,097.80
1	8,634	21,023	732	\$1,105.31
2	10,089	22,606	863	\$1,112.53
3	11,703	24,340	1,009	\$1,119.12
4	12,322	25,072	1,170	\$1,124.06
5	12,947	25,803	1,232	\$1,129.32

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**HOUSE JOINT RESOLUTION NO. 13**

**EDUCATION ENDOWMENT**

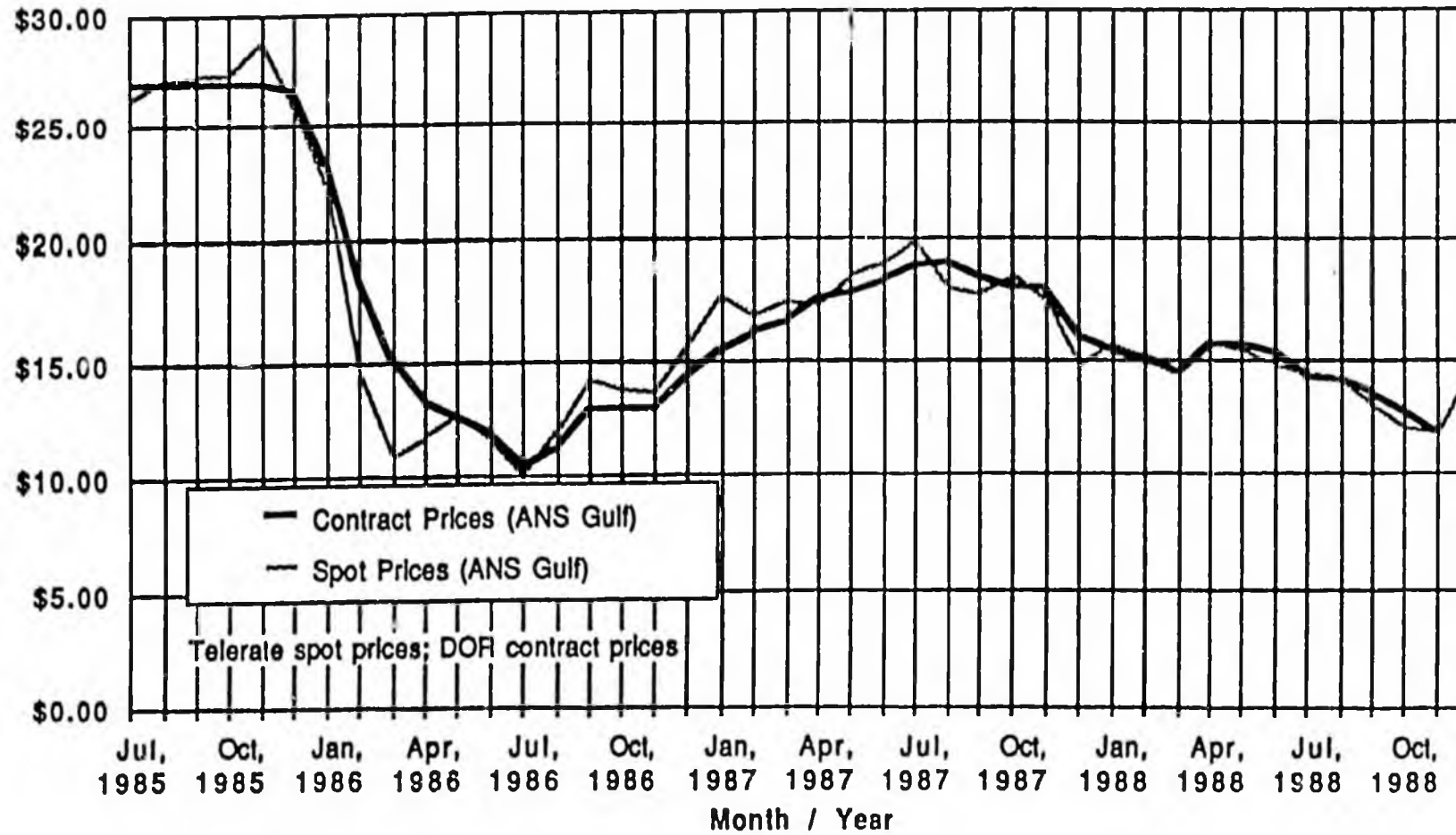
**BRIEFING PACKET**

**Office of the Governor, Division Of Policy**

**February 1, 1989**

### ANS Gulf Spot and Contract Prices (1985-1988)

\$ / Barrel

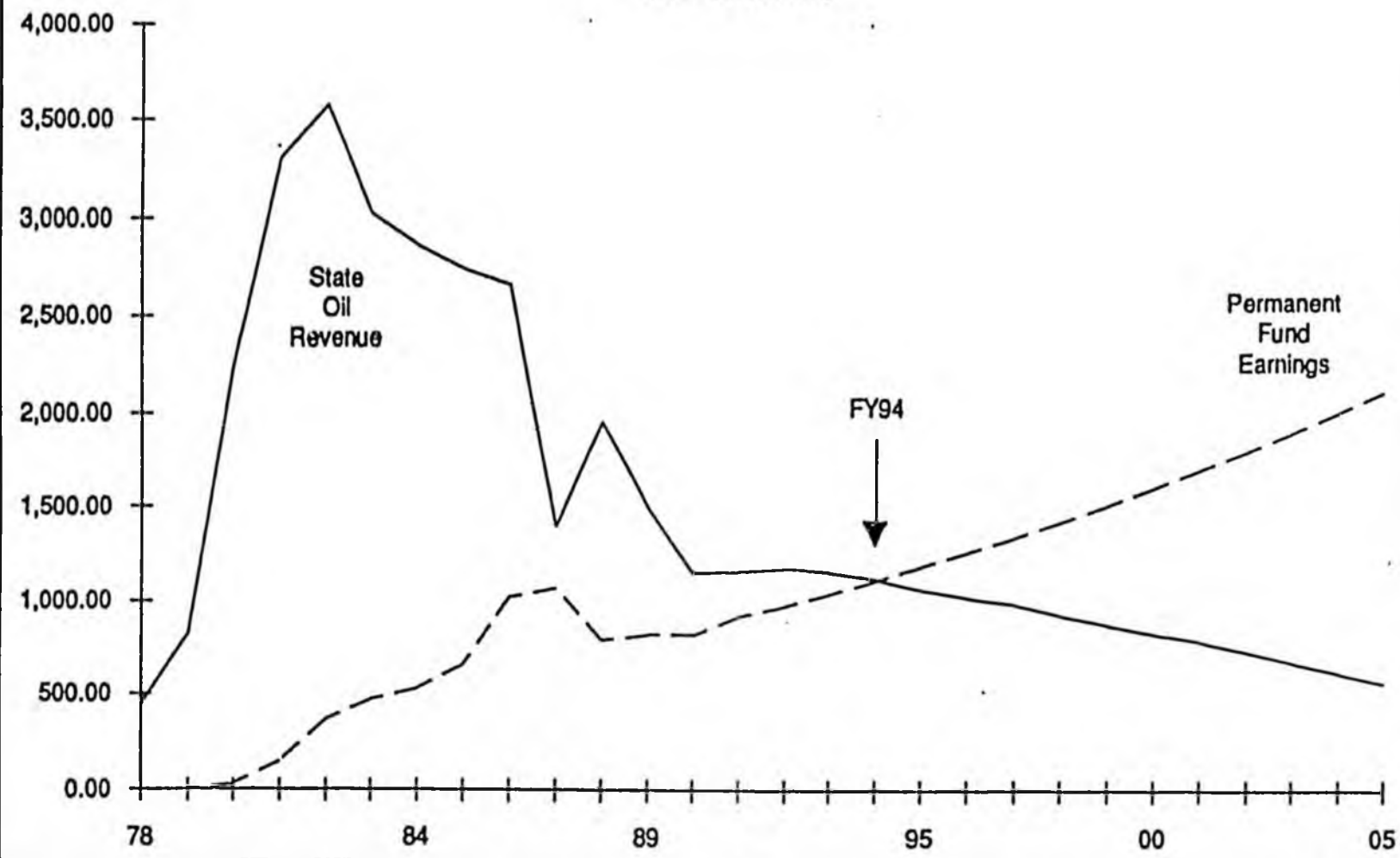


Source: Division of Policy, 1/31/89

**TOTAL STATE OIL REVENUES VERSUS  
PERMANENT FUND EARNINGS  
FY 1978 - FY 2005**

*(Actual and Projected)*

\$Millions



**USE OF ONE-TIME MEASURES  
TO BALANCE ALASKA'S BUDGET  
(Millions of Dollars)**

FY 87

10% REDUCTION OPERATING PROGRAMS	\$ 194.0
ZERO OUT BUDGET RESERVE FUND	\$ 427.4
RAILBELT ENERGY FUND SOURCE CHANGE	\$ 50.0
LOAN PROGRAM CLOSEOUTS	\$ 19.7
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SETTLEMENT PAYMENTS (TAPS, ARCO, 8-G)	\$ 70.5
LEASE BONUSES	\$ .5
OTHER BACK TAX PAYMENTS	\$ 5.5
<b>TOTAL ONE-TIME MEASURES</b>	<b>\$ 853.60</b>

FY88

8-G/DINKUM SANDS PAYMENT	\$ 159.9
TAPS SETTLEMENT PAYMENT	\$ 2.1
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FY 89

ARCO TAX SETTLEMENT	\$ 172.3
BOND FUND CLEAN-UP	\$ 4.7
LEASE BONUSES	\$ 20.7
OTHER BACK TAX PAYMENTS TO DATE	\$ 57.8
<b>TOTAL ONE-TIME MEASURES YEAR-TO-DATE</b>	<b>\$ 255.5</b>

*Division of Policy 1/11/89*

<b>Foundation Program Funding Needs</b>  <b>FY 1991 - FY 2015</b>
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FY 89  
Formula  
Cost: 420.9

FY	School-Age Population	Annual Population Growth	Annual Funding Amount Needed
89	109,700		
90	110,500	0.73%	445.2
91	111,600	1.00%	476.6
92	112,800	1.08%	510.6
93	114,600	1.60%	549.9
94	116,400	1.57%	592.0
95	118,500	1.80%	638.9
96	120,500	1.69%	688.6
97	121,400	0.75%	735.4
98	124,100	2.22%	796.9
99	125,600	1.21%	854.9
00	126,700	0.88%	914.1
01	128,100	1.10%	979.7
02	129,000	0.70%	1,045.7
03	130,000	0.78%	1,117.1
04	131,000	0.77%	1,193.2
05	132,200	0.92%	1,276.4
06	133,411	0.92%	1,365.4
07	134,633	0.92%	1,460.5
08	135,866	0.92%	1,562.4
09	137,111	0.92%	1,671.3
10	138,367	0.92%	1,787.8
11	139,634	0.92%	1,912.4
12	140,913	0.92%	2,045.7
13	142,204	0.92%	2,188.3
14	143,507	0.92%	2,340.9
15	144,822	0.92%	2,504.0

Foundation program funding needs represent FY 89 level adjusted for future school-age population growth and inflation.

Population data from AK Dept. of Labor, 11/8/88.

1/31/89

**State Dollars for Public School Programs**

*(Millions of Dollars - Unrestricted General Fund)*

	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
<b>Foundation Program</b>	195	216	267	345	415	430	455	474	381	410	420
<b>Formula Programs (1)</b>	31	36	41	45	47	52	49	45	45	39	45
<b>TOTAL</b>	<b>226</b>	<b>252</b>	<b>308</b>	<b>390</b>	<b>462</b>	<b>482</b>	<b>504</b>	<b>519</b>	<b>426</b>	<b>449</b>	<b>465</b>
<b>Total Operating Budget</b>	837	959	1364	1706	1898	1958	2110	2116	1844	1912	1981
<b>Percent of Total Operating Budget</b>	<b>27%</b>	<b>26%</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>	<b>25%</b>	<b>24%</b>	<b>25%</b>	<b>23%</b>	<b>23%</b>	<b>23%</b>

1. Other educational formula programs include pupil transportation, tuition students, schools for the handicapped, youth in detention, boarding home grants, and community schools.

Source: Office of the Governor / Division of Policy

1/31/89

<b>OPERATING AID TO SCHOOLS</b>
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<i>(Millions of Dollars - Unrestricted General Fund)</i>
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	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
<b>Foundation Program</b>	195	216	267	345	415	430	455	474	381	410	420
<b>Formula Programs (1)</b>	31	36	41	45	47	52	49	45	45	39	45
<b>Reimbursement for School Construction Debt</b>	22	24	38	39	56	94	95	105	116	109	109
<b>TOTAL</b>	<b>248</b>	<b>276</b>	<b>346</b>	<b>429</b>	<b>518</b>	<b>576</b>	<b>599</b>	<b>624</b>	<b>542</b>	<b>558</b>	<b>574</b>
<b>Total Operating Budget</b>	837	959	1364	1706	1898	1958	2110	2116	1844	1912	1981
<b>Percent of Total Operating Budget</b>	<b>30%</b>	<b>29%</b>	<b>25%</b>	<b>25%</b>	<b>27%</b>	<b>29%</b>	<b>28%</b>	<b>29%</b>	<b>29%</b>	<b>29%</b>	<b>29%</b>

1. Other educational formula programs include pupil transportation, tuition students, schools for the handicapped, youth in detention, boarding home grants, and community schools.

Source: Office of the Governor / Division of Policy

# **THE EDUCATION AMENDMENT TO THE CONSTITUTION**

**THE PROBLEM:** Lack of long-term stable funding for education.

Alaska's Constitution calls for public schools open to all children of the State. The public elementary and secondary schools are now supported by oil-based revenues. About 25% to 30% of each year's state expenditures are for public education. Within ten years, Prudhoe Bay production is estimated to drop by almost half -- that decline, coupled with fluctuating local property value and increasingly more unpredictable federal funding for education, makes the future of Alaska schools' funding very uncertain.

**THE SOLUTION:** A constitutional amendment establishing an education endowment in the Permanent Fund

By establishing an education endowment within the Permanent Fund, Alaskans can provide full funding from non-oil-based revenues for Alaska's schools around the year 2010. No less than forty percent of the annual income of the Permanent Fund will be deposited in the education endowment. The annual earnings of the education fund would be dedicated to public elementary and secondary education. Alaskans will vote on the Education Amendment on the 1990 general election ballot.

