

**S B**

**69**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 69

SPONSOR Fischer

BILL TITLE Advisory vote on use of earnings reserve

DATE REFERRED 1-9-89

HEARING SCHEDULED 3-3-89

FISCAL NOTE PREPARED req 3/1/89 a.m.

SPONSOR CONTACTED ✓ Sandy 3791

INTERESTED PARTIES CONTACTED

4611 Linda Edgeworth, Elections

OTHER



Senate Health, Education and  
Social Services Committee

Senator Paul Fischer, Chairman

---

Pat:

I want to thank you for carrying over Senate Bill 69 from your Friday State Affairs Meeting and hearing it today.

Since this legislation would have had to be enacted into law by the 60th day, at the latest, in order for the advisory vote to take place prior to our adjournment - I would like to request that this bill be removed from your agenda.

*Paul*

# Alaska State Constitution

## Art IX, Sec 15

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

§ 15. The proceeds of any state tax or other revenue shall not be dedicated to any special purpose as provided in section 15 of this constitution, nor shall any tax or other revenue required by the federal government for participation in federal programs. This section shall not prohibit the continuance of any tax or special purposes existing upon the adoption of this section by the people.

(This section was approved by the voters of Alaska in 1976 and became effective February 21, 1977. The text inserted is provided in section 15 of this constitution.)

§ 16. No state debt shall be contracted except by law for capital improvements or for a majority of the qualified voters of the State on the question. The State shall not be bound by law and without ratification, for the purpose of repelling invasion, for the protection, defending the State in foreign wars, or redeeming in-  
debt incurred at the time this constitution became effective.

§ 17. No debt shall be contracted by any political subdivision of the State, unless authorized by law and approved by its governing body by a majority vote of those qualified voters on the question.

§ 18. The State and its political subdivisions shall be authorized to meet appropriations and to participate in the collection of mineral royalties for that year, but all debt so contracted shall be repaid by the end of the next fiscal year.

§ 19. The restrictions on contracting debt incurred through the issuance of bonds by a public enterprise or

public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

Budget

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

Expenditures

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

Legislative  
Post-Audit

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

Alaska  
Permanent  
Fund

SECTION 15. At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All

income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

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

Revisor's notes. -- Reorganized in amendment repealed former paragraphs 1988 to delete repealed paragraphs. (1) and (4) -- (7).  
Effect of amendments. -- The 1984

**Chapter 13. Alaska Permanent Fund.**

Section	Section
10 Alaska permanent fund	120. Investment responsibilities of the board
20 Findings	140. Income
30 Purpose	145 Disposition of income
40 Alaska Permanent Fund Corporation	150. Corporation budget
50 Composition and qualifications of board of trustees	160. Audits
60 Term of office	170. Reports and publications
70 Removal and vacancies	180. Tax exemption
80 Quorum	190. Political activities
90 Compensation of board members	200 Public access to information
100. Corporation staff	205 Regulations
110. Conflicts of interest	210. Definitions

**Sec. 37.13.010. Alaska permanent fund.** (a) Under art. IX, § 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of 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 on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of 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 December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

(3) any other money appropriated to or otherwise allocated by law to the Alaska permanent fund.

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in this chapter. (§ 5 ch 18 SLA 1980)

Legislative history reports. -- For the Free Conference Committee Report on ch 18, SLA 1980 (FCCSSB 161), see 1980 House Journal, Joint Supplement No. 7, April 2, 1980.

Revenues into fund

**Sec. 37.13.020. Findings.** The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) the corporation should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;

(2) the corporation's goal should be to maintain safety of principal while maximizing total return;

(3) the corporation should be used as a savings device managed to allow the maximum use of disposable income from the corporation for purposes designated by law. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.030. Purpose.** It is the purpose of this chapter to provide a mechanism for the management and investment of those permanent fund assets allocated to the Alaska Permanent Fund Corporation in a manner consistent with the findings in AS 37.13.020. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.040. Alaska Permanent Fund Corporation.** There is established the Alaska Permanent Fund Corporation. The corporation is a public corporation and government instrumentality in the Department of Revenue managed by the board of trustees. The purpose of the board is to manage and invest the assets of the corporation in accordance with this chapter. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.050. Composition and qualification of board of trustees.** (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists of six members appointed by the governor. Two of the members must be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Four members shall be appointed by the governor from the public and may not hold any other state or federal office, position or employment, either elective or appointive, except as a member of the armed forces of either the United States or of this state.

(b) The four public members of the board must have recognized competence and wide experience in finance, investments, or other business management-related fields.

(c) The board shall annually elect a chairman from among its members. (§ 5 ch 18 SLA 1980; am § 1 ch 81 SLA 1982)

cedures or remedies available for collection of taxes under this title to recover the payment of a permanent fund dividend that was improperly made. A notice of an improperly paid dividend must be sent to the individual within 10 years after the improper payment. If notice is not sent within the 10-year period, proceedings may not be commenced in court for recovery of the improper payment.

"(c) If the commissioner determines that a permanent fund dividend should not have been credited to an individual's an-

nuity account, the commissioner may, after notice and opportunity for hearing, direct the commissioner of administration to debit the individual's annuity account for the amount wrongly credited. If the credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debt must be made within three years."

**Effect of amendments.** — The 1988 amendment, effective January 1, 1989, added subsection (c).

**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) [Repealed, § 24 ch 99 SLA 1985.]

(d) Unless specified otherwise in an appropriation act, the unexpended and unobligated balance of an appropriation to implement this chapter lapses into the dividend fund on June 30 of the fiscal year for which the appropriation was made and shall be used in determining the amount of and paying the subsequent year's dividend as provided in AS 43.23.025(1)(B). (§ 1 ch 102 SLA 1982; am § 24 ch 99 SLA 1985; am § 3 ch 57 SLA 1987)

**Effect of amendments.** — The 1985 amendment repealed subsection (c).

The 1987 amendment, added subsection (d).

