

**SUR**

**72**

SENATE FINANCE COMMITTEE REPORT

DATE: 3/7/90

FURTHER:

DATE TURNED INTO OFFICE: 3/10/90

The Finance Committee considered SJR 72

Proposing amendments to the Constitution of the State of Alaska creating an economic development fund.

and recommended:

- replace with CS SJR 72 (Finance)  same title
- or adopt CS \_\_\_\_\_  new title
- attached amendment(s)  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) Gov-Flunts 2/15/90  
2.2

fiscal note(s) \_\_\_\_\_  
Dept/Date: \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

~~Paul H. ...~~  
~~...~~  
~~...~~

J. Duncan - No Rec  
Brend No Rec  
Irene Kealar - Support the Judiciary version  
Paul F. Zhang - Finance gutted No Rec bill  
Paul Smith - No Rec

1. John ... No Rec.

2. Paul H. ... (DO PASS)

FISCAL NOTE

REQUEST:

Revision Date: 2/15/90  
Title: Relating to the economic development fund.  
Sponsor: Sen. Rodey  
Requestor: Sen. Rodey

Agency Affected: Office of the Governor  
BRU: Elections

Components: II- Primary & General Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL SUPPLIES	2.2*	-0-	-0-	-0-	-0-	-0-
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	2.2*	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-2.2*	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	2.2*	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

- The fiscal impact for FY 90 is -0-
- \* Costs included cover 2 to 3 pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote counting purposes.

Prepared by: Linda Edgeworth Phone: 465-4611  
Division: Division of Elections Date: 2/15/90

Approved by Commissioner: [Signature] Date: 2.15.90  
Agency: Division of Elections

Distribution (by preparer):

Changes in CS SJR 72 (Fin) have no fiscal impact. This fiscal note is appropriate. 4/10/90 [Signature]

Changes in CS SJR 72 (Juo) have no fiscal impact. This fiscal note is appropriate.

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SJR 72

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

Under these circumstances the fiscal note would be:

53.4

92 52

11

Original sponsor(s): SEN. RODEY, Faiks

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 72 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to an  
7 economic development fund.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska, is amend-  
10 ed by adding a new section to read:

11 SECTION 17. ECONOMIC DEVELOPMENT FUND. (a) The economic devel-  
12 opment fund is established. Notwithstanding Section 7 of this arti-  
13 cle, the economic development fund consists of one percent of the  
14 annual receipts of

15 (1) mineral lease rentals, royalties, royalty sale pro-  
16 ceeds, and net profit shares from oil and gas leases on State land  
17 entered into after June 30, 1991, and federal mineral revenue sharing  
18 payments received by the State from leases entered into after June 30,  
19 1991;

20 (2) bonuses received by the State on production from leases  
21 entered into after June 30, 1991; and

22 (3) net revenue from State taxes levied and collected by  
23 the State on the production of oil and gas from oil and gas reserves  
24 in the State from which production begins after June 30, 1991.

25 (b) Notwithstanding Section 7 of this article, the legislature  
26 may appropriate from the fund established by (a) of this section only  
27 to make loans from the economic development fund for economic develop-  
28 ment purposes that are authorized by law, and money received as repay-  
29 ment of principal and interest on loans from the economic development

1 fund shall be deposited into the fund. The legislature shall provide  
2 by law for the management and investment of the fund balance.

3 (c) In addition to amounts required to be set aside under (a) of  
4 this section, the legislature may appropriate from the treasury to the  
5 economic development fund.

6 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended  
7 by adding a new section to read:

8 SECTION 29. RECONSIDERATION OF AMENDMENT ESTABLISHING ECONOMIC  
9 DEVELOPMENT FUND. (a) Notwithstanding Section 1 of Article XIII, the  
10 lieutenant governor shall place on the ballot of the general election  
11 in the year 2000 the question: "Shall the Economic Development Fund  
12 established by Section 17 of Article IX, Constitution of the State of  
13 Alaska, be indefinitely extended?"

14 (b) If a majority of the votes cast on the ballot question  
15 submitted to the voters under (a) of this section are in the negative,  
16 the provisions of Section 17 of Article IX are repealed July 1, 2001,  
17 and the balance of the economic development fund established under  
18 Section 17 of Article IX as it exists on July 1, 2001, and all money  
19 thereafter received as repayment of principal and interest on loans  
20 from that fund shall be deposited in the state treasury unless other-  
21 wise appropriated by the legislature.

22 \* Sec. 3. The amendments proposed by secs. 1 and 2 of this resolution  
23 shall be placed before the voters of the state at the next general election  
24 in conformity with art. XIII, sec. 1, Constitution of the State of Alaska,  
25 and the election laws of the state.