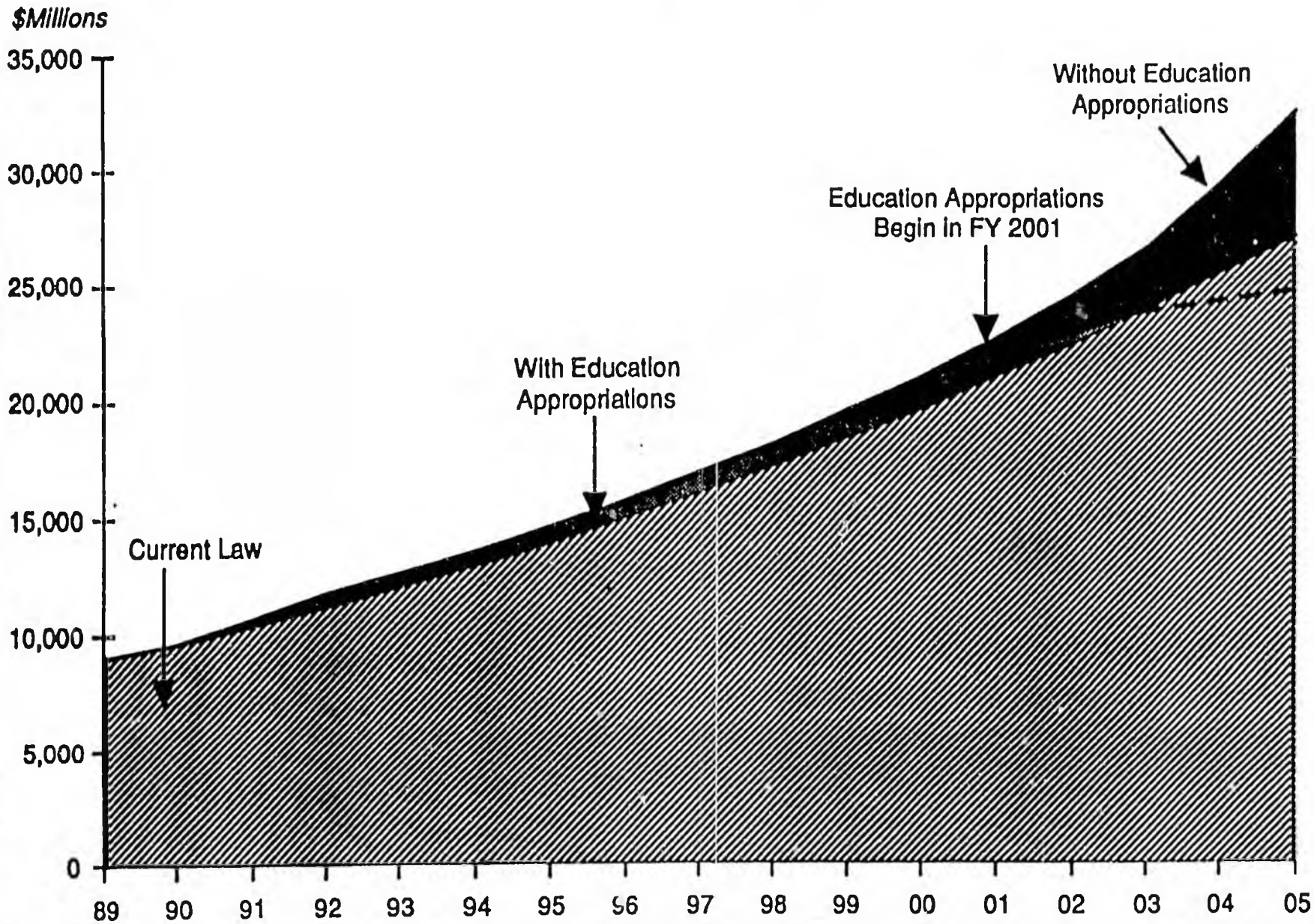
## **KEY CONCEPTS IN PROPOSAL:**

1. Education amendment to Constitution. Placed on 1990 general election ballot for voter approval
2. Education Fund established within Permanent Fund
3. Education Fund invested with the rest of Permanent Fund
4. Education Fund income dedicated only to public elementary and secondary education
5. Education Fund income not appropriated for education goes into principal of Education Fund

6. Education Fund funded by inflation-proofing deposits to the Permanent Fund, plus special appropriations, if any. Not less than forty percent of the annual earnings of the Permanent Fund would go to the Education Fund.
7. Deposits to Education Fund constitutionally mandated through year 2010
8. Education Fund earnings not used before year 2000, but used to build the Education Fund assets so it can fully fund education programs from its income
9. Deposits can be extended after year 2010 by majority vote of legislature.
10. Earnings reserve account stays intact, and is available for use by the legislature as emergency cash reserve.
11. Dividends continue to grow, reaching over \$1,000 by FY95.

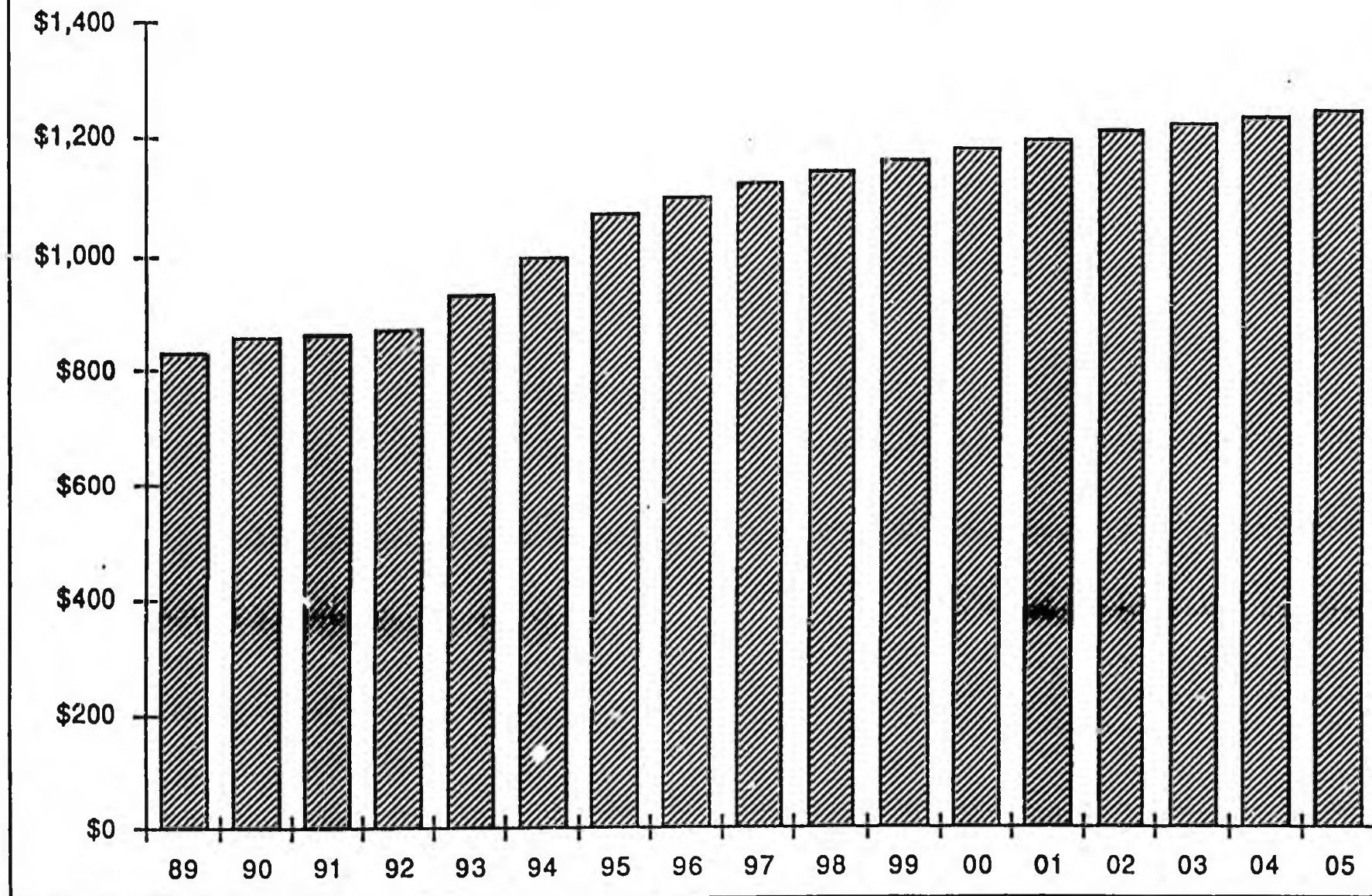
*Division of Policy, February 1989*

# EFFECT OF EDUCATION AMENDMENT ON PERMANENT FUND BALANCE



# PER CAPITA PERMANENT FUND DIVIDENDS UNDER EDUCATION AMENDMENT

(With Education Appropriations)



**With Education Amendment**

4% Real Rate Of Return - No Education Appropriations

Forecast: DOR, 11/88

Revenue: Mid-Case

PF Status: 12/31/88

Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	217	10,701		\$863.60
92	705	11,814	22	\$870.88
93	1,259	12,709	70	\$932.28
94	1,889	13,654	126	\$998.72
95	2,599	14,646	189	\$1,070.94
96	3,399	15,718	260	\$1,098.28
97	4,298	16,883	340	\$1,120.28
98	5,304	18,149	430	\$1,140.32
99	6,431	19,525	530	\$1,158.82
0	7,688	21,024	643	\$1,176.00
1	9,089	22,659	769	\$1,192.56
2	10,650	24,440	909	\$1,208.33
3	12,384	26,384	1,065	\$1,223.30
4	14,310	28,510	1,238	\$1,236.30
5	16,447	30,832	1,431	\$1,250.30

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**With Education Amendment**

4% Real Rate Of Return - Education Appropriations Start In FY 2001

Forecast: DOR, 11/88

Revenue: Mid-Case

PF Status: 12/31/88

Population: Low Case

<u>FY</u>	<u>Education Fund Balance</u>	<u>Total Permanent Fund Balance</u>	<u>Education Fund Net Income</u>	<u>Per Capita Dividends</u>
91	217	10,701		\$863.60
92	705	11,814	22	\$870.88
93	1,259	12,709	70	\$932.28
94	1,889	13,654	126	\$998.72
95	2,599	14,646	189	\$1,070.94
96	3,399	15,718	260	\$1,098.28
97	4,298	16,883	340	\$1,120.28
98	5,304	18,149	430	\$1,140.32
99	6,431	19,525	530	\$1,158.82
0	7,688	21,024	643	\$1,176.00
1	8,321	21,890	769	\$1,192.56
2	8,966	22,758	832	\$1,207.66
3	9,625	23,631	897	\$1,221.15
4	10,296	24,506	962	\$1,231.71
5	10,978	25,383	1,030	\$1,242.35

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

-- Permanent Fund --

Current Law

4% Real Rate Of Return

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Mid-Case  
Population: Low Case

<u>FY</u>	<u>FY End Balance</u>	<u>Per Capita Dividends</u>
91	10,485	\$863.60
92	11,293	\$875.08
93	12,152	\$949.68
94	13,061	\$1,039.50
95	14,019	\$1,145.87
96	15,031	\$1,219.26
97	16,103	\$1,295.37
98	17,237	\$1,373.90
99	18,432	\$1,454.95
0	19,694	\$1,538.95
1	21,027	\$1,625.97
2	22,431	\$1,716.55
3	23,912	\$1,810.53
4	25,474	\$1,906.63
5	27,120	\$2,010.00

-- ASSUMPTIONS --

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 89

5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

6.00% Inflation Rate FY 1991-2015  
10.00% Rate of Return FY 1991-2015

# MEMORANDUM

State of Alaska

Office of the Governor  
Division of Policy

TO: Rep. Peter Goll

DATE: March 14, 1989

FROM: Jack Fagnoli<sup>JF</sup>  
Chief Analyst

PHONE: 465-3568

SUBJECT: Inflation-Proofing Priority For Permanent Fund

Per your request, this memorandum summarizes the effects of giving inflation-proofing a priority over dividends in the distribution of Permanent Fund income, and the statutory changes that would be necessary to achieve that objective.

### Effects Of Changing The Priority

Two projections are attached.\* One, titled "*Current Law*", shows the disposition of Permanent Fund net income under current statutes. The second, titled "*Inflation-Proofing Priority*", shows the disposition of net income if inflation-proofing deposits had first priority, rather than dividends.

As can be seen from the projections, giving inflation-proofing priority over dividends results in greater amounts of Fund principal in the future, and lesser amounts distributed for dividends, than would occur under current law.

The reason for this is straightforward: once inflation-proofing and dividends begin competing for net income, FY 1996 in the projections (signaled by the exhaustion that year of the earnings reserve account balance), Fund principal begins to grow faster than under current law because of the increased size of annual inflation-proofing deposits and the compounding of associated earnings in downstream years. Under current law, for example, inflation-proofing deposits during this FY 1996-2005 period average 53 percent of total net income; with the priority reversed, they average 64 percent.

During these same years, FY 1996-2005, dividends are less than under current law because the residual amounts of net income (after inflation-proofing transfers) available for dividends are themselves smaller than the amounts available for dividends under current law. This effect more than offsets the fact that the now larger principal generates larger amounts of total net income. Under current law, for example, total dividend distributions during this FY 1996-2005 period average 47 percent of total net income; with the priority reversed, they average 36 percent.

\* These projections employ standard Permanent Fund Corporation assumptions. See attached projections for details.

Details of the effects of providing inflation-proofing with first priority are shown in the attached projections, and are summarized below:

FY	PRINCIPAL (\$Millions)		DIVIDENDS (Per Capita)	
	Current Law	Inflation- Proofing Priority	Current Law	Inflation- Proofing Priority
<i>(No difference through FY 1995.)</i>				
1996	14,125	14,261	\$1,021	\$782
2000	17,448	18,316	\$1,226	\$967
2005	22,504	24,821	\$1,519	\$1,258

It should be noted that any near-term use of the Fund's earnings reserve account balance (e.g., for general fund appropriations) will effectively accelerate the onset of competition for earnings between dividends and inflation-proofing. Under such a scenario, the effects of giving inflation-proofing first priority will begin earlier than in the projections shown here, and will have a greater cumulative differential effect by FY 2005 than that shown in the table above.

**Required Statutory Changes**

AS 43.23.045 and AS 37.13.145 (copies attached) include the relevant provisions governing the distribution priorities for dividends and inflation-proofing, respectively.

The key provision, affording first priority to dividends over all other forms of distribution of Permanent Fund earnings, is contained in AS 43.23.045(b), shown in boldface below:

**(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 50 percent of the income of the Alaska Permanent Fund earned during the fiscal year ending on June 30 of the current year and available for distribution. (Emphasis added.)**

To reverse the current priority between dividends and inflation-proofing, it is my understanding that the only steps necessary would be to delete the boldfaced phrase above in AS 43.23.045(b), and insert it at the beginning of AS 37.13.145, as shown in bold-face below:

*(see next page)*

Notwithstanding any contrary provision of law.