#### NOTES TO DECISIONS

Stated in *Alaska Oil Co. v. Alaska*, 45 Bankr. 358 (D. Alaska 1985).

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

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

*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)

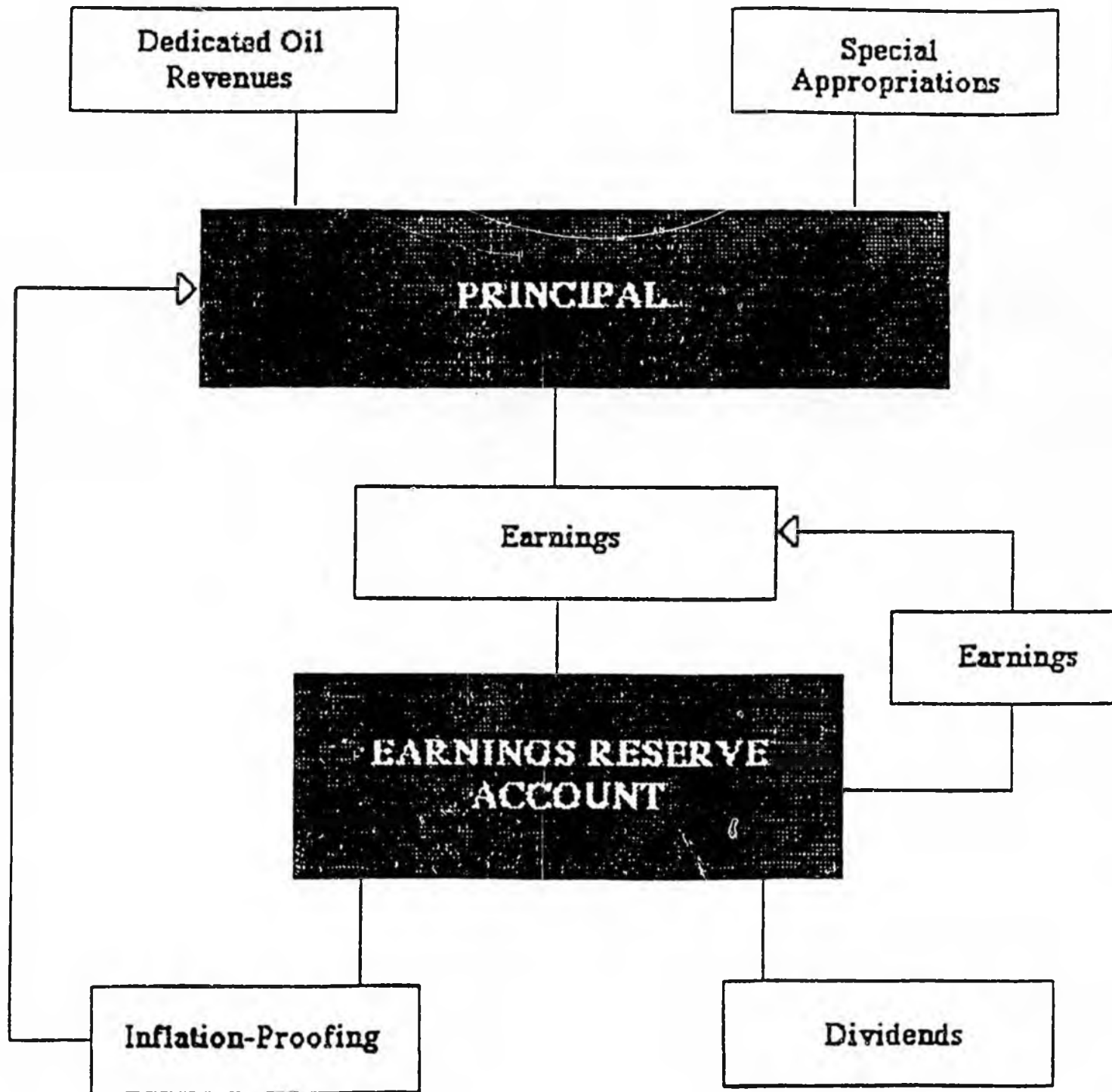
**Cross references.** — For transfer of certain income earned by the Alaska permanent fund prior to July 1, 1982, to the undistributed income account, see § 15, ch. 81, SLA 1982.