Original sponsor(s): SEN. RODEY, Faiks

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 72 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to an  
7 economic development fund.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska, is amend-  
10 ed by adding a new section to read:

11 *Section 7. DEDICATED FUNDS PROHIBITED (removed)*

12 *DUNCAN*  
*Am #1* SECTION 17. ECONOMIC DEVELOPMENT FUND. (a) The economic devel-  
13 opment fund is established. Notwithstanding Section 7 of this arti-  
14 cle, the economic development fund consists of one percent of the  
15 annual receipts of

16 ~~(1)~~ mineral lease rentals, royalties, royalty sale pro-  
17 ceeds, and net profit shares from oil and gas leases on State land  
18 entered into after June 30, 1991, and federal mineral revenue sharing  
19 payments received by the State from leases entered into after June 30,  
20 1991;

21 ~~(2)~~ bonuses received by the State on production from leases  
22 entered into after June 30, 1991; and

23 ~~(3)~~ net revenue from State taxes levied and collected by  
24 the State on the production of oil and gas from oil and gas reserves  
25 in the State from which production begins after June 30, 1991.

26 (b) Notwithstanding Section 7 of this article, the legislature  
27 may appropriate from the fund established by (a) of this section only  
28 to make loans from the economic development fund for economic develop-  
29 ment purposes that are authorized by law, and money received as repay-  
ment of principal and interest on loans from the economic development

1 fund shall be deposited into the fund. The legislature shall provide  
2 by law for the management and investment of the fund balance.

3 ~~(c) In addition to amounts required to be set aside under (a) of~~  
4 ~~this section, the legislature may appropriate from the treasury to the~~  
5 ~~economic development fund.~~

6 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended  
7 by adding a new section to read:

8 SECTION 29. RECONSIDERATION OF AMENDMENT ESTABLISHING ECONOMIC  
9 DEVELOPMENT FUND. (a) Notwithstanding Section 1 of Article XIII, the  
10 lieutenant governor shall place on the ballot of the general election  
11 in the year 2000 the question: "Shall the Economic Development Fund  
12 established by Section 17 of Article IX, Constitution of the State of  
13 Alaska, be indefinitely extended?"

14 (b) If a majority of the votes cast on the ballot question  
15 submitted to the voters under (a) of this section are in the negative,  
16 the provisions of Section 17 of Article IX are repealed July 1, 2001,  
17 and the balance of the economic development fund established under  
18 Section 17 of Article IX as it exists on July 1, 2001, and all money  
19 thereafter received as repayment of principal and interest on loans  
20 from that fund shall be deposited in the state treasury unless other-  
21 wise appropriated by the legislature.

22 \* Sec. 3. The amendments proposed by secs. 1 and 2 of this resolution  
23 shall be placed before the voters of the state at the next general election  
24 in conformity with art. XIII, sec. 1, Constitution of the State of Alaska,  
25 and the election laws of the state.

~~Duncan Am # 1~~  
(4766)

Insert language in subsections (1) and (3) that makes it clear this is "completely prospective" as is subsection (2).

6-2064J  
Chenoweth  
4/9/90  
4/10/90  
ADOPTED  
by SFC

Original sponsor(s): SEN. RODEY, Faiks

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 72 (FINANCE )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska creating an  
7 economic development fund.

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

9 \* Section 1. Article IX, sec. 7, Constitution of the State of Alaska,  
10 is repealed and readopted to read:

11 SECTION 7. DEDICATED FUNDS PROHIBITED. The proceeds of any  
12 State tax or license shall not be dedicated to any special purpose.  
13 This provision shall not prohibit the continuance of any dedication  
14 for special purposes existing on April 24, 1956, and shall not pro-  
15 hibit the dedication of revenue under Section 15 or Section 17 of this  
16 article or when required by the federal government for State par-  
17 ticipation in federal programs.

18 \* Sec. 2. Article IX, Constitution of the State of Alaska, is amended  
19 by adding a new section to read:

20 SECTION 17. ECONOMIC DEVELOPMENT FUND. (a) The economic devel-  
21 opment fund is established. The economic development fund consists of  
22 one percent of the annual receipts of

23 ~~(1) mineral lease rentals, royalties, royalty sale pro-~~  
24 ~~ceeds, and net profit shares from oil and gas leases on state land~~  
25 ~~entered into after June 30, 1991, and federal mineral revenue sharing~~  
26 ~~payments received by the state from leases entered into after June 30,~~  
27 ~~1991;~~

28 (2) bonuses received by the state on production from leases  
29 entered into after June 30, 1991; and

Am # 1  
completely  
prospective

1 Am #1  
2 completely  
3 prospective  
4 →

~~(3) net revenue from state taxes levied and collected by  
the state after June 30, 1991, on the production of oil and gas in the  
state.~~

(b) The legislature may appropriate from the fund established by  
(a) of this section only to make loans from the fund for economic  
development purposes that are authorized by law. Money received as  
repayment of principal and interest on loans from the economic devel-  
opment fund shall be deposited into the fund. The legislature shall  
provide by law for the management and investment of the fund balance.