[A]t the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska Permanent Fund during that year...shall be transferred from net income...to the principal of the Alaska Permanent Fund for reinvestment.... *(Ellipsis added.)*

You may wish to have your legal counsel confirm that this would indeed be the extent of the changes needed.

If you have any questions, or if I may be of further assistance, please don't hesitate to contact me at 465-3568.

Attachments: (4)

cc: Mary Halloran, Director  
Division of Policy

-- Permanent Fund --

## BASE CASE

Current Law

Forecast: DOR, 11/88  
PF Status: 12/31/88Revenue: Low Case  
Population: Low Case

## PRINCIPAL

FY	Ap- FY Begin propri- Balance ations	Ded. State Rev's*	Inflation Proofing	FY End Balance	Inflation- Proofing Shortfall
78	0	54	0	54	0
79	54	84	0	139	0
80	139	344	0	483	0
81	483	900	0	1,769	0
82	1,769	800	0	2,969	0
83	2,969	400	231	4,021	0
84	4,021	300	151	4,838	0
85	4,838	300	235	5,741	0
86	5,741	0	216	6,281	0
87	6,281	1,264	148	7,864	0
88	7,864	0	303	8,585	0
89	8,585	0	349	9,086	0
90	9,086	0	458	9,616	0
91	9,616	0	532	10,280	0
92	10,280	0	622	10,991	0
93	10,991	0	665	11,743	0
94	11,743	0	710	12,538	0
95	12,538	0	757	13,376	0
96	13,376	0	672	14,125	135
97	14,125	0	705	14,904	147
98	14,904	0	743	15,716	156
99	15,716	0	782	16,563	165
0	16,563	0	823	17,448	174
1	17,448	0	866	18,372	184
2	18,372	0	911	19,339	194
3	19,339	0	953	20,348	205
4	20,348	0	1,007	21,403	216
5	21,403	0	1,059	22,504	228
6	22,504	0	1,113	23,655	240
7	23,655	0	1,169	24,859	253
8	24,859	0	1,227	26,110	266
9	26,119	0	1,289	27,436	280
10	27,436	0	1,353	28,816	294
11	28,816	0	1,421	30,261	310
12	30,261	0	1,492	31,774	325
13	31,774	0	1,566	33,359	342
14	33,359	0	1,644	35,021	359
15	35,021	0	1,725	36,762	377
TOTAL, FY 89-95:	0	649	4,143	13,376	0
TOTAL, FY 89-05:	0	1,251	12,669	22,504	1,806
TOTAL, FY 89-15:	0	1,511	26,667	36,762	4,852

## INCOME

## Distributions

## Reserves

Net Income	Divi- dends	Per Capita Dividends**	Inflation Proofing	Gen'l Fund	Add (Delete)	FY End Bal.
2	0		0	1	0	0
8	0		0	7	0	0
32	12		0	12	0	0
150	28		0	28	59	59
368	71	\$1,000.00	0	71	185	244
471	108	\$388.15	231	110	110	354
530	175	\$331.29	151		203	557
658	217	\$404.00	235		206	763
1,021	303	\$556.26	216		501	1,264
1,069	391	\$708.19	148		529	529
789	424	\$826.93	303		62	591
818	457	\$835.17	349		11	602
810	474	\$857.19	458		(121)	481
955	468	\$837.57	582		(94)	386
1,009	463	\$819.66	622		(75)	311
1,069	490	\$859.96	665		(85)	228
1,132	523	\$910.38	710		(100)	128
1,197	563	\$973.11	757		(123)	3
1,265	596	\$1,020.51	672		(3)	0
1,335	630	\$1,069.78	705		0	0
1,408	665	\$1,120.24	743		0	0
1,484	702	\$1,172.20	782		0	0
1,564	741	\$1,225.84	823		0	0
1,647	781	\$1,280.83	866		0	0
1,734	823	\$1,337.68	911		0	0
1,825	867	\$1,395.44	958		0	0
1,920	912	\$1,455.70	1,007		0	0
2,019	960	\$1,518.75	1,059		0	0
2,123	1,010	\$1,583.87	1,113		0	0
2,231	1,062	\$1,651.32	1,169		0	0
2,344	1,117	\$1,721.16	1,227		0	0
2,463	1,174	\$1,793.31	1,289		0	0
2,587	1,234	\$1,868.00	1,353		0	0
2,717	1,296	\$1,945.48	1,421		0	0
2,853	1,361	\$2,025.73	1,492		0	0
2,995	1,430	\$2,108.87	1,566		0	0
3,145	1,501	\$2,195.22	1,644		0	0
3,301	1,576	\$2,284.84	1,725		0	0
6,991	3,436	\$6,093.31	4,143	0		3
23,191	11,113	\$18,691.07	12,669	0		0
49,949	23,874	\$37,868.84	26,667	0		0

## -- ASSUMPTIONS --

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 895.00% Inflation Rate FY 90  
8.00% Rate of Return FY 906.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05

-- Permanent Fund --

# INFLATION-PROOFING PRIORITY

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Low Case  
Population: Low Case

## PRINCIPAL

## INCOME

### Distributions

### Reserves

FY	Ap- FY Begin propn- Balance	Dev State Revs*	Inflation Proofing	FY End Balance	Inflation- Proofing Shortfall
78	0	0	54	0	54
79	54	0	84	0	139
80	139	0	344	0	483
81	483	900	385	0	1,769
82	1,769	800	401	0	2,959
83	2,969	400	421	231	4,021
84	4,021	300	366	151	4,838
85	4,838	300	368	235	5,741
86	5,741	0	323	216	6,281
87	6,281	1,264	171	148	7,864
88	7,864	0	418	303	8,585
89	8,585	0	152	349	9,086
90	9,086	0	72	458	9,616
91	9,616	0	83	582	10,280
92	10,280	0	89	622	10,991
93	10,991	0	88	665	11,743
94	11,743	0	85	710	12,538
95	12,538	0	81	757	13,378
96	13,376	0	77	807	14,261
97	14,261	0	74	860	15,195
98	15,195	0	69	916	16,180
99	16,180	0	65	975	17,220
0	17,220	0	62	1,037	18,318
1	18,318	0	58	1,103	19,479
2	19,479	0	55	1,172	20,706
3	20,706	0	51	1,245	22,003
4	22,003	0	47	1,323	23,373
5	23,373	0	43	1,405	24,821
TOTAL, FY 89-95:	0	649	4,143	13,375	0
TOTAL, FY 89-05:	0	1,251	14,986	24,821	0

Net Income	Divi- dends	Per Capita Dividends**	Inflation Proofing	Gen'l Fund	Add (Delete)	FY End Bal.
2	0		0	1	0	0
8	0		0	7	0	0
32	12		0	12	0	0
150	28		0	28	59	59
368	71	\$1,000.00	0	71	185	244
471	108	\$386.15	231	110	110	354
530	175	\$331.29	151		203	557
658	217	\$404.00	235		206	763
1,021	303	\$556.26	216		501	1,264
1,069	391	\$708.19	148		529	529
789	424	\$826.93	303		62	591
818	457	\$835.17	349		11	602
810	474	\$857.19	458		(121)	481
955	468	\$837.57	582		(94)	386
1,009	463	\$819.66	622		(75)	311
1,069	490	\$859.96	665		(85)	226
1,132	523	\$910.36	710		(100)	126
1,197	563	\$973.41	757		(123)	3
1,265	460	<del>\$782.04</del>	807		(3)	0
1,347	487	\$820.76	860		0	0
1,435	519	\$867.61	916		0	0
1,528	553	\$916.40	975		0	0
1,626	589	\$967.24	1,037		0	0
1,729	627	\$1,020.58	1,103		0	0
1,838	666	\$1,076.31	1,172		0	0
1,954	708	\$1,134.66	1,245		0	0
2,076	753	\$1,194.19	1,323		0	0
2,205	800	\$1,256.10	1,405		0	0
6,991	3,436	\$6,093.31	4,143	0		3
23,994	9,599	\$18,131.19	14,986	0		0

## -- ASSUMPTIONS --

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 89

5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

6.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05

\* Alaska Department of Revenue,  
Low Case Forecast - November 1988

\*\* Population Projections From 11.88  
DOR Forecast, Low Case

eligibility. *[Repealed, § 22 ch 102 SLA*

of dividend [Effective January 1, year the commissioner shall give public permanent fund dividend for that year. The value of a permanent fund dividend

of income of the Alaska permanent fund under AS 43.23.045(b) during the

of individuals eligible to receive a dividend year; and

determined in (1) of this section by the amount determined in (2) of this section. (§ 1 ch 102 SLA 1982; am § 1

1983 " (1) determining the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 43.23.045(b) during the current year.

1984. " (2) determining the number of individuals eligible to receive a dividend payment for the current year; and

1984. " (3) dividing the amount determined in (1) of this section by the amount determined in (2) of this section."

of a

dividend. *[Repealed, § 22 ch 102 SLA*

and enforcement. (a) In addition to any state law, if an individual is convicted of making a false statement made in a certification and the conviction is not reversed, that individual shall not receive permanent fund dividends paid and is not eligible to receive a permanent fund dividend.

and enforcement. (a) In addition to any state law, if an individual is convicted of making a false statement made in a certification and the conviction is not reversed, that individual shall not receive permanent fund dividends paid and is not eligible to receive a permanent fund dividend.

§ 43.23.040

Sec. 43.23.040. Penalties and enforcement. *[Repealed, § 22 ch 102 SLA 1982.]*

Sec. 43.23.045. Dividend fund. (a) The dividend fund is established as a separate fund in the state treasury. The dividend fund shall be administered by the commissioner and shall be invested by the commissioner in the same manner as provided in AS 37.10.070.

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 50 percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

(c) The department may adopt by regulation a plan that, to the extent permitted by federal law, will allow an individual who elects to participate in the plan to select an optional disbursement of the dividend payment that would have the effect of deferring payment of all or a portion of federal income taxes on the receipt of a permanent fund dividend. (§ 1 ch 102 SLA 1982)

Sec. 43.23.050. Dividend fund established. *[Repealed, § 22 ch 102 SLA 1982.]*

Sec. 43.23.055. Duties of the department. The department shall

(1) annually pay permanent fund dividends from the dividend fund;

(2) [Effective January 1, 1984] adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend; the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by December 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following that year;

(3) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for an individual upon emancipation or upon reaching majority to apply for permanent fund dividends not received during minority because the parent, guardian, or other authorized representative did not apply on behalf of the individual; and

(4) assist residents of the state, particularly in rural areas, who because of language, disability, or inaccessibility to public transportation need assistance to establish eligibility and to apply for permanent fund dividends. (§ 1 ch 102 SLA 1982; am § 2 ch 55 SLA 1983)

Effect of amendments. — The 1983 amendment, effective January 1, 1984, substituted "December 1 of the year for which the dividend is declared" for "September 1" and "April 30 of the year following that year" for "December 31 of that year" in paragraph (2). For provisions

prior to January 1, 1984, see the editor's note.

Editor's notes. — Prior to January 1, 1984, paragraph (2) read: "(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a

*Sec. 37.13.130. Gains and losses. [Repealed, § 13 ch 81 SLA 1982.]*

**Sec. 37.13.140. Income.** Net income of the corporation shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals 21 percent of the net income of the corporation for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the corporation for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145. (§ 5 ch 18 SLA 1980; am § 8 ch 81 SLA 1982; am § 1 ch 28 SLA 1986)

*Effect of amendments.* — The 1986 amendment in the first sentence substituted "shall" for "must" and in the second sentence substituted "21 percent of the net income" for "the average net income" and "earnings reserve" for "undistributed income."

**Sec. 37.13.145. Disposition of income.** At the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by the change in the calendar year average United States consumer price index for all urban consumers shall be transferred from net income as defined in AS 37.13.140, excluding income on the earnings reserve account in the Alaska permanent fund, to the principal of the Alaska permanent fund for reinvestment. The balance of the income available for distribution under AS 37.13.140 shall be transferred to the earnings reserve account in the Alaska permanent fund. Money in the earnings reserve account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the earnings reserve account shall be treated as an addition to that account. (§ 9 ch 81 SLA 1982; am § 2 ch 28 SLA 1986)

*Cross references.* — For transfer of certain income earned by the Alaska permanent fund prior to July 1, 1982, to the undistributed income account, see § 15, ch. 81, SLA 1982.

*Effect of amendments.* — The 1986 amendment in the first sentence substituted "the change in the calendar year average United States consumer price index for all urban consumers" for "a nationally recognized index," in the second sentence substituted "income available for distribution under" for "net income as defined in," and substituted "earnings reserve" for "undistributed income" throughout the section.