**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)

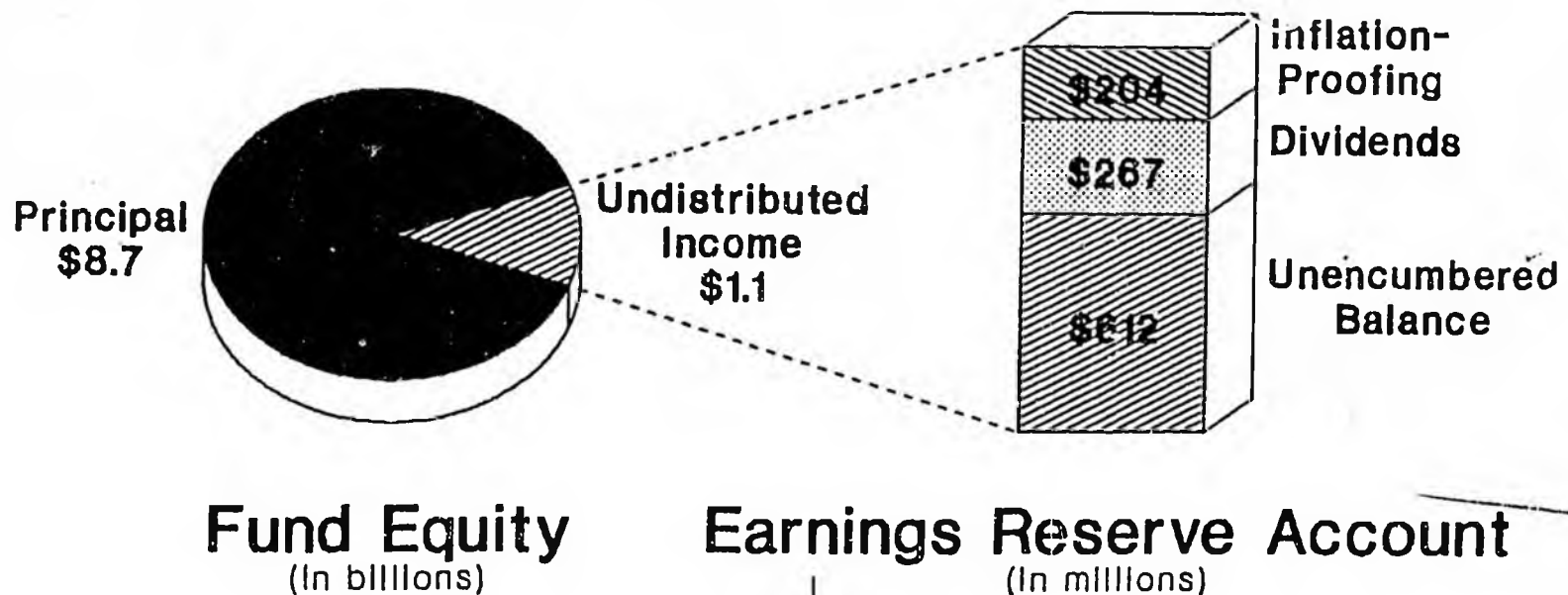
*inflation proofing*

# HOW THE PERMANENT FUND WORKS



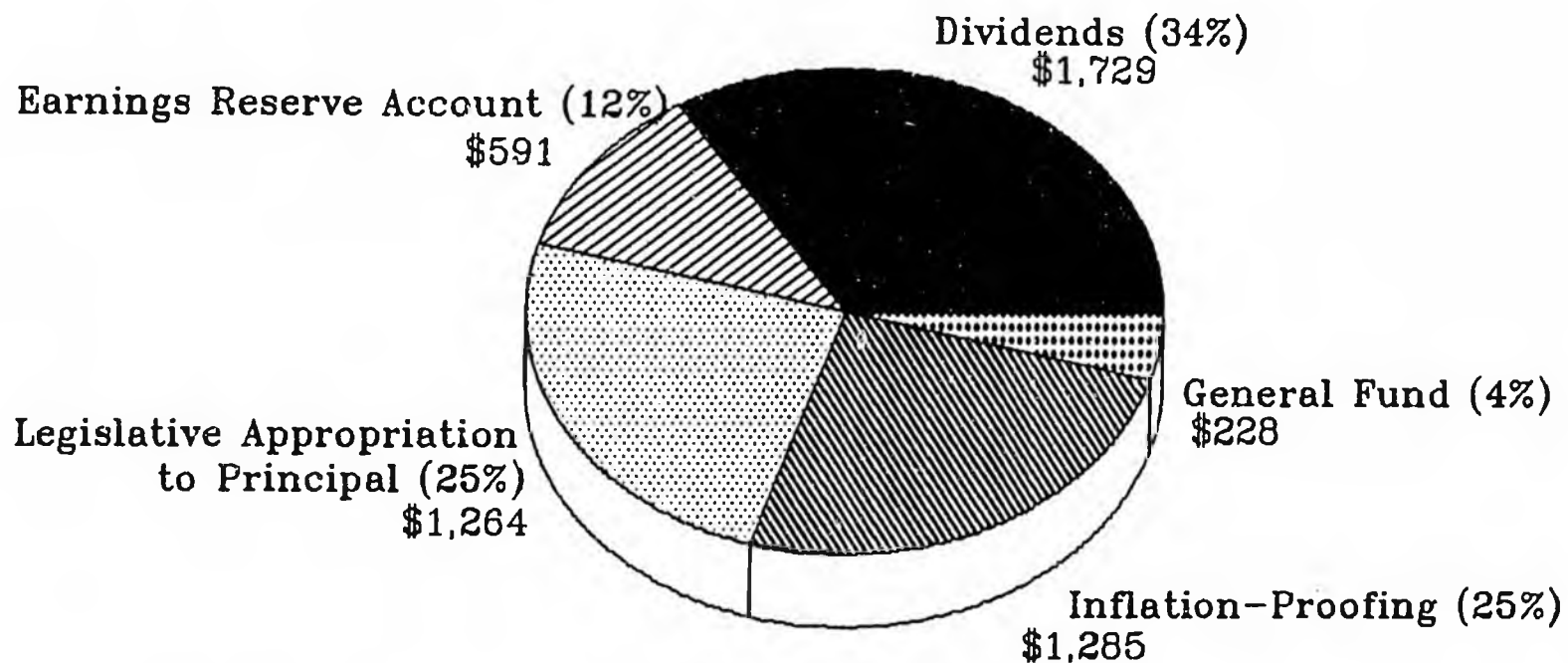