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

FISCHEE Am #3: Add new section  
(3791)

Sec. 4. The amendments proposed by this resolution shall be  
placed before the voters of the state in the year 2000 for  
reaffirmation.

DUNCAN Am #2: Add new subsection

~~(4) The legislature may appropriate additional  
revenues to the fund.~~

# STATE OF ALASKA

4/10/90

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
P.O. BOX WF  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

### MEMORANDUM

DATE: April 6, 1990

TO: Senator Drue Pierce

FROM: Dave Tonkovich  
Revenue Analyst

SUBJ: Suggested language for Sec 17 of CSSJR No. 72

The following draft is submitted for consideration in the language of CSSJR No. 72, Sec 17. ECONOMIC DEVELOPMENT FUND. The language referring to mineral lease rentals and royalties is adapted from the Permanent Fund statute (AS37.13.010). Using the same revenue base as is used in Permanent Fund calculations would provide consistency and simplify calculations. Also please note that the language does not include the portion of the Corporate Income Tax AS43.20.011(e) that is attributable to petroleum activity.

SECTION 17. ECONOMIC DEVELOPMENT FUND. One percent of the annual receipts of the oil and gas revenues specified in (a) through (c) of this section shall be placed in an economic development fund.

(a) All mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180 (f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after {date}, and all bonuses received by the state from mineral leases issued after {date};

(b) Oil production taxes levied under AS 43.55.011 and incurred after {date}.

(c) Gas production taxes levied under AS 43.55016 and incurred after {date}. (Remaining language from CSSJR 72. )

Original sponsor(s): State Affairs Committee

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR HOUSE BILL NO. 589 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the permanent fund, the Alaska  
7 Permanent Fund Corporation, and disposition of income  
8 from the permanent fund; and providing for an effective  
9 date."

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

11 \* Section 1. AS 37.13.010(a) is amended to read:

12 (a) Under art. IX, sec. 15 of the state constitution, there is  
13 established as a separate fund the Alaska permanent fund. The [ALASKA  
14 PERMANENT] fund consists of

15 (1) 25 percent of all mineral lease rentals, royalties,  
16 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
17 (g), and federal mineral revenue sharing payments received by the  
18 state from mineral leases issued on or before December 1, 1979, and 25  
19 percent of all bonuses received by the state from mineral leases  
20 issued on or before February 15, 1980;

21 (2) 50 percent of all mineral lease rentals, royalties,  
22 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
23 (g), and federal mineral revenue sharing payments received by the  
24 state from mineral leases issued after December 1, 1979, and 50 per-  
25 cent of all bonuses received by the state from mineral leases issued  
26 after February 15, 1980;

27 (3) interest earned by the state on money described in  
28 (1) and (2) of this subsection before that money is deposited in the  
29 fund;

SENATE JOINT RESOLUTION 72 -- ECONOMIC DEVELOPMENT FUND

FY YEAR	OIL SEVERANCE	GAS SEVERANCE	ROYALTIES
1989	671.7	21.8	818.7
1990	867.5	18.3	953.1
1991	897.5	20.0	981.4
1992	972.7	21.2	1,091.0
1993	980.1	20.5	1,139.3
1994	970.3	19.7	1,199.9
1995	920.6	19.4	1,186.5

Revenues affected are based on fall 1989, midcase scenario.

Patrick M. Rodey  
Senator

# Alaska State Legislature



3111 C. St., Suite 510  
Anchorage, Alaska 99503  
(907) 561-7618

During Session:  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3793

Wednesday, April 4, 1990

Senate

## MEMORANDUM

To: Senators John Binkley, Rick Uehling  
Co-Chairmen, Senate Finance

Members, Senate Finance Committee

From: Senator Pat Rodey

Subject: **CSSJR 100 / Economic Development Fund**

The purpose of this constitutional amendment is to expand opportunities for new development and redevelopment that would have positive impact on the State of Alaska.

The Economic Development Fund would use one percent of the annual receipts of State taxes on oil and gas and place those monies into the fund. In FY89 the State collected about \$950 million in oil and gas taxes which would have resulted in about \$9.5 million available if the Fund had been in existence. The proposal as originally written called for one-quarter of one percent of annual receipts but committee response has been so enthusiastic to the Development Fund that the plan has been increased to first to one-half of one percent and now to a full percent.

Along with annual deposits to the fund any earnings or repayments from fund activity would go back into the fund enabling the fund to develop a stable and ongoing source of investment dollars.

A Board of Directors would operate similar to the board of the Permanent Fund Corporation. The board would establish guidelines for a prudent investment policy with the guidance of the legislature. Development proposals would be a matter for legislative consideration once the voters approve the creation of the Economic Development Fund.