**Sec. 37.13.150. Corporation budget.** The revenue generated by the corporation's investments must be identified as the source of the operating budget of the corporation in the state's operating budget under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's annual operating budget does not lapse at the end of the fiscal year but shall be treated as income under AS 37.13.140. (§ 5 ch 18 SLA 1980; am § 10 ch 81 SLA 1982)

*Inflation proofing last*

-- Permanent Fund/Education Fund --

**CASE 1**  
**3% Real Rate Of Return, Low Revenue Case**

Education Appropriations Start In 2003 Session For FY 2004  
 40% Ed. Fund Deposit Shifted To Principal After FY 2005

*Dividend calculated on educational and non-education income*

03/04/89

Forecast: DOR, 11/88  
 PF Status: 12/31/88

Revenue: Low Case  
 Population: Low Case

**PRINCIPAL**

**INCOME**

FY	FY Start Balance	Appropriations	Ded'd State Rev's	FY END BALANCE					Inflation Proofing Shortfall	Net Income		Distributions					Reserves		FY
				Educ. Fund	Inflation Proofing	Educ. Fund	Non-Ed PF Total	Combined Total		PF Total	Educ. Fund	Educ. Fund	Educ. Fund	Dividends	Per Capita Dividends	Inflation Proofing	GF	Add (Delete)	
89	8,585	0	152		349			9,086	0	818			457	\$835.17	349		11	602	89
90	9,086	0	72		458			9,616	0	810			474	\$857.19	458		(121)	481	90
91	9,616	0	83	191	582	191	10,280	10,471	0	955		191	468	\$837.57	582		(285)	195	91
92	10,471	0	89	414	330	611	10,693	11,304	304	1,009	17	397	461	\$816.36	330		(195)	0	92
93	11,304	0	88	461	127	1,079	10,900	11,979	557	1,069	55	406	482	\$846.18	127		0	0	93
94	11,979	0	85	511	117	1,601	11,092	12,692	607	1,133	97	414	505	\$878.74	117		0	0	94
95	12,692	0	81	566	103	2,180	11,262	13,442	563	1,200	144	422	531	\$915.39	103		0	0	95
96	13,442	0	77	626	101	2,822	11,425	14,247	710	1,271	196	430	543	\$927.92	101		0	0	96
97	14,247	0	74	691	102	3,534	11,580	15,114	758	1,346	254	437	554	\$936.62	102		0	0	97
98	15,114	0	69	762	102	4,319	11,728	16,047	809	1,428	318	444	564	\$944.14	102		0	0	98
99	16,047	0	65	839	103	5,188	11,868	17,055	864	1,515	389	451	573	\$950.54	103		0	0	99
0	17,055	0	62	924	104	6,142	12,002	18,144	923	1,610	467	457	582	\$956.19	104		0	0	0
1	18,144	0	58	1,017	105	7,194	12,129	19,324	987	1,713	553	464	591	\$961.29	105		0	0	1
2	19,324	0	55	1,118	106	8,351	12,251	20,602	1,057	1,824	647	470	600	\$965.99	106		0	0	2
3	20,602	0	51	1,229	107	9,623	12,365	21,989	1,133	1,944	752	477	609	\$969.95	107		0	0	3
4	21,989	0	47	483	108	10,154	12,473	22,627	1,214	2,075	866	483	617	\$972.32	108	866	0	0	4
5	22,627	0	43	488	107	10,690	12,575	23,265	1,253	2,134	914	488	626	\$975.20	107	914	0	0	5
6	23,265	0	39	0	599	10,739	13,164	23,903	799	2,194	962	0	633	\$977.08	599	962	0	0	6
7	23,903	0	35	0	643	10,796	13,784	24,581	793	2,254	966	0	645	\$985.32	643	966	0	0	7
8	24,581	0	32	0	685	10,861	14,437	25,298	791	2,318	972	0	661	\$1,000.37	685	972	0	0	8
9	25,298	0	29	0	726	10,930	15,122	26,053	794	2,386	977	0	682	\$1,022.53	726	977	0	0	9
10	26,053	0	26	0	764	11,004	15,839	26,843	800	2,457	984	0	708	\$1,052.53	764	984	0	0	10
11	26,843	0	24	0	800	11,079	16,588	27,667	812	2,531	990	0	741	\$1,091.06	800	990	0	0	11
12	27,667	0	22	0	836	11,156	17,369	28,525	825	2,608	997	0	775	\$1,131.19	836	997	0	0	12
13	28,525	0	20	0	875	11,235	18,185	29,419	838	2,689	1,004	0	810	\$1,172.85	875	1,004	0	0	13
14	29,419	0	18	0	915	11,315	19,037	30,352	852	2,773	1,011	0	848	\$1,215.84	915	1,011	0	0	14
15	30,352	0	16	0	956	11,390	19,928	31,324	866	2,861	1,018	0	886	\$1,260.56	956	1,018	0	0	15
<b>TOTALS:</b>		0	1,511	10,321	10,908	11,396	19,928	31,324	20,010	48,925	15,551	6,432	16,625	\$26,456.10	10,908	11,662			0

(FY89-20015)

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings remain for it after 40 percent distribution to education account (or to non-education principal, starting in FY 2006). Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

**CASE 5**  
**3% Real Rate Of Return, Low Revenue Case**

*Dividend comes from non-educational income*

Education Appropriations Start In 2003 Session For FY 2004  
 40% Ed. Fund Deposit Shifted To Principal After FY 2005

Forecast: DOR, 11/88  
 PF Status: 12/31/88

Revenue: Low Case  
 Population: Low Case

**PRINCIPAL**

**INCOME**

FY	FY Start Balance	Appropriations	Ded'd State Rev's	FY END BALANCE			Inflation Proofing Shortfall	Net Income		Distributions				Reserves		FY	
				Educ. Fund	Non-Ed PF Total	Combined Total		PF Total	Educ. Fund	Educ. Fund	Educ. Fund	Dividends	Per Capita Dividends	Inflation Proofing GF	Add (Delete)		FY End Balance
89	8,585	0	152			9,086	0	818			457	\$835.17	349	11	602	89	
90	9,086	0	72			9,616	0	810			474	\$857.19	458	(121)	481	90	
91	9,616	0	83	191	582	191	10,280	10,471	0	955	191	468	\$837.57	582	(285)	195	91
92	10,471	0	89	414	330	611	10,693	11,304	304	1,009	397	461	\$816.36	330	(195)	0	92
93	11,304	0	88	451	127	1,079	10,900	11,979	557	1,069	406	482	\$846.18	127	0	0	93
94	11,979	0	85	511	117	1,601	11,092	12,692	607	1,133	414	505	\$878.74	117	0	0	94
95	12,692	0	81	566	103	2,180	11,262	13,442	663	1,200	422	531	\$915.39	103	0	0	95
96	13,442	0	77	626	101	2,822	11,425	14,247	710	1,271	430	543	\$927.92	101	0	0	96
97	14,247	0	74	691	102	3,534	11,580	15,114	758	1,346	437	554	\$936.62	102	0	0	97
98	15,114	0	69	762	102	4,319	11,728	16,047	809	1,428	444	564	\$944.14	102	0	0	98
99	16,047	0	65	839	103	5,186	11,868	17,055	864	1,515	451	573	\$950.54	103	0	0	99
0	17,055	0	62	924	104	6,142	12,002	18,144	923	1,610	457	582	\$956.19	104	0	0	0
1	18,144	0	58	1,017	105	7,194	12,129	19,324	987	1,713	464	591	\$961.29	105	0	0	1
2	19,324	0	55	1,118	106	8,351	12,251	20,602	1,057	1,824	470	600	\$965.99	106	0	0	2
3	20,602	0	51	1,229	107	9,623	12,365	21,989	1,133	1,944	477	609	\$969.95	107	0	0	3
4	21,989	0	47	483	108	10,154	12,473	22,627	1,214	2,075	483	617	\$972.32	108	0	0	4
5	22,627	0	43	488	107	10,690	12,575	23,265	1,253	2,134	488	626	\$975.20	107	0	0	5
6	23,265	0	39	0	878	10,867	13,314	24,181	520	2,194	0	354	\$528.65	878	0	0	6
7	24,181	0	35	0	912	11,042	14,086	25,128	541	2,281	0	390	\$579.34	912	0	0	7
8	25,128	0	32	0	948	11,217	14,801	26,108	562	2,370	0	428	\$631.90	948	0	0	8
9	26,108	0	29	0	985	11,391	15,731	27,122	583	2,462	0	468	\$686.48	985	0	0	9
10	27,122	0	26	0	1,023	11,583	16,608	28,171	606	2,557	0	509	\$743.11	1,023	0	0	10
11	28,171	0	24	0	1,062	11,734	17,523	29,257	620	2,656	0	553	\$801.91	1,062	0	0	11
12	29,257	0	22	0	1,101	11,901	18,470	30,302	631	2,758	0	600	\$862.83	1,103	0	0	12
13	30,302	0	20	0	1,146	12,071	19,476	31,547	678	2,864	0	647	\$926.16	1,140	0	0	13
14	31,547	0	18	0	1,190	12,237	20,617	32,766	704	2,974	0	698	\$991.74	1,190	0	0	14
15	32,766	0	16	0	1,235	12,402	21,801	34,006	711	3,089	0	751	\$1,059.77	1,235	0	0	15
<b>TOTALS:</b>		0	1,511	10,321	13,590	12,402	21,604	34,006	18,049	50,057	15,993	6,432	14,633	\$23,358.67	13,590	12,104	0

(FY89-20015)

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non education earnings remain for it after 40 percent distribution to education account (or to non education principal, starting in FY 2006). Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-

-- Permanent Fund/Education Fund --

FY 1991-2005:	\$PFD Capped At \$827, Savings To Non-Ed Principal
FY 2006-2015:	Slow \$PFD Growth (1% Per Yr.), Inflation-Proofing Priority, All Inflation-Proofing (Non-Ed Principal Only) To Non-Ed Principal, All Surplus Earnings After Distributions To General Fund

Forecast: DOR, 11/88  
 PF Status: 1/31/89  
 Earnings: 9%

Revenue: Low Case  
 Population: Low Case  
 Inflation: 6%

-- SUMMARY --

(\$Millions)

Dividend		Surplus	
FY	Savings	FY	To GF
91	23	06	0
92	14	07	20
93	33	08	41
94	53	09	65
95	77	10	89
96	87	11	116
97	96	12	145
98	105	13	176
99	114	14	208
2000	124	15	244
01	134		
02	145		
03	155		
04	167		
05	178		

-- Permanent Fund/Education Fund --

FY 1991-2005:   \$PFD Capped At \$827, Savings To Non-Ed Principal

FY 2006-2015:   Slow \$PFD Growth (1% Per Yr.), Inflation-Proofing  
Priority, All Inflation-Proofing (Non-Ed Principal Only)  
To Non-Ed Principal, All Surplus Earnings After  
Distributions To General Fund

Forecast: DOR, 11/88  
PF Status: 1/31/89  
Earnings: 0%

Revenue: Low Case  
Population: Low Case  
Inflation: 6%

PRINCIPAL

INCOME

FY	FY Start Balance	Appropriations	Ded'd State Rev's	Educ. Fund	Inflation Proofing	FY END BALANCE			Inflation Proofing Shortfall	Net Income		Distributions					Reserves		FY
						Educ. Fund	Non-Ed PF Total	Combined Total		PF Total	Educ. Fund	Dividends	Per Capita Dividends	Inflation Proofing	GF	Add (Delete)	FY End Balance		
89	8,585	0	184		351		9,119	0	823			458	\$836.20	351	15	608	89		
90	9,119	0	190		466		9,775	0	816			475	\$859.80	466	(122)	483	90		
91	9,775	0	83	194	614	194	10,471	10,666	971		194	448	\$827.00	614	(286)	198	91		
92	10,666	0	89	422	352	634	10,993	11,529	1,028	17	404	452	\$827.00	352	(196)	0	92		
93	11,528	0	88	470	164	1,117	11,133	12,250	1,091	57	413	456	\$827.00	164	0	0	93		
94	12,250	0	85	524	174	1,658	11,377	13,033	1,158	101	423	460	\$827.00	174	0	0	94		
95	13,033	0	81	582	185	2,258	11,625	13,881	1,232	149	433	465	\$827.00	185	0	0	95		
96	13,881	0	77	647	196	2,924	11,877	14,801	1,312	203	444	469	\$827.00	196	0	0	96		
97	14,801	0	74	717	208	3,667	12,133	15,800	1,398	263	454	473	\$827.00	208	0	0	97		
98	15,800	0	69	795	220	4,493	12,392	16,884	1,482	330	465	478	\$827.00	220	0	0	98		
99	16,884	0	65	880	232	5,408	12,653	18,062	1,584	404	478	482	\$827.00	232	0	0	99		
0	18,062	0	62	974	245	6,422	12,920	19,342	1,705	487	487	486	\$827.00	245	0	0	0		
1	19,342	0	58	1,077	258	7,544	13,191	20,735	1,826	578	499	491	\$827.00	258	0	0	1		
2	20,735	0	55	1,190	271	8,784	13,467	22,251	1,957	679	511	495	\$827.00	271	0	0	2		
3	22,251	0	51	1,314	285	10,154	13,748	23,902	2,099	791	524	500	\$827.00	285	0	0	3		
4	23,902	0	47	1,536	300	10,748	14,037	24,785	2,255	914	536	505	\$827.00	300	0	0	4		
5	24,785	0	43	1,748	313	11,356	14,334	25,689	2,338	967	548	509	\$827.00	313	0	0	5		
6	25,689	0	39	0	862	11,356	15,235	26,590	2,423	1,022	0	538	\$824.82	862	0	0	6		
7	26,590	0	35	0	916	11,356	16,186	27,541	2,508	1,022	0	549	\$833.06	916	0	0	7		
8	27,541	0	32	0	973	11,356	17,191	28,545	2,597	1,022	0	560	\$841.40	973	0	0	8		
9	28,546	0	29	0	1,033	11,356	18,253	29,606	2,692	1,022	0	572	\$849.81	1,033	0	0	9		
10	29,609	0	26	0	1,097	11,356	19,376	30,732	2,792	1,022	0	583	\$858.31	1,097	0	0	10		
11	30,732	0	24	0	1,164	11,356	20,564	31,919	2,897	1,022	0	595	\$866.89	1,164	0	0	11		
12	31,919	0	22	0	1,235	11,356	21,821	33,176	3,009	1,022	0	607	\$875.56	1,235	0	0	12		
13	33,176	0	20	0	1,310	11,356	23,151	34,506	3,128	1,022	0	620	\$884.32	1,310	0	0	13		
14	34,506	0	18	0	1,390	11,356	24,558	35,914	3,253	1,022	0	632	\$893.16	1,390	0	0	14		
15	35,914	0	16	0	1,475	11,356	26,049	37,405	3,385	1,022	0	645	\$902.09	1,475	0	0	15		
TOTALS:		0	1,661	10,871	16,288	11,356	26,049	37,405	53,779	16,180	8,812	85,492	\$85,113.47	16,288	13,205		0		

(FY89-20015)

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

# HOUSE COMMITTEE REPORT

\*(5)

Date Referred: 1/17/89

FURTHER REFERRALS: JUDICIARY  
FINANCE

Date of Committee Action: 3/1/89

The HEALTH, EDUCATION & SOCIAL SERVICES Committee recommends that:

HOUSE JOINT RESOLUTION NO. 13

[CONST. AMENDMENT: EDUCATION ENDOWMENT]

Proposing an amendment to the Constitution of the State of Alaska, establishing a permanent endowment for education in Alaska.

[X] be replaced with CSHR 13 (HESS) [ ] the same title  
[X] a new title

[ ] have attached amendment(s)

- [ ] do pass
- [ ] do not pass
- [ ] no recommendation
- [X] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: House HESS letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [ ] fiscal impact
- [ ] zero fiscal note
- [ ] zero with analysis

APPROVES PREVIOUS:

- [ ] fiscal note(s) published:
- [X] zero fiscal notes(s) published:  
4/17/89

SIGNING DO PASS:

J. Ellis  
Walt Furnace  
Cheri Davis

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

Mr. Kumborg no rec.  
Knobbs no rec.  
Peter Jones no rec.

J. Ellis  
Chairman's signature

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Education  
 Title: Establishing a Permanent  
Endowment For Education BRU: \_\_\_\_\_  
 Sponsor: Rules Components: \_\_\_\_\_  
 Requestor: House HESS

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

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

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

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

**FUNDING:** (Thousands of Dollars)

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

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 2/1/89  
 Approved by Commissioner: William G. Demmert Date: 2/1/89  
 Agency: Education

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

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Education Endowment - House  
Joint Resolution  
Sponsor: Rules Committee  
Requestor: Governor Steve Cowper

Agency Affected: Alaska Permanent Fund Corp.  
BRU: \_\_\_\_\_  
Components: Alaska Permanent Fund Corp.