# COMPOSITION OF FUND EQUITY

as of January 31, 1989



# USE OF FUNDS

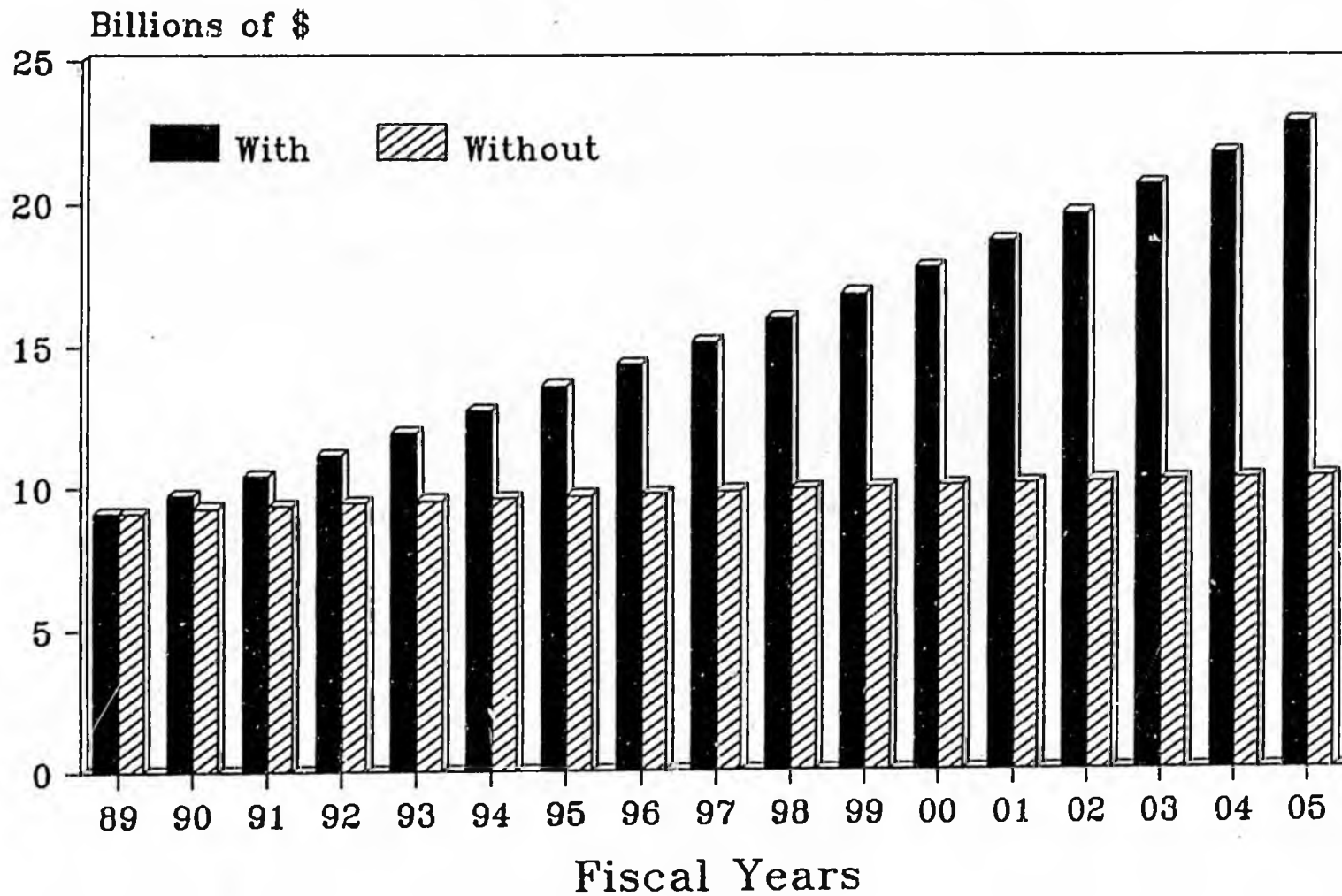
Distribution of Income Since Inception  
(in millions)



Total Net Income Produced: \$5.1 Billion

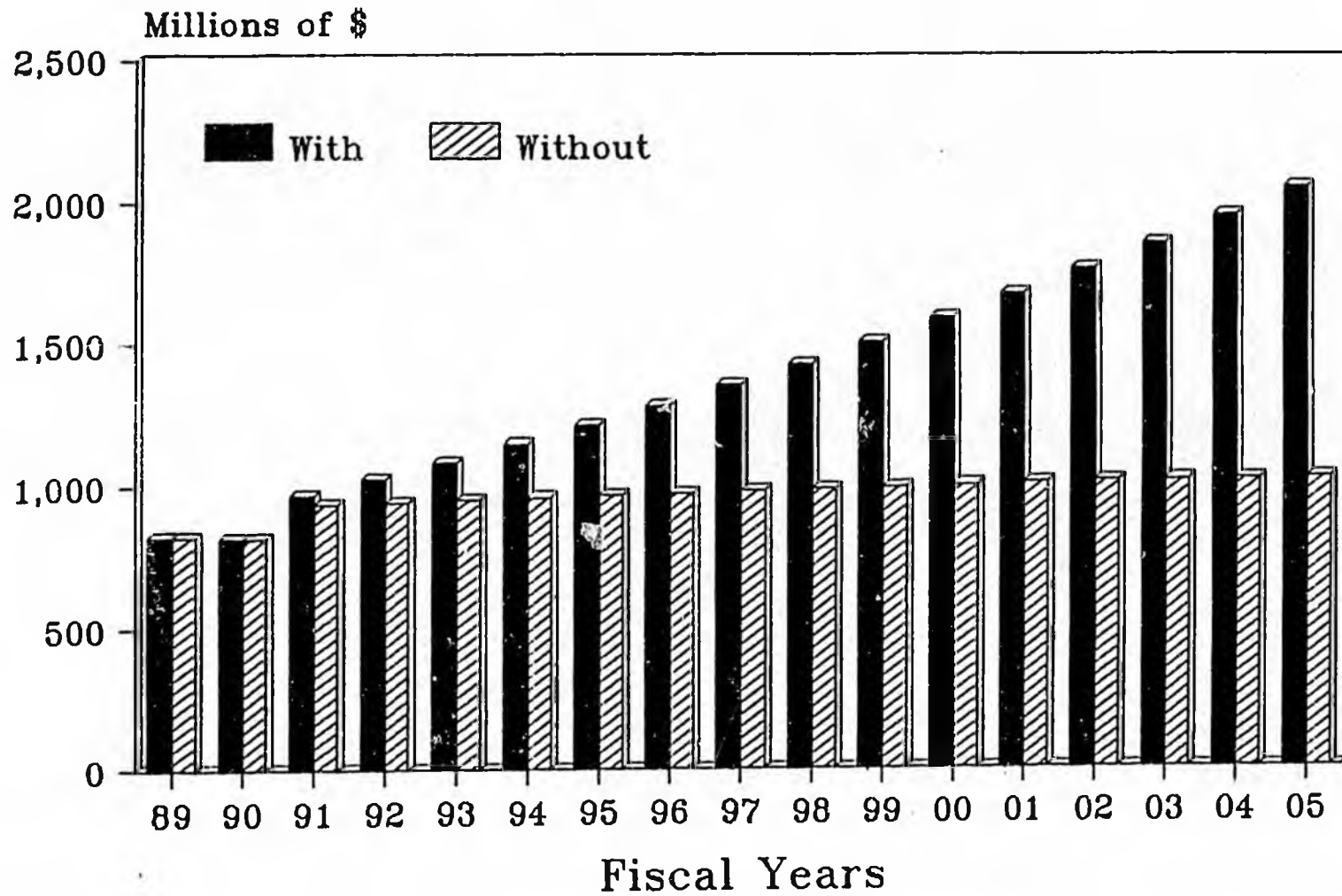
Source: APFC

# IMPORTANCE OF INFLATION-PROOFING To Growth of Principal



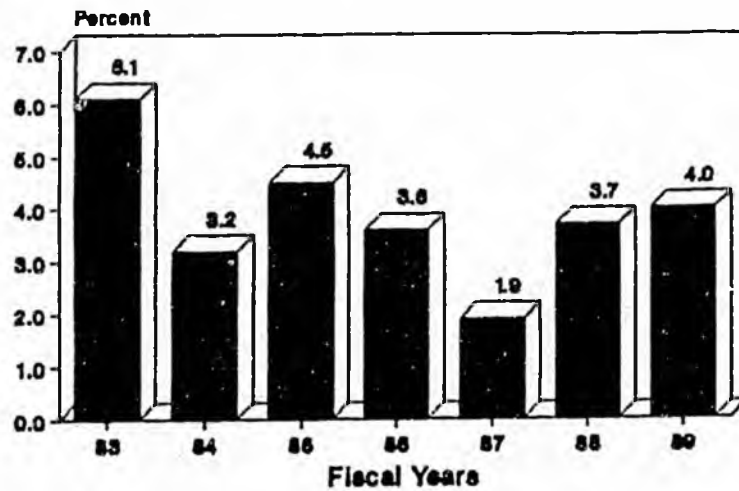
Source: APFC

# IMPORTANCE OF INFLATION-PROOFING To Growth of Net Income

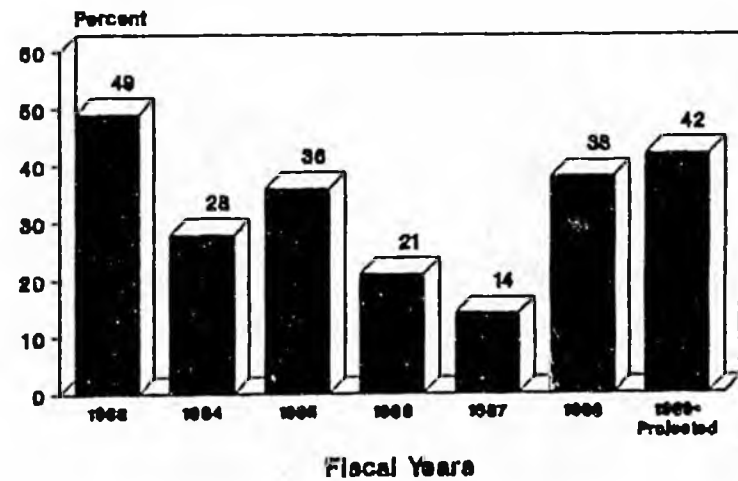


Source: APFC

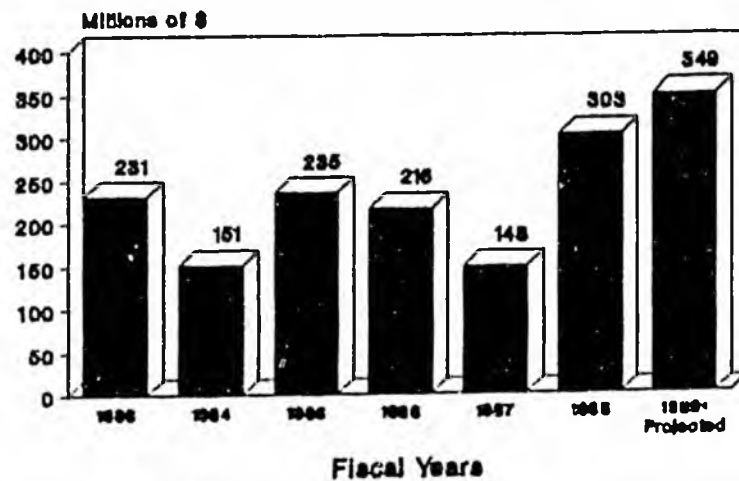
**ANNUAL % CHANGES IN THE CPI**  
Used to Calculate Inflation-Proofing



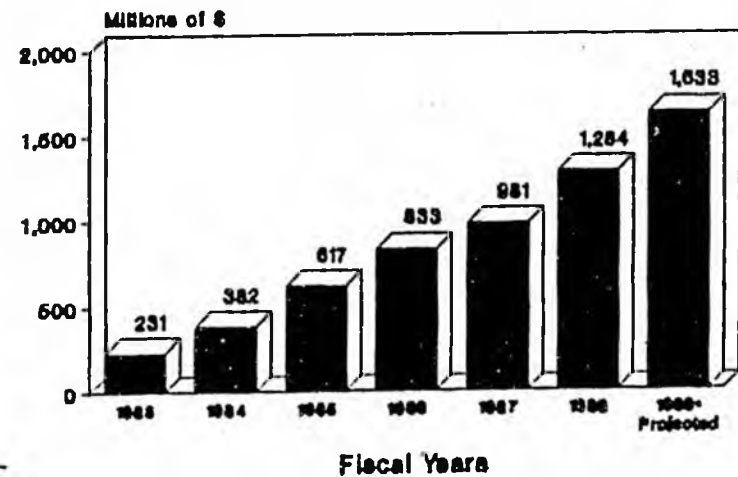
**INFLATION-PROOFING AMOUNTS**  
As a % of Annual Net Income



**INCOME ADDED TO PRINCIPAL**  
By Inflation-Proofing



**INCOME ADDED TO PRINCIPAL**  
By Inflation-Proofing (Cumulative)



Alaska State Legislature



Senator Paul Fischer  
Senate District D  
Box 784  
Soldotna, Alaska 99669  
(907) 262-9420 W  
262-9269 H

While in Juneau  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3791

State Senate

MEMORANDUM

TO: Senator Pat Pourchot, Chair  
Senate State Affairs Committee

FROM: Senator Paul Fischer *PF*

SUBJECT: Senate Bill 69  
(proposing an advisory vote on the use of  
the earnings reserve account)

DATE: January 10, 1989

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I would appreciate your scheduling the above referenced bill for a hearing before the Senate State Affairs Committee at your earliest possible convenience.

Under this proposed legislation, the lieutenant governor would conduct a special election during 1989. I believe it imperative to get this issue out for thoroughly review so that this advisory vote can be conducted in a timely manner.

Your consideration would be greatly appreciated.

PAF/sgn

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Advisory Vote - Use of Earnings  
Reserve Account  
Sponsor: Fischer  
Requestor: Fischer

Agency Affected: Office of the Governor  
BRU: Elections  
Components: I Elections

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						
TOTAL OPERATING						
CAPITAL						
REVENUE	*	*				

FUNDING: (Thousands of Dollars)

GENERAL FUND	*	*				
FEDERAL FUNDS						
OTHER						
TOTAL	*	*				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached.

Prepared by: Linda Edgeworth  
Division: Division of Elections

Phone: 465-4611  
Date: 3/3/89

Approved by Commissioner: *Mary Valentine*  
Agency: \_\_\_\_\_

Date: 3/3/89

Distribution (by preparer):

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

CONTINUATION OF FISCAL NOTE  
FOR SB69

At the sponsor's request, the Division of Elections has prepared this fiscal note to reflect the costs anticipated for a statewide special election held by mail, and held in person. As a basis for the fiscal note, actual costs incurred in the conduct of the 1988 General Election were utilized. Adjustments were made to reflect appropriate reductions for functions associated with the general election which would not be required in the conduct of this special election.

Reduction Adjustments

1. The actual costs incurred for the 1988 General Election were:

FY88	36.1
FY89	992.9
<b>TOTAL</b>	<b>1028.0</b>

The most obvious and significant of these adjusted reductions reflected in this fiscal note are:

Official Election Pamphlet Printing and Production	82.0
Official Election Pamphlet Postage	56.2
Official Election Pamphlet Staff	25.0
Ballots (Candidate, Measure and Judicial with full rotations on gang punched Datavote stock)	167.2*
Datavote Programming	108.0*

\* Actual costs for these items for this single measure election are included in the fiscal detail that follows.

Significant Differences Noted Between an In Person Election and a By Mail Election

2. In comparing cost differences between a by mail election and an in person election examples of the most significant discrepancies will be found in the following:

Election Workers:

The cost of precinct workers, amounting to 219.3, would not be incurred in a by mail election. However, in a by mail election, costs for Absentee District Review Boards would be dramatically increased, from approximately 34.1 to 136.4.

Printed Forms and Supplies:

In an in person election standard costs for precinct supplies and forms such as tally books, questioned registers, party registers, questioned envelopes, etc. would still be incurred. While these costs would not be incurred in a by mail election, additional costs for printing the ballot mailers would be dramatically increased at an estimated 67.5.

Postage:

In a by mail election a major expenditure would be incurred for postage on outgoing ballots and business reply return postage, estimated at about 56.2.

What follows is a brief description of the total costs anticipated for the two types of elections.

As a general assumption, costs are based on an election serving 300,000 voters with a turnout projection of 50%.

	IN PERSON	BY MAIL
Personal Services: Includes Usual Data Entry and Support Temps.	76.1	56.1
By Mail Temps, Ballot Mailing		16.5
Travel: Includes Administrative Oversight and Field Travel For Recruitment, Training Election Workers	29.8	11.6

	IN PERSON	BY MAIL
Election Workers:		
Precinct Workers	219.1	
AB & Quest. Boards	34.1	136.4
Others: State Review, Data Processing Review, Absentee In Person Officials, Etc.	80.8	56.7
Printing and Binding:		
Ballots	40.7	28.8
Other Printing:		
Handbooks, Forms, Posters	28.2	7.7
Tally Books Question Registers, etc.		
Absentee Mailers	5.0	67.5
Advertising & Voter Outreach	30.1	30.1
Datavote Programming	70.0	58.0
Postage For By Mail Ballots	11.2	56.2
Other Services: Includes Security, Freight, Data Processing, Supplies, Training, Microfilming, Communications, Reports, etc.	82.8	67.7
	TOTAL	
	707.8	675.7



**Alaska Permanent Fund Corporation**

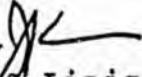
P.O. Box 4-1000 Juneau, Alaska 99802-4100

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

M E M O R A N D U M

DATE: March 1, 1989

TO: Senator Paul Fischer

FROM: Jim Kelly   
Research & Liaison Officer

SUBJECT: Analysis of Senate Bill No. 69

Attached are two financial projections prepared by the Alaska Permanent Fund Corporation at the request of the Senate State Affairs Committee.

**Financial Projection #1:** This is the status quo case as of January 31, 1989. 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 impacts of Senate Bill No. 69. For the purposes of this projection, the Corporation made the following assumptions about the bill:

- \* The income remaining in the Earnings Reserve Account on June 30, 1989 would be distributed as follows: (a) 25% to Fund principal; (b) 25% to dividends; and (c) 50% to the General Fund.
- \* All the distributions are deemed to have occurred on June 30, 1989, even though it is likely that this would actually occur later in the fiscal year, if approved by the voters in a special election.

Summary Analysis of Impact: Compared to the status quo, adoption of Senate Bill No. 69 would have the following effects:

\* Principal: Even with the \$151 million special appropriation to principal, this proposal would produce a smaller Fund principal balance beginning within two years. This occurs because the special distributions (including increased payouts to dividends and the General Fund) eliminate the Fund's reserves. These reserves

would otherwise have been added to principal over the next six years to cover expected inflation-proofing shortfalls.

\* Net Income: Future Fund income would be reduced as soon as the special distributions from the Fund envisioned by this bill are made.

\* Inflation-Proofing Shortfalls: In the status quo case, there would be sufficient undistributed income to fully inflation-proof Fund principal each year until fiscal 1996. In the case of this proposal, inflation-proofing shortfalls would begin immediately in fiscal 1990.

\* Dividends: As a result of this proposal, Alaskans would receive an additional \$256.97 per capita in fiscal 1990. Over the long-term, however, the early distribution of Fund reserves to the General Fund would reduce future Fund earnings which would, in turn, reduce future dividends. Over the next 16 years, each eligible Alaskan would receive \$536 less under this proposal than under the status quo.

\* General Fund: This proposal does make an additional \$303 million available to the General Fund in fiscal 1990, compared to zero under the status quo..

**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.

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.



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions) as of January 31, 1989

FY	PRINCIPAL						INCOME					Reserves		FY
	FY Begin Balance	Appro- priations	Dedicated State Revenues*		Inflation Proofing Balance	Inflation Proofing Shortfall	Net Income	Distributions			General Fund	Add (Delete)	FY End Balance	
			State Revenues*	Inflation Proofing				Dividends	Per Capita Dividends**	Inflation Proofing				
78			54		54		2				1			78
79	54		84		139		8				7			79
80	139		344		483		32	12			12			80
81	483	900	385		1,769		150	28			28	59	59	81
82	1,769	800	401		2,969		368	71	\$1,000.00		71	185	244	82
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	354	83
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	557	84
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	763	85
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	1,264	86
87	6,281	1,264	171	148	7,864		1,069	391	\$708.19	148		529	529	87
88	7,864		418	303	8,585		789	424	\$826.93	303		62	591	88
89	8,585		184	351	9,120		823	458	\$836.29	351		15	605	89
90	9,120		190	466	9,775		818	475	\$859.00	466		( 122)	483	90
91	9,775		83	592	10,449		971	471	\$843.29	592		( 92)	392	91
92	10,449		89	632	11,170		1,026	467	\$828.44	632		( 74)	318	92
93	11,170		88	676	11,933		1,087	496	\$871.92	676		( 85)	233	93
94	11,933		85	721	12,740		1,151	531	\$924.73	721		( 101)	132	94
95	12,740		81	769	13,590		1,217	572	\$989.61	769		( 125)	8	95
96	13,590		77	687	14,354	133	1,285	605	\$1,037.79	687		( 8)		96
97	14,354		74	716	15,145	149	1,356	640	\$1,087.60	716				97
98	15,145		69	754	15,968	158	1,431	676	\$1,138.94	754				98
99	15,968		65	794	16,828	168	1,508	714	\$1,191.76	794				99
0	16,828		62	836	17,726	177	1,589	753	\$1,245.87	836				0
1	17,726		58	880	18,664	187	1,673	794	\$1,301.88	880				1
2	18,664		55	926	19,644	198	1,762	836	\$1,359.54	926				2
3	19,644		51	973	20,669	208	1,854	880	\$1,419.10	973				3
4	20,669		47	1,023	21,739	220	1,950	927	\$1,479.46	1,023				4
5	21,739		43	1,075	22,857	232	2,051	975	\$1,543.43	1,075				5
-----														
Cumulative Totals: 3,964      4,737    14,156    22,857    1,830      28,648    12,999    \$23,172.28    14,156      229														
-----														

ASSUMPTIONS:      4.00% Inflation Rate FY 89  
 -----            9.06% Rate of Return FY 89  
 3/1/89  
 STATUS QUO INCLUDING BUDGET SUMMIT  
 CONSENSUS REVENUE ESTIMATES FOR FY 89-90

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

\* 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



DIVISION OF BUDGET REVIEW  
SUMMARY OF REVENUES AND APPROPRIATIONS  
FISCAL YEARS 1989 AND 1990  
GENERAL FUND AND GENERAL FUND/PROGRAM RECEIPTS  
(\$ millions)

	LOW SCENARIO	MID SCENARIO	HIGH SCENARIO
<b>FISCAL YEAR 89 AVAILABLE</b>			
1. Carry Forward From Prior Year	224.0	224.0	224.0
2. Unrestricted Revenue	1,670.9	1,814.0	2,016.8
3. Adjustments to Revenue	120.8	120.8	120.8
TOTAL AVAILABLE:	2,015.7	2,158.8	2,361.6
<b>FY 89 APPROPRIATIONS</b>			
1. Operating Programs	-1,076.4	-1,076.4	-1,076.4
2. Formula Programs	-904.4	-904.4	-904.4
3. G.O. Debt	-135.6	-135.6	-135.6
4. Other Debt	-11.8	-11.8	-11.8
5. Capital Projects			
- General Appropriations	-88.2	-88.2	-88.2
- Reappropriations	-30.2	-30.2	-30.2
6. Loan Programs	-16.7	-16.7	-16.7
7. Supplementals			
- Health Benefits (estimate)	-17.9	-17.9	-17.9
- Other (estimate)	-30.0	-30.0	-30.0
TOTAL APPROPRIATIONS:	-2,311.2	-2,311.2	-2,311.2
ESTIMATED CARRY FORWARD	-295.5	-152.4	50.4
<hr/>			
<b>FISCAL YEAR 90 AVAILABLE</b>			
1. Carry Forward From Prior Year	.0	.0	.0
2. Unrestricted Revenue	1,006.5	1,387.4	1,936.3
3. Adjustments to Revenue	49.7	49.7	49.7
TOTAL AVAILABLE:	1,056.2	1,437.1	1,986.0
<b>FY 90 APPROPRIATIONS</b>			
1. Operating Programs	-1,123.4	-1,123.4	-1,123.4
2. Formula Programs	-949.3	-949.3	-949.3
3. G.O. Debt	-120.4	-120.4	-120.4
4. Other Debt	-12.1	-12.1	-12.1
5. Capital Projects	-98.9	-98.9	-98.9
6. Loan Programs (net)	-4.9	-4.9	-4.9
TOTAL APPROPRIATIONS:	-2,309.0	-2,309.0	-2,309.0
ADDITIONAL FY 90 REVENUE SOURCES *	949.0	949.0	949.0
ESTIMATED CARRY FORWARD	-303.8	77.1	626.0

\* Additional revenue sources consist of the following: (1) Economic Limit Factor revision -- \$141 million; (2) Motor Fuel Tax increase -- \$34; (3) use of the Permanent Fund Undistributed Income Account -- \$575 million; (4) implementation of a State Sales Tax -- \$49 million; and (5) litigation revenue -- \$150 million.

\*\* Cash flow does not include the contingent transfer of up to \$34 million from the General Fund to the Alaska Permanent Fund Corporation for the the Alaska Science and Technology Endowment (Sec.189, Ch.173, SLA 1988).

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Falke, Vice Chairman  
Sen. Al Adams  
Sen. Tim Kelly  
Sen. Rick Uehling



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

907-465-3712

## Senate State Affairs Committee

### MEMORANDUM

TO: Senate State Affairs Committee Members  
FROM: Senator Pat Pourchot, Chairman  
RE: March 3 Committee Meeting  
DATE: March 2, 1989

On Friday, March 3 at 2:00 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

#### SJR 30, Relating to location of a job corps center within the Matanuska-Susitna Borough

SJR 30 calls for the establishment of a Job Corps center within the Mat-Su Borough. Congress has appropriated funds for the development of six new centers throughout the country and the U.S. Department of Labor is accepting applications from the states. Alaska's application, submitted in December 1988, proposes use of the Goose Bay Correctional Center in Wasilla or Colony High School in Palmer.

The Job Corps program was established by the federal government in 1964 to provide intensive educational and vocational training to economically disadvantaged youth. Alaska does not have a Job Corps center and Alaskans who participate must go out of state.

THE FOLLOWING BILLS PROPOSE VARIOUS USES OF THE PERMANENT FUND EARNINGS RESERVE AND ADDRESS THE SIZE OF THE STATE'S BUDGET. IT IS NOT MY INTENT TO MOVE THESE BILLS TODAY.

SSSJR 5, Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska permanent fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund, the expenditure limit, and the budget stabilization fund; and suspending the operation of provisions relating to dedicated funds, the Alaska permanent fund, and the appropriation limit

SSSJR 5 would constitutionally dedicate permanent fund earnings:  
50% dividends  
30% inflation proofing  
20% budget stabilization fund

March 3, 1989  
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It would constitutionally establish a 1996 appropriation limit of \$1.4 billion. Limits for the preceding years would be established by law. Revenues in excess of the limit would be deposited as follows:

- 50% permanent fund
- 50% budget stabilization fund

Up to 25% of the budget stabilization fund could be spent in any year in which revenues were less than the expenditure limit.

The constitutional provisions would be repealed July 1, 1996.

SB 79, An Act relating to reductions in state budget levels for certain fiscal years

SB 79 is a companion bill to SSSJR 5 which calls for a 1996 appropriation limit of \$1.4 billion. SB 79 heads the state in that direction by calling for a 6.5% reduction in the state's budget in FY 90 and again in FY 91. It is assumed that this scheme will be continued once the appropriation limit is approved by the voters in November 1990.

A 6.5% reduction in FY 90 would be a reduction of \$144.8 million (from \$2228.1 million to \$2083.3 million).

SJR 18, Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund

SJR 18 would amend the Constitution to specify that income of the permanent fund be appropriated for dividends, to the fund principal, for administrative costs of the fund, and for other purposes that the voters approve.

SB 69, An Act providing for an advisory vote on the use of the earnings reserve account

SB 69 would provide for an advisory vote on distributing the balance in the earnings reserve account of the permanent fund as follows:

- 50% to the general fund
- 25% to the principal of the permanent fund
- 25% for a special dividend

SB 69        ADVISORY VOTE ON USE OF EARNINGS RESERVE ACCOUNT

NOTIFIED

SENATOR FISCHER, SPONSOR    (SANDY NUSBAUM)

MARY HALLORAN, O.M.B.

LINDA EDGEWORTH, ELECTIONS

JIM KELLY, PERMANENT FUND

IRVIN JONES, DEPT. REVENUE    (TO ANSWER QUESTIONS ON DIVIDENDS)

F.Y.I.

PER ELECTIONS, THE 50-DAY TIME FRAME IS TOO SHORT.    THEY WILL  
RECOMMEND AMENDING TO 75 DAYS.

UNDER THE BILL:

SPECIAL DIVIDEND	\$ 256.97 PER CAPITA
DEPOSIT IN GENERAL FUND	\$ 303 MILLION
DEPOSIT IN P.F. CORPUS	\$ 151 MILLION

WILL RESULT IN A SHORTFALL IN INFLATION PROOFING IN 1990; WON'T  
BE UNTIL 1996 OTHERWISE.