

S J R

5

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER *SJR 5*

SPONSOR *Faiks*

BILL TITLE *Constitutional amendments re Permanent Fund/
Budget Stabilization Fund*

DATE REFERRED *1/9/89*

HEARING SCHEDULED *3-3-89*

FISCAL NOTE PREPARED

SPONSOR CONTACTED *Cheryl 4523*

INTERESTED PARTIES CONTACTED

- ✓ *Linda Edgeworth, Elections 4611*
- ✓ *Shari Kochman, You 3500*
- will call* *DOR, Cliff Groh 2301*
- ✓ *Perm Fund, Jim Kelly 2047*

*Jack OMB
Funnell or
Kretheder will handle
Bob Evans will look to Pat
Mary Talloran
3568*

Irvin Jones

OTHER *See also SB 79 file*

FISCAL NOTE

REQUEST:

Revision Date: 3-1-89
Title: Provisions