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

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

Expenses for managing the education endowment will be minimal and will be covered in the normal accounting for Permanent Fund principal.

Prepared by: David A. Rose, Executive Director  
Division: Alaska Permanent Fund Corporation

Phone: (907) 465-2047  
Date: January 6, 1989

Approved by Commissioner: \_\_\_\_\_  
Agency: DOR

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

**Distribution (by preparer):**

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

## FISCAL NOTE FOR EDUCATION ENDOWMENT

The attached fiscal note dated January 6, 1989 was prepared by the Executive Director of the Alaska Permanent Fund Corporation.

The investments of the endowment will incur costs. These costs would normally be appropriated from the earnings of the endowment itself.

If this is done, no costs would be paid by the general fund or by the Alaska Permanent Fund.

A handwritten signature in cursive script, appearing to read "H. Malone". The signature is written in dark ink and is positioned to the right of the main text block.

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 16, 1989

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

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing a constitutional amendment to establish an education endowment in the principal of the Alaska permanent fund. The purpose of the amendment is to provide a stable, long-term, and critically important source of funding for public elementary and secondary schools in Alaska.

Over the last few years, Alaska's public school funding has been subject to increasing uncertainty due to volatility of oil revenue, fluctuation of local property value, and decreasing federal support. This funding uncertainty endangers the ability of the public schools to offer quality education to children. To ensure a bright future for our children and our state, we must provide a stable financial base for education.

By placing the education endowment within the principal of the Alaska permanent fund, the endowment will enjoy the trust management and high earnings of the fund. The permanent fund will gain the increased support of a notable constituency -- Alaskans who care for our children's future. Under the proposed amendment, no less than 40 percent of the annual income of the permanent fund will be safeguarded for education. Dividends and the permanent fund assets will continue to grow.

Because this measure proposes a constitutional amendment, it must be placed before the voters for their approval at the next general election, in 1990.

I urge your favorable consideration of this resolution.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

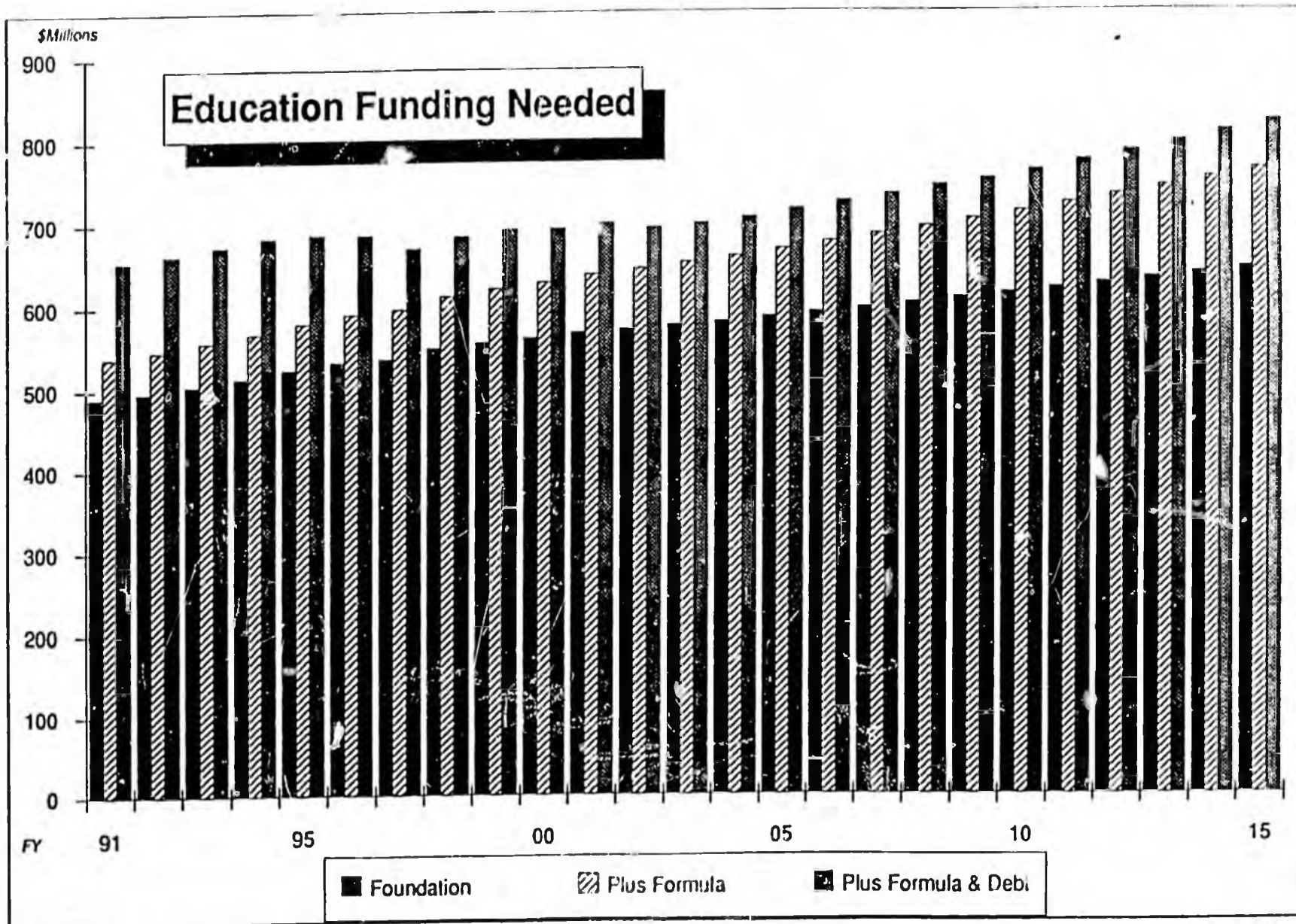
Steve Cowper  
Governor

# **BRIEFING UPDATE**

House Joint Resolution No. 13  
Education Amendment

Office of the Governor  
Division of Policy

February 25, 1989



ALASKA SCHOOLS' FUNDING NEEDS

FY 1991 - FY 2015

Fiscal Year	Foundation	Plus Other Formula	Plus Formula and Debt
91	490	538	654
	496	546	662
	504	556	672
	512	566	682
95	522	578	686
	531	589	685
	535	596	669
	548	611	683
00	555	620	692
	560	628	692
	566	637	699
	570	644	693
05	575	651	698
	580	658	706
	585	667	715
	591	676	725
10	596	685	733
	602	694	743
	608	703	752
	614	712	762
15	619	722	774
	625	732	785
	631	742	797
	637	753	809
	643	763	821

RAW DATA:

	Foundation Entitlement	Transp. Entitlement	Transp. Entitlement (Adjusted)	Tuition Entitlement	Handi-capped Entitlement	Youth/ Detention Entitlement	Boarding Home Entitlement	Community Schools Entitlement	Community Schools (Adjusted)	TOTAL OTHER FORMULA
89										
90										
91	489.990	26.680	26.680	15.515	3.400	1.389	0.478	4.646	0.800	48.263
92	495.529	28.061	27.347	16.318	3.576	1.461	0.503	4.886	0.800	50.005
93	503.837	29.674	28.031	17.256	3.782	1.545	0.532	5.167	0.800	51.945
94	512.145	31.370	28.732	18.243	3.998	1.633	0.562	5.462	0.800	53.967
95	521.837	33.242	29.450	19.331	4.236	1.730	0.595	5.788	0.800	56.143
96	531.069	35.183	30.186	20.460	4.484	1.831	0.630	6.126	0.832	58.424
97	535.223	36.876	30.941	21.444	4.699	1.920	0.661	6.421	0.865	60.530
98	547.685	39.244	31.715	22.822	5.001	2.043	0.703	6.834	0.900	63.183
99	554.608	41.328	32.508	24.034	5.267	2.151	0.740	7.196	0.936	65.636
00	559.685	43.377	33.320	25.225	5.528	2.258	0.777	7.553	0.973	68.081
01	566.147	45.631	34.153	26.536	5.815	2.375	0.817	7.946	1.012	70.709
02	570.301	47.803	35.007	27.799	6.092	2.488	0.856	8.324	1.053	73.295
03	574.917	50.117	35.882	29.145	6.387	2.609	0.898	8.727	1.095	76.015
04	579.532	52.539	36.773	30.553	6.696	2.735	0.941	9.149	1.139	78.843
05	585.071	55.165	37.699	32.080	7.030	2.872	0.988	9.606	1.184	81.853
0	590.660	57.923	38.641	33.684	7.382	3.015	1.038	10.086	1.232	84.991
0	596.301	60.812	39.607	35.364	7.750	3.166	1.089	10.589	1.281	88.257
0	601.992	63.845	40.597	37.128	8.136	3.323	1.144	11.117	1.332	91.661
0	607.738	67.030	41.612	38.980	8.542	3.489	1.201	11.672	1.385	95.210
10	613.536	70.373	42.653	40.924	8.968	3.663	1.261	12.254	1.441	98.910
0	619.383	73.883	43.719	42.965	9.416	3.846	1.323	12.865	1.498	102.768
0	625.286	77.569	44.812	45.108	9.885	4.038	1.389	13.507	1.558	106.791
0	631.245	81.438	45.932	47.358	10.378	4.239	1.459	14.181	1.621	110.988
0	637.259	85.500	47.081	49.721	10.896	4.451	1.532	14.888	1.685	115.365
15	643.329	89.764	48.258	52.201	11.440	4.673	1.608	15.631	1.753	119.931

↑  
average  
annual  
growth =  
5.19%

(range=  
4.76%  
to 6.42%)

↑  
escalated at  
2.50%  
per year

↑  
Held at  
\$500K for  
5 years,  
then in-  
flated  
at 4%  
per year

(\*) Includes two  
adjusted columns  
(omits originals)

	Existing Debt	New <sup>*</sup> Debt	TOTAL DEBT
89	116.104	0.000	116.104
90	112.171	3.934	116.104
91	109.255	6.850	116.104
92	106.226	9.878	116.104
93	97.945	18.159	116.104
94	84.928	31.176	116.104
95	75.896	32.111	108.007
96	62.456	73.074	95.531
97	39.436	34.067	73.503
98	37.250	35.089	72.339
99	35.696	36.141	71.838
00	27.296	37.226	64.522
01	23.446	38.342	61.789
02	10.108	39.493	49.601
03	6.461	40.677	47.138
04	5.335	41.898	47.233
05	5.268	43.155	48.423
0	4.562	44.449	49.011
0	2.579	45.783	48.362
0	2.617	47.156	49.773
0	0	48.571	48.571
10	0	50.028	50.028
0	0	51.529	51.529
0	0	53.075	53.075
0	0	54.667	54.667
0	0	56.307	56.307
15	0	57.996	57.996

inflation =  
3.00%

\* New debt (grants) take up slack of decline in scheduled old debt for first five years. Thereafter, grants amount is inflated at 3% per year.

ALASKA SCHOOLS' FUNDING NEEDS  
VS.  
EDUCATION FUND INCOME

Between fiscal year 2001 and 2005 it appears the education fund fully provides for public elementary and secondary schools, including the foundation formula, other education formula programs, and school construction. The estimates assume that appropriations begin in fiscal year 2001.

Projection assumptions

Full funding year

Mid-case oil revenues, 4% rate of return,  
low population

Full funding in FY 2001

Mid-case oil revenues, 3% rate of return,  
low population

Full funding in FY 2004

Low-case oil revenues, 4% rate of return,  
low population

Full funding in FY 2001

Low-case oil revenues, 3% rate of return,  
low population

Full funding in FY 2005

**With Education Amendment**

4% Real Rate Of Return - Education Appropriations Start In FY 2001  
40% Dedication Through Year 2005

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Mid-Case  
Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	217	10,701		\$863.60
92	705	11,814	22	\$870.88
93	1,259	12,709	70	\$932.28
94	1,889	13,654	126	\$998.72
95	2,599	14,646	189	\$1,070.94
96	3,399	15,718	260	\$1,098.28
97	4,298	16,883	340	\$1,120.28
98	5,304	18,149	430	\$1,140.32
99	6,430	19,525	530	\$1,158.82
0	7,688	21,024	643	\$1,176.00
1	8,321	21,890	769	\$1,192.40
2	8,967	22,758	832	\$1,207.49
3	9,625	23,631	897	\$1,221.15
4	10,296	24,507	962	\$1,231.71
5	10,978	25,383	1,030	\$1,242.35

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation proofing.

-- Permanent Fund --

2/13/89

### With Education Amendment

3% Real Rate Of Return - Education Appropriations Start In FY 2001  
40% Dedication Through Year 2005

Forecast: DOR, 11/88  
PF Status: 12/31/88

Revenue: Mid-Case  
Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	194	10,679		\$841.63
92	623	11,606	17	\$824.78
93	1,105	12,390	56	\$860.50
94	1,647	13,219	99	\$900.30
95	2,252	14,089	148	\$945.11
96	2,926	15,022	203	\$965.49
97	3,676	16,026	263	\$982.05
98	4,508	17,107	331	\$997.47
99	5,431	18,269	406	\$1,011.79
0	6,451	19,522	489	\$1,025.38
1	6,998	20,294	581	\$1,038.10
2	7,556	21,067	630	\$1,049.94
3	8,125	21,842	680	\$1,060.58
4	8,704	22,619	731	\$1,068.51
5	9,293	23,395	783	\$1,076.70

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

-- Permanent Fund --

2/24/89

### With Education Amendment

4% Real Rate Of Return - Education Appropriations Start In FY 2001  
40% Dedication Through Year 2005

Forecast: DOR, 11/88

Revenue: Low Case

PF Status: 12/31/88

Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	213	10,494		\$859.17
92	691	11,508	21	\$861.73
93	1,229	12,291	69	\$916.33
94	1,836	13,116	123	\$974.48
95	2,518	13,983	184	\$1,037.66
96	3,230	14,920	252	\$1,056.13
97	4,133	15,939	328	\$1,069.08
98	5,084	17,048	413	\$1,080.07
99	6,144	18,257	508	\$1,089.51
0	7,323	19,578	614	\$1,097.80
1	7,902	20,291	732	\$1,105.31
2	8,488	21,007	790	\$1,111.86
3	9,084	21,725	849	\$1,116.97
4	9,687	22,446	908	\$1,119.80
5	10,297	23,169	969	\$1,122.82

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.

-- Permanent Fund --

2/24/89

### With Education Amendment

3% Real Rate Of Return - Education Appropriations Start In FY 2001

40% Dedication Through Year 2005

Forecast: DOR, 11/88

Revenue: Low-Case

PF Status: 12/31/88

Population: Low Case

FY	Education Fund Balance	Total Permanent Fund Balance	Education Fund Net Income	Per Capita Dividends
91	191	10,471		\$837.57
92	611	11,304	17	\$816.36
93	1,079	11,973	55	\$846.18
94	1,601	12,692	97	\$878.74
95	2,180	13,442	144	\$915.39
96	2,822	14,247	196	\$927.92
97	3,534	15,114	254	\$936.62
98	4,319	16,047	318	\$944.14
99	5,186	17,055	389	\$950.54
0	6,142	18,144	467	\$956.19
1	6,641	18,771	553	\$961.29
2	7,148	19,400	598	\$965.48
3	7,661	20,030	643	\$968.79
4	8,181	20,662	690	\$969.70
5	8,708	21,295	736	\$971.30

PFD calculation is based on non-education earnings of Permanent Fund. Full PFD amount is distributed, so long as sufficient non-education earnings (including reserves) remain for it after 40 percent distribution to education account. Income distribution priorities: retention of education earnings first, then 40% distribution, then dividends, then inflation-proofing.



**Alaska Permanent Fund Corporation**

P.O. Box 4-1000 Juneau, Alaska 99802-4100

(907) 465-2047 Telecopy (907) 586-2057

MEMORANDUM

DATE: February 9, 1989

TO: Oral E. Freeman  
Chairman, Board of Trustees

FROM: David A. Rose *DR*  
Executive Director

SUBJECT: Analysis of HJR 13, the Governor's Proposal to  
Establish an Education Endowment Within the  
Permanent Fund

Attached are two financial projections and a graphic comparison prepared by the Alaska Permanent Fund Corporation at your request.

**Financial Projection #1:** This is the status quo case as of December 31, 1988. It provides the benchmark against which to compare and contrast any changes to current law. Please note that included in the assumptions are the consensus revenue estimates for FY 89-90 as agreed upon by the Budget Summit on January 24, 1989.

**Financial Projection #2:** This projection depicts the Governor's Education Endowment as proposed in HJR 13. It is the Corporation's understanding that the Education Endowment would work as follows:

\* 40% of the Fund's annual net income is transferred to the Education Endowment, an account within the principal of the Permanent Fund, each June 30, beginning in 1992 (20% of the net income is transferred on June 30, 1991);

\* 100% of the Education Endowment's income is transferred to the Education Endowment from fiscal 1992-1999;

\* 100% of the Education Endowment's income after 1999 is appropriated to fund elementary and secondary education in Alaska.

\* Inflation-proofing is shared on a pro rata basis between the Education Endowment portion of Permanent Fund principal and the Non-Education Endowment portion of Permanent Fund principal.

\* The dividend formula is changed to exclude Education Endowment income from the annual calculation.

This analysis concerns itself with the following impacts on the Permanent Fund:

1) How would the HJR 13 affect the growth of Fund principal, including the unrestricted principal of the Permanent Fund as well as the combined total unrestricted and Education Endowment principal?

Fund Unrestricted Principal Balance

	Status Quo	Projection #2
June 30, 1989:	9,120	9,120
June 30, 2000:	17,722	12,141
June 30, 2005:	22,853	12,725

Fund Combined Principal Balance

	Status Quo	Projection #2
June 30, 1989:	9,120	9,120
June 30, 2000:	17,722	17,958
June 30, 2005:	22,853	21,134

2) How would HJR 13 affect the level of Fund net income produced in the future?

Annual Net Income

	Status Quo	Projection #2
Fiscal 1989:	818	818
Fiscal 2000:	1,588	1,636
Fiscal 2005:	2,050	1,934

3) How would HJR 13 affect total dividend distributions (in millions), and the amounts of annual per capita dividends?

Dividend Distributions

	Status Quo	Projection #2
June 30, 1989:	457	457
June 30, 2000:	753	590
June 30, 2005:	975	629

Per Capita Dividend Payments

	Status Quo	Projection #2
Calendar 1989:	\$ 835.17	\$835.17
Calendar 2000:	1,245.53	968.94
Calendar 2005:	1,543.11	981.37

4) How would HJR 13 affect inflation-proofing transfers?

Inflation-Proofing Transfers

	Status Quo	Projection #2
June 30, 1989:	351	351
June 30, 2000:	836	-0-
June 30, 2005:	1,075	-0-

5) How would HJR 13 affect amounts available to fund education?

Distributions to Fund Education

	Status Quo	Projection #2
June 30, 1989:	-0-	-0-
June 30, 2000:	-0-	479
June 30, 2005:	-0-	709

Compared to the status quo, the most noticeable effects of adoption of the changes depicted in Projection #2 would be as follows:

Unrestricted Fund principal would be \$5.581 billion smaller in 2000, and \$10.128 billion smaller in 2005.

Fund combined principal would be \$236 million larger in 2000, and \$1.719 billion smaller in 2005.

Net income would be \$48 million larger in 2000, and \$116 million smaller in 2005.

The dividend distribution would be \$163 million smaller in 2000, and \$346 million smaller in 2005.

Per capita dividends would be \$276.59 smaller in 2000, and \$561.74 smaller in 2005.

The inflation-proofing transfer would be \$836 million smaller in 2000, and \$1,075 million smaller in 2005.

The distribution to fund education would be \$479 million larger in 2000, and \$709 million larger in 2005.

**For Your Information:** These projections are based on a certain set of basic assumptions; the numbers shown on these sheets would change if different assumptions were used. The assumptions used in the preparation of each projection are listed at the bottom of each projection sheet, and explained herein.

Oral E. Freeman  
February 9, 1989  
Page 4

It is the Corporation's policy to use conservative assumptions wherever possible. Thus, the Fund's long-term rate of return is projected to average 3% per year after inflation; long-term inflation is projected to average 6% per year; and the assumptions for numbers of future dividend recipients and amounts of future dedicated State oil revenues are taken from the Department of Revenue's most recent "low case" forecast.

PLEASE NOTE THAT THE CORPORATION NEITHER SUPPORTS NOR OPPOSES ANY PROPOSED CHANGES TO THE CURRENT USE OF FUND EARNINGS, EXCEPT AS THEY MAY RELATE TO THE PROPER EXERCISE OF THE TRUSTEES' FIDUCIARY RESPONSIBILITIES AS REQUIRED UNDER THE PRUDENT INVESTOR RULE.



# 2

## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of December 31, 1988

FY	PRINCIPAL						INCOME						
	FY Begin Balance	Appropriations	Dedicated	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Distributions			Reserves		
			State Revenues*					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	185	244
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	354
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	557
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	763
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	1,264
87	6,281	1,264	171	148	7,864		1,019	391	\$708.19	148		529	529
88	7,864		418	303	8,585		789	424	\$826.93	303		62	591
89	8,585		184	351	9,120		818	457	\$835.17	351		10	601
90	9,120		190	466	9,776		818	475	\$858.87	466		( 122)	480
91	9,776		83	592	10,450		970	470	\$842.18	592		( 91)	388
92	10,450		89	632	11,171		1,026	467	\$827.34	632		( 74)	315
93	11,171		88	676	11,934		1,087	496	\$870.87	676		( 85)	230
94	11,934		85	721	12,740		1,150	530	\$924.55	721		( 101)	129
95	12,740		81	769	13,590		1,217	572	\$989.43	769		( 125)	4
96	13,590		77	684	14,351	136	1,285	605	\$1,037.44	684		( 4)	
97	14,351		74	716	15,142	149	1,356	640	\$1,087.43	716			
98	15,142		69	754	15,965	159	1,430	676	\$1,138.76	754			
99	15,965		65	794	16,824	168	1,508	714	\$1,191.42	794			
0	16,824		62	836	17,722	177	1,588	753	\$1,245.53	836			
1	17,722		58	880	18,660	187	1,673	793	\$1,301.55	880			
2	18,660		55	925	19,640	198	1,761	836	\$1,359.21	925			
3	19,640		51	973	20,664	208	1,853	880	\$1,418.77	973			
4	20,664		47	1,023	21,735	220	1,950	927	\$1,479.13	1,023			
5	21,735		43	1,075	22,853	232	2,050	975	\$1,543.11	1,075			
<hr/>													
Cumulative Totals:	3,964		4,737	14,151	22,853	1,834	28,638	12,994	\$23,163.53	14,151	229		

**ASSUMPTIONS:**

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 89

5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

\* SOURCE: Alaska Department of Revenue  
Revenue Low Case Forecast - November 1988  
With Consensus Revenue Estimates for FY 89-90

2/7/89

STATUS QUO INCLUDING  
BUDGET SUMMIT CONSENSUS REVENUE ESTIMATES FOR FY 89-90

6.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05

\*\* SOURCE: Population Projections From  
Revenue Low Case Forecast - November 1988

Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS  
(In millions)

as of December 31, 1988

#2

PRINCIPAL

INCOME

FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	-----FY Ending Balance-----				Inflation Proofing Shortfall	-----Net Income-----		Distributions				Reserves	
				Education Endowment	Inflation Proofing	Education Endowment	Non-Ed PF Total		Combined Total	PF Total	Education Endowment	Education Endowment	Per Capita Dividends**	Inflation Proofing	General Fund	Add (Delete)
78			54					54	2					1		78
79	54		84					139	8					7		79
80	139		344					483	32					12		80
81	483	900	395					1,769	150					28	59	81
82	1,769	800	401					2,960	368					71	185	82
83	2,969	400	421		231			4,021	471					108	110	83
84	4,021	300	366		151			4,838	530					175	203	84
85	4,838	300	365		235			5,741	658					217	206	85
86	5,741		323		215			6,281	1,021					303	501	86
87	6,281	1,264	171		148			7,864	1,069					391	529	87
88	7,864		418		303			8,585	789					424	62	88
89	8,585		184		351			9,120	618					457	10	89
90	9,120		190		466			9,775	818					475	( 122)	90
91	9,775		83	194	592	194	10,449	10,644	970		194	470	842.18	592	( 285)	91
92	10,644		89	421	334	633	10,853	11,487	1,026	17	403	465	823.86	334	( 194)	92
93	11,487		88	469	130	1,114	11,059	12,173	1,087	57	412	488	856.51	130		93
94	12,173		85	521	110	1,650	11,240	12,898	1,151	100	420	512	891.69	110		94
95	12,898		81	577	104	2,244	11,415	13,659	1,219	148	428	539	929.63	104		95
96	13,659		77	638	102	2,902	11,574	14,476	1,291	202	436	551	942.03	102		96
97	14,476		74	704	103	3,630	11,727	15,356	1,368	261	443	561	950.25	103		97
98	15,356		69	776	103	4,434	11,871	16,305	1,451	327	450	571	957.47	103		98
99	16,305		65	855	104	5,321	12,008	17,329	1,540	399	456	581	963.50	104		99
0	17,329		62	963	104	5,818	12,141	17,958	1,636	479	463	590	968.94	104	479	0
1	17,958		58	1,040	104	6,322	12,268	18,589	1,695	524	469	599	973.42	104	524	1
2	18,589		55	1,174	105	6,833	12,390	19,223	1,755	569	474	607	977.00	105	569	2
3	19,223		51	1,290	105	7,351	12,507	19,859	1,814	615	480	615	979.71	105	615	3
4	19,859		47	1,435	105	7,877	12,619	20,496	1,874	662	485	622	980.19	105	662	4
5	20,496		43	1,490	106	8,408	12,725	21,134	1,934	709	490	629	981.37	106	709	5
Cumulative Totals:		3,964	4,737	8,014	4,419	8,408	12,725	21,134	11,557	78,542	5,069	6,502	11,060	\$19,924.69	4,419	3,786

ASSUMPTIONS: HUI 13 - LOW CASE REVENUE FORECAST, BUT INCLUDING BUDGET SUMMIT REVENUE CONSENSUS ESTIMATES FOR FY 89-90

20% of PF Net Income to Education Endowment in FY 91  
100% of Non-Education-Endowment PF Net Income to Education Endowment FY 92-2005  
100% of Education Endowment Income Transferred to Education Endowment FY 92-1999  
100% of Education Endowment Income Appropriated to Fund Education FY 2000-2005  
Education Endowment Income Excluded from Dividend Calculations

2/9/89

\* SOURCE: Alaska Department of Revenue  
Low Case Forecast - November 1988  
With Consensus Revenue Estimates for FY 89-90

\*\* SOURCE: Population Projections From  
Revenue Low Case Forecast - November 1988

4.00% Inflation Rate FY 89  
9.01% Rate of Return FY 89

5.00% Inflation Rate FY 90  
8.00% Rate of Return FY 90

6.00% Inflation Rate FY 91-05  
9.00% Rate of Return FY 91-05



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

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ANCHORAGE, ALASKA 99503 -  
(907) 274-0536

## JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302  
JUNEAU, ALASKA 99801  
(907) 586-3090

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456-4435

January 20, 1989

To: Rep. Johnny Ellis, Chair  
Members, House HESS Committee

Re: House Joint Resolution No. 13; "Proposing  
an amendment to the Constitution of the  
State of Alaska, establishing a permanent  
endowment for education in Alaska."

NEA-Alaska supports and encourages the passage of HJR 13.

Public education in Alaska is such an important and vital part of our long range future that removing its funding source from the annual "competition" within the budget process is essential for the stability which is necessary if we are to improve upon the programs and services which are available to students.

HJR 13 is a sound, long range solution to public school funding needs.

More importantly, it provides the opportunity for the general public to affirm its support for the funding source.

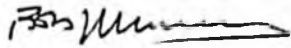
Utilization of permanent fund earnings to establish a basis for funding public education is consistent with the original intent and purpose of the permanent fund itself.

We encourage that the legislative discussion and deliberation also acknowledge that earnings from the endowment account may require periodic supplemental appropriations from other sources until the earnings from the account itself are sufficient to fully fund public education.

Finally, we also encourage that the Administration, the Alaska State Legislature, and the entire education community join together in articulating the need for HJR 13 when it is on the ballot in 1990.

Thank you for your consideration of our position.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Bob Manners", with a horizontal line underneath.

Bob Manners  
Executive Secretary

cc: Governor Steve Cowper

# HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES



P.O. BOX V, JUNEAU 99811  
(907) 465-3759

## HOUSE HESS COMMITTEE LETTER OF INTENT TO HJR 13

It is the intent of the 16th Alaska State Legislature in passing HJR 13 to the voters, that future legislatures should not consider income from the endowment as the only source of funding for public elementary and secondary education, but that additional funding sources may be sought as determined by the will of future legislatures to meet future educational needs.

  
\_\_\_\_\_  
Rep. Johnny Ellis  
Chairman

March 1, 1989  
Date of Adoption

HJR 13: EDUCATION AMENDMENT

RESOLUTIONS &  
LETTERS OF SUPPORT

(AS OF 2/25/89)

STEVE COWPER  
GOVERNOR



Office of the Governor

P.O. Box A

Juneau, Alaska 99811

FEB 01 1989

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JUNEAU

INTERIM COMMISSION ON CHILDREN AND YOUTH: EDUCATION

TO: Honorable Steve Cowper  
Governor

DATE: January 31, 1989

THROUGH: Caren Robinson *CR*  
Special Staff Assistant  
Office of the Governor

FROM: Patty Meritt  
Chair  
GICCY

SUBJECT: Resolution

---

At a regularly scheduled meeting, held on January 26-27, 1989 in Anchorage, the Commission passed a Resolution in support of HJR13, Proposing an amendment to the Constitution of the State of Alaska, establishing a permanent endowment for education in Alaska.

The Commission passed this Resolution despite its policy of not supporting individual legislative initiatives for several reasons. The Commission strongly supports excellence in education, and shares your concern regarding the effects of declining revenues on the state's educational system.

In addition, we feel that establishing a policy related to stabilized, long-term funding for education is critical, and that the proposal outlined in HJR13 is a sound strategy for achieving that stability.

The Commission applauds your efforts, and is pleased to support you in this endeavor.

PM:CT:km

enclosure

cc: Members, Commission on Children and Youth

STEVE COWPER  
GOVERNOR



Office of the Governor  
P.O. Box A  
Juneau, Alaska 99811  
465-3155

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU  
INTERIM COMMISSION ON CHILDREN AND YOUTH

RESOLUTION

WHEREAS, children are Alaska's greatest natural resource, and

WHEREAS, one of every three Alaskans is under the age of 18, giving Alaska the youngest population of any state in the nation, and

WHEREAS, the right to a free education for every child has been universally recognized and in Alaska is mandated by the state constitution, and

WHEREAS, education provides the opportunity for reaching personal fulfillment and economic self-sufficiency, and

WHEREAS, failure to provide that opportunity penalizes not only the individual child but also society as a whole, and

WHEREAS, volatile and unpredictable oil revenues have resulted in decreased state funding for education over the last few years, and

WHEREAS, future state oil revenues are projected to decline with the gradual decline of Prudhoe Bay production, making general fund support of public education more difficult and uncertain, and

WHEREAS, an education endowment from future permanent fund earnings will provide critically important long-term stable funding for public elementary and secondary schools,

NOW THEREFORE BE IT RESOLVED that the Governor's Interim Commission on Children and Youth supports and endorses an amendment to the Constitution of the State of Alaska providing for the establishment of an education endowment.

ADOPTED the 26th day of January, 1989 by the Governor's Interim Commission on Children and Youth.

*Patty Meritt, Chair*  
\_\_\_\_\_  
Patty Meritt, Chair

# Alaska Association For Community Education

P.O. Box 103302

Anchorage, Alaska 99510

RECEIVED  
OCT 7 1988

BOARDS & COMMISSIONS

GOVERNOR'S OFFICE

OCT 7 1988



Governor Steve Cowper  
State of Alaska  
P.O. Box A  
Juneau Alaska 99811-0101

Dear Governor Cowper:

I wanted to take a minute to Thank You for attending our Curriculum Cabinet meeting last Friday, sponsored by the Department of Education. I know your schedule is very busy and we all appreciated your making time to share your thoughts and encouragement.

As the President of the Alaska Association for Community Education, I will do anything and everything I can to promote your concept of the Educational Endowment Fund from earnings in the Permanent Fund. I believe your vision is crucial to the continuance of a strong public education system in Alaska, and appreciate your willingness to advance this concept to the public and hopefully help it become a reality. The Community Schools that have survived the last three year's budget cuts still interact with thousands of Alaskan adults who otherwise would not be involved and using our school facilities and we are in a great position to help make them aware of your concept and provide information. I believe we can provide you with an important support system - thousands of adults come into the schools because of our programs and therefore, we have an audience that otherwise might not be even entering a school building and/or might not notice your plan through mass media approaches. Since these people understand the importance of life-long learning and appreciate being able to use public facilities that otherwise might be locked up on evenings and weekends, we have access to a public supportive of education.

Please keep me informed of your plan and ask for the help of community educators throughout the State. While there are fewer of us these days, we still remain committed to the importance of an involved and informed public, and will do all we can to support you. And thank you again, for your support of our efforts on the Curriculum Cabinet.

Sincerely Yours,

*Kim Katz*

Kim Katz President  
Alaska Association  
for Community Education

ALASKA ASSOCIATION  
SECONDARY SCHOOL PRINCIPALS  
1720 Otter Street  
Anchorage, Alaska 99504

ALASKA ASSOCIATION  
ELEMENTARY SCHOOL PRINCIPALS  
426 Rogers Road  
Kenai, Alaska 99611

October 20, 1988

RECEIVED  
NOV 21 1988

The Honorable Steve Cowper  
Governor of Alaska  
Office of the Governor  
Third Floor, State Capitol  
P. O. Box A  
Juneau, AK 99811

GOVERNOR'S OFFICE

Dear Governor Cowper:

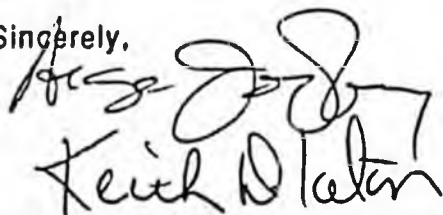
Your presentation at the 1988 Alaska Principals' Conference on October 17 was well received. We appreciate all you have done for the youth of our state and hope you will continue to put them at the forefront of your agenda.

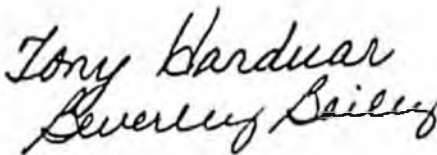
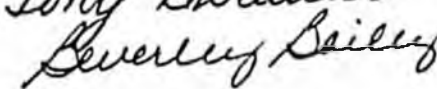
In your presentation, you asked for our support in helping to establish an endowment for education among other things. Rest assured that the principals of this state will support that issue and will continue to support your educational initiatives.

It is a pleasure to have someone of your vision heading the state government. We hope that you will continue to share your vision throughout our state.

Thanks.

Sincerely,

  
Keith Taton

  
Tony Harduar  
  
Beverley Bailey

Tony Harduar, Co-Chair, Alaska Principals Conference Planning Committee  
Keith Taton, Co-Chair, Alaska Principals Conference Planning Committee  
Beverley Bailey, Co-Chair, Alaska Principals Conference Planning Committee  
Arge Jeffery, Co-Chair, Alaska Principals Conference Planning Committee

SS  
1.10



SETTING THE FOCUS ON LEARNING FOR LIFE



EXECUTIVE BOARD  
1988-89

**PRESIDENT**  
KANTY SWENSON  
Tan River Elementary School  
PO Box 1240  
Northway, AK 99717  
484-6000

**PAST PRESIDENT**  
JIM STARRY  
Tan Lake Elementary School  
PO Box 77304  
Eagle River, AK 99571  
866-0294

**VICE PRESIDENT**  
ARGE JEFFERY  
Kumukuk Elementary School  
PO Box 1400  
Eagle River, AK 99577  
866-7711

**SECRETARY**  
LINDA CONNELLY  
New Elementary School  
PO Box 20  
Eagle River, AK 99577  
866-7711

**TREASURER**  
LYNN THOMAS  
New Elementary School  
PO Box 20  
Eagle River, AK 99577  
866-7711

**STATE REPRESENTATIVE**  
MARLEEN STAFFY  
New Elementary School  
PO Box 20  
Eagle River, AK 99577  
866-7711

**REGION-AT-LARGE**  
DAVID DICKERSON  
Seward Elementary School  
PO Box 1000  
Seward, AK 99684  
262-4800

**REGION-AT-LARGE**  
JERRY SCHOENBERGER  
New Elementary School  
PO Box 47  
Northway, AK 99717  
766-1100

**REGION-AT-LARGE**  
PAM WINKELMAN  
Kumukuk Elementary School  
PO Box 1021  
Eagle River, AK 99577  
766-3000

**EXECUTIVE DIRECTOR**  
GREG DANIELS  
420 Airport Road  
Anchorage, AK 99511  
486-0778-3534

## RESOLUTION PASSED AT THE 1988 CONFERENCE OF THE ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS

### SUBJECT: GOVERNOR'S PROPOSED EDUCATION ENDOWMENT FUND

Whereas, the proposed Endowment Fund would stabilize funding for education for future years and,

Whereas, because of the fluctuating oil price, it cannot guarantee future revenues for education and,

Whereas, We must begin somewhere to insure adequate funding for education for our Alaskan Children,

Now, Therefore be it resolved the the Alaska Association of Elementary School Principals support and encourage the 1989-90 legislature to take the necessary steps to insure the creation of the Education Endowment Fund.



**Alaska Association Secondary School Principals**  
 Educational Leadership for Alaska's Future  
 1720 Otter Street • Anchorage, Alaska 99504 • [907] 333-9613

John Kishel, President  
 Sitka Valley Jr-Sr High  
 Sitka

Robert Hahn, Pres. Elect  
 Harten High School  
 Anchorage

William Brannan, Past Pres.  
 Retired  
 Talkeetna

John Cox, NASSP Chair  
 Anchorage School District  
 Anchorage

**DIRECTORS**

A. M. Kasse, Region 1  
 McQueen High School  
 Kivalina

Yvonne Foster, Region 2  
 Sitka Valley High School  
 Sitka

Ken Wyle, Region 3  
 Delta High School  
 Delta

John Kishel, Region 4  
 Sitka Valley High School  
 Sitka

John Kishel, Region 5  
 Sitka Valley High School  
 Sitka

John Kishel, Region 6  
 Sitka Valley High School  
 Sitka

Kathleen Benson  
 A.P. at Large  
 Lathrop H.S., Fairbanks

Gaetano S. Graham  
 Executive Director  
 Anchorage

**RESOLUTION PASSED AT THE 1988 CONFERENCE OF THE ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS**

**SUBJECT: GOVERNOR'S PROPOSED EDUCATION ENDOWMENT FUND**

Whereas, the proposed Endowment Fund would stabilize funding for education for future years and,

Whereas, because of the fluctuating oil price, it cannot guarantee future revenues for education and,

Whereas, We must begin somewhere to insure adequate funding for education for our Alaskan Children,

Now, Therefore be it resolved the the Alaska Association of Secondary School Principals support and encourage the 1989-90 legislature to take the necessary steps to insure the creation of the Education Endowment Fund.

RECEIVED

OCT 4 1988

BOARDS & COMMISSIONS

GOVERNOR'S OFFICE

OCT 6 1988

October 2, 1988

Governor Steve Cowper  
P.O. Box A  
Juneau, Alaska 99811

Dear Mr. Cowper,

I'd like to thank you for taking the time to meet with the members of the Curriculum Cabinet on September 30 and for sharing with us your proposal for using a portion of the permanent fund interest earnings to create an educational endowment. You asked for the support of the associations represented at the cabinet meeting, and I think I can speak for all of us that you will certainly have that support.

I'm pleased that you are willing to take steps now to assure adequate funding for education in the years to come when our state budget will most likely be further depleted and more tightly stretched.

Again, thank you for your attendance at the Curriculum Cabinet meeting and for your determination to provide for quality education in Alaska's future.

Yours truly,



Lois Petersen  
Alaska Association of School Librarians, Representative  
P.O. Box 7  
Metlakatla, Alaska 99926



# ALASKA ASCD

Association for Supervision and Curriculum Development

November 16, 1988

The Honorable Steve Cowper  
Governor, State of Alaska  
c/o 3601 C Street  
Anchorage, AK 99503

Dear Governor Cowper:

The Board of Directors of the Alaska Association for Supervision and Curriculum Development discussed your proposed endowment for education at our recent board meeting, and voted unanimously to commend you in this effort.

AASCD is the state affiliate of a national organization with 110,000 members who represent all professional levels and jobs in education. In Alaska, we have 3 state and over 500 national members. In our recent newsletter, I reported on your speech to the Cabinet of Professional Associations, and hope that this publicity aids you in your effort to secure a sound financial future for Alaska's school districts.

Cordially,

Nancy A. Buell, Ed.D.  
President, AASCD  
c/o University of Alaska Anchorage  
3211 Providence Drive  
Anchorage, AK 99508

**RECEIVED**

NOV 21 1988

COGA  
GOVERNOR'S OFFICE

# ALASKA BLACK CAUCUS

## POSITION PAPER ON PERMANENT FUND

Given current conditions, this session certainly appears to be an appropriate time to assess the effectiveness of the Permanent Fund as presently constituted.

The Caucus has been steadfast in its support for the establishment of an educational endowment fund for K-12. While the Governor now seems receptive to such a concept, our organization differs with his approach. To endow the fund through future yearly contributions from the undistributed income of the existing Permanent Fund, we support a voter's referendum on splitting the existing fund into two funds of approximately five billion dollars each. One fund would serve the same purpose it now serves. The only modification would be that a designated amount of the undistributed income would be earmarked for large scale capital projects and life/cycle maintenance costs for previously completed capital projects.

The second fund would be for the express purpose of providing a stable source of revenue from the fund for K through 12 education by using the interest earnings.

OFFICE OF  
MANAGEMENT & BUDGET  
FEB 22 1989  
LEGISLATIVE PLANNING

# ALASKA CONFERENCE OF MAYORS

217 SECOND STREET, SUITE 200  
JUNEAU, ALASKA 99801  
586-1325  
Fax 463-5480

PRESIDENT 1989  
John J. Williams  
Mayor City of Kenai  
283-7539

VICE PRESIDENT  
Willie Goodwin Jr.  
Mayor City of Kotzebue  
442-3401

February 23, 1989

SECRETARY/TREASURER  
Harry E. Gieseler  
Mayor City of Seward  
224-3331

## MEMORANDUM

TO: The Honorable Lyman Hoffman, Co-Chair, House Finance Committee  
The Honorable Ron Larson, Co-Chair, House Finance Committee  
Members of the House Finance Committee  
and  
The Honorable John Binkley, Co-Chair, Senate Finance Committee  
The Honorable Rick Uehling, Co-Chair, Senate Finance Committee  
Members of the Senate Finance Committee

FROM: Alaska Conference of Mayors

SUBJECT: Presentation before a Joint Session of the House and Senate  
Finance Committees of the State of Alaska by the Alaska Conference  
of Mayors.

The Alaska Conference of Mayors is pleased to offer for your consideration the following programs that we hope will help to enhance revenue to the State, create a more stable situation within the government in future years, and help to promote a balanced budget within the very near future. In addition, some programs will help develop infrastructure and insure quality education for generations to come. The results presented comprise the efforts of the Mayors over the last three months as they have studied the issues and are the result of a statewide survey conducted during the last 21 days. Sources of information were obtained from the Office of the Governor, members of the legislature and their staff, the Departments of Revenue, Labor, and Commerce. We wish to thank all of those who responded with time, information, and assistance in helping to complete this work. Included in our response is a compilation of the data and results of the survey. The Alaska Conference of Mayors, during their regularly scheduled meeting February 23, 1989, concurred in the findings and have declared it to be their official position regarding these issues.

(Attach. 1)

- 1....Recommend that a management audit should be performed to indicate the appropriateness of state services and the most effective method of delivering them.
- 2....Modify the Economic Limit Factor according to House Bill No. 118 now before the First Session of the Sixteenth Legislature.
- 3....Reinstate the State Income Tax allowing for maximum capture of revenue from non-resident employees working within the State.
- 4....Increase the motor fuels tax from eight (8) cents to sixteen (16) cents a gallon with appropriate rebates for boating and off road fuel use as recommended by the Governor's Task Force on Transportation Facilities.
- 5....EDUCATION SHORT-TERM

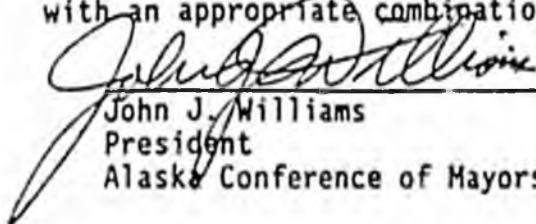
Reinstate the state school tax at a rate of \$50.00 per year per Alaska wage earner.

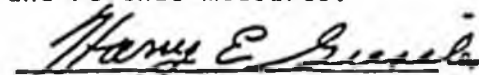
EDUCATION LONG-TERM

Support of the Governor's proposal to identify a portion of the surplus earnings of the Permanent Fund to establish an account within the Permanent Fund which would totally fund the school funding formula. (Requires placement on the ballot.)

- 6....Use a portion of the surplus earnings account of the Permanent Fund to establish a Revolving Loan Fund with guaranteed pay back provisions for capital projects that benefit local governments and which will have a long-term economic development component. Local government shall assist in a maximum input when establishing program criteria.
- 7....Maintain the Railbelt Energy Fund for use in the railbelt area, with priority given to energy-related projects.

In making these revenue enhancement recommendations, the Alaska Conference of Mayors requests that the Governor and the Legislature recognize the importance of municipalities to the health of the state, and the disproportionate cuts to state aid to municipalities since FY 1986. The Governor and the Legislature should address the budget imbalance this year with an appropriate combination of fair cuts and revenue measures.

  
John J. Williams  
President  
Alaska Conference of Mayors

  
Harry Geseler  
Secretary/Treasurer  
Alaska Conference of Mayors



*Grand Camp*  
*Alaska Native Brotherhood*

ALASKA NATIVE SISTERHOOD AND BROTHERHOOD  
76TH ANNUAL CONVENTION  
JUNEAU, ALASKA  
NOVEMBER 14-19, 1988

*Rec'd  
2/6/89*

RESOLUTION NO. 34

TITLE: THE ESTABLISHMENT OF A PERMANENT EDUCATION FUND

WHEREAS, the highest priority for the Alaska Native Brotherhood and Sisterhood Grand Camp is education, and

WHEREAS, one in three of Alaska's people is under the age of 18, giving the state the youngest population in the nation, and

WHEREAS, the right to a free education for every child has been universally recognized, and in Alaska mandated by the State Constitution, and

WHEREAS, education provides the opportunity for reaching personal fulfillment and economic self-sufficiency, and

WHEREAS, to fail to provide that opportunity penalizes not only the individual child, but also the society as a whole, and

WHEREAS, volatile and unpredictable oil revenues have resulted in decreased state funding for education over the last few years, and

WHEREAS, future state oil revenues are projected to decline with the gradual decline of Prudhoe Bay production, making general fund support of public education more difficult and uncertain, and

WHEREAS, fluctuating local property values have also contributed to educational funding uncertainty, and

WHEREAS, federal funding for education has also become increasingly more unpredictable, now

THEREFORE BE IT RESOLVED that the Grand Camp of the Alaska Native Brotherhood and Sisterhood assembled in Juneau during the week of November 14-19, 1988 supports and endorses the establishment of an education fund that guarantees adequate financial support for elementary and secondary schools in the state: and

BE IT FURTHER RESOLVED that this resolution be directed to the Governor, the State's Commissioner of Education and the State Legislature.

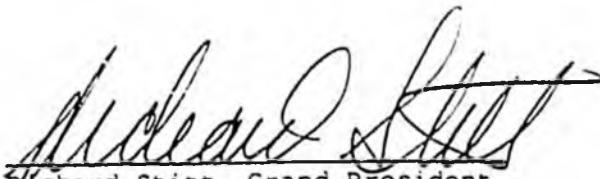
FEB 06 1989

STRATEGIC PLANNING

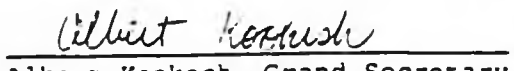
RESOLUTION NO. 34  
Page 2 of 2

ATTEST:

I certify that this resolution  
was adopted by the ANB-ANS  
Grand Camp in Convention at  
Juneau, Alaska during the week  
of November 14-19, 1988.



Richard Stitt, Grand President



Albert Kookesh, Grand Secretary

# ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W 11th St • Juneau, Alaska 99801-1510 • (907) 586-1083

## POSITION PAPER

### HJR 13 EDUCATION ENDOWMENT

The Association of Alaska School Boards actively supports the efforts of Governor Cowper to secure a constitutional amendment to create an Educational Endowment.

The opportunity and the need to solidify the future of Alaska's public education system is upon us. In terms of resources, Alaska has the opportunity and ability to provide a long term commitment to the education of its people with nominal effort. The need, in view of Alaska's economic situation, requires foresight and a bold approach if we are to insure a quality educational program for future generations of Alaskans.

The use of Permanent Fund earnings will continue to provide the security of a rainy day account while providing a sound foundation for the future cost of education.

CITY OF KAKTOVIK

RESOLUTION NUMBER 89-01

A RESOLUTION OF THE CITY OF KAKTOVIK, ALASKA SUPPORTING  
THE PLACEMENT OF GOVERNOR COWPER'S EDUCATION FUNDING  
AMENDMENT ON THE NEXT BALLOT.

WHEREAS, education is of the highest priority to the City of  
Kaktovik, and

WHEREAS, uncertain education funding has been a continuing  
source of anxiety for the City of Kaktovik, and

WHEREAS, the proposed account within the Permanent Fund  
would totally fund the school funding formula in Alaska,

NOW, THEREFORE BE IT RESOLVED, that the City of Kaktovik  
supports the placement of the Education Funding Amendment upon  
the next State ballot.

PASSED AND APPROVED BY THE CITY COUNCIL OF KAKTOVIK,  
ALASKA THIS 17th day of January, 1989.

George T. Tagarook  
George Tagarook, Mayor

ATTEST:

Mary Soplu  
Mary Soplu, City Clerk



## KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

Resolution No.216  
Ketchikan Gateway Borough School District

### GOVERNOR'S EDUCATIONAL ENDOWMENT PLAN

WHEREAS, the school districts of the State have had to cope with the rising and falling price of oil and its impact upon the State's revenues and ultimately upon the foundation formula; and,

WHEREAS, the school districts of the State in 1986 endured revenue shortfalls after approval of their respective budget; and,

WHEREAS, the Governor of the State of Alaska has, with vision and foresight, proposed an amendment to the State's Constitution that would create an educational endowment fund; and,

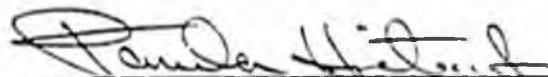
WHEREAS, the 10/6/88 draft of the proposed amendment with suspension provision added would be in the best interest of the students of the State; and,

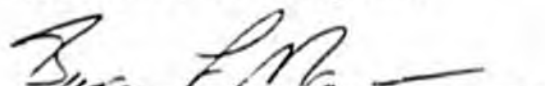
WHEREAS, the endowment would begin payment to the school district of the state in the year 2000; and

WHEREAS, the suspension provision would protect the state in a time of serious revenue decline by not requiring payment to the fund;

THEREFORE BE IT RESOLVED, that the Ketchikan Gateway Borough School District Board of Education lends its full support to the concept of an educational endowment fund to be used for Public Elementary and Secondary Education and urges the passage of this amendment.

PASSED, APPROVED, AND ADOPTED BY THE BOARD OF EDUCATION OF  
THE KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT OF  
KETCHIKAN, ALASKA THIS 15 DAY OF February, 1989.

  
\_\_\_\_\_  
PRESIDENT OF THE BOARD

  
\_\_\_\_\_  
CLERK-TREASURER OF THE BOARD



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

Handwritten: *Hall/Cox*  
Stamp: **RECEIVED**  
Date: **JAN 27 1989**

## ANCHORAGE REGIONAL OFFICE

1411 W 33RD AVENUE  
ANCHORAGE, ALASKA 99503  
(907) 274-0536

## JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302  
JUNEAU, ALASKA 99801  
(907) 586-3090

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456-4435

January 20, 1989

To: Rep. Johnny Ellis, Chair  
Members, House HESS Committee

Re: House Joint Resolution No. 13; "Proposing  
an amendment to the Constitution of the  
State of Alaska, establishing a permanent  
endowment for education in Alaska."

NEA-Alaska supports and encourages the passage of HJR 13.

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HJR 13 is a sound, long range solution to public school funding needs.

More importantly, it provides the opportunity for the general public to affirm its support for the funding source.

Utilization of permanent fund earnings to establish a basis for funding public education is consistent with the original intent and purpose of the permanent fund itself.

We encourage that the legislative discussion and deliberation also acknowledge that earnings from the endowment account may require periodic supplemental appropriations from other sources until the earnings from the account itself are sufficient to fully fund public education.

Finally, we also encourage that the Administration, the Alaska State Legislature, and the entire education community join together in articulating the need for HJR 13 when it is on the ballot in 1990.

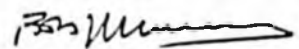
Thank you for your consideration of our position.

JAN 30 1989



STRATEGIC PLANNING

Respectfully submitted,



Bob Manners  
Executive Secretary

cc: Governor Steve Cowper

NEWS CLIPPINGS IN  
Fairbanks  
Daily News Miner

Date: 1-23-1998

Editorial Opinion and Comment of

**FAIRBANKS**  
**Daily News - Miner**

"Independent in All Things . . . Neutral in None"

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### Education endowment deserves close look

One of the most interesting proposals from Gov. Steve Cowper this session is one for a constitutional amendment to set aside up to 40 percent of future permanent fund earnings for savings in a special education endowment account.

The governor has assigned it his No. 1 priority for the Legislature to pass, which means we are likely to hear a lot about it this year, and probably next year as well, before it goes on the ballot.

Problems may arise as the proposal is debated, but for the moment, at least, it seems to make a great deal of sense.

About 25 percent of the state's budget—nearly \$100 million—goes to costs of elementary and secondary education. Under the governor's proposal, earnings from the permanent fund would be placed in an account dedicated to education and invested with the rest of the fund. In the year 2001, when earnings in the education account are projected to reach \$167 million, they could be withdrawn to pay for costs of education.

The chief debate is likely to be over how the education endowment would affect dividends. In the short term, however, it's hard to see how it would affect dividends at all.

At present dividends are figured on a base of the fund's earnings over the previous five years. Half the earnings are used for dividends and the rest is added to the principal as inflation-proofing or placed in the undistributed income account, which is also invested in the fund. Gov. Cowper would like to use the earnings placed in the education account as inflation-proofing, cut dividends to 40 percent, and use the other 20 percent for operation of state government.

Until earnings are withdrawn from the education account in the year 2001, dividend projections with the account and without it are the same. The governor's proposals to use 20 percent of the fund's earnings and the \$575 million undistributed income account for state operating expenses have a much more immediate impact on dividends.

The education endowment would have the effect of forcing the state to reinvest 40 percent of the permanent fund's earnings into the fund. The principal thereby created, and its earnings, would not be available for dividends, but would be money saved by the state. The proposed constitutional amendment would allow the Legislature to extend, revise or cancel the account in the year 2010.

Some people argue that no use should be made of the permanent fund except to have it grow larger and pay dividends. This is not the purpose for which the fund was created, however. The education endowment would guarantee that the fund will grow larger and could eventually remove a major cost of state government from current operating expenses.

The governor's proposal to create an education endowment has many long-term ramifications, and some of them may not yet be clear. The principle seems sound, however, and we urge the Legislature to give it a sympathetic hearing.

Office of the Governor

Fairbanks, Alaska

# Fund for education

**W**hen you get right down to it, there aren't all that many jobs a state has to do. Public safety and transportation come to mind, but the most important is education.

Under the Alaska Constitution, the state has the responsibility for seeing to it that young Alaskans get a proper education. That requirement is not contingent upon whether the state has enough money, nor does it matter where a child lives. An Aniak child has the same rights to an education as an Anchorage child.

Doing that is not easy – or cheap. Each year, a huge portion of the state operating budget – more than \$400 million – goes to school districts around the state.

The abrupt end of plentiful oil money has shaken awake many state leaders, who now realize Prudhoe Bay oil wealth is a finite and not very reliable source of income. By the end of the century, it won't be a major source of income at all.

Keeping that in mind, the state's leaders would be wise to establish some sort of mechanism to pay for education.

That's exactly what Gov. Steve Cowper is proposing. He is asking legislators to forward to voters a constitutional amendment to set aside 40 percent of the earnings of the state's oil wealth savings account, the Alaska Permanent Fund. That money would be allowed to grow until the year 2000, when it would be worth \$6.3 billion and produce \$500 million in interest annually. The fund would have a 20-year lifespan but could be extended.

Either through Gov. Cowper's plan or taxes, Alaskans will have to pay for education during the years to come. Aside from a reduction in their permanent fund dividends, this plan is as painless as any to pay our obligation to the children of Alaska.

Weigh that against the positive effect of reducing the state's budget requirements by more than \$400 million each year, and the argument in favor of Gov. Cowper's plan quickly gains favor.

It may not be perfect, but until we hear a better idea, we're for Gov. Cowper's education fund.

**ISSUE:** Governor offers plan for funding schools

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THE LEGISLATURE

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Mary Van Nimwegen

HOUSE HESS

February 1, 1989 8:30 AM  
HJR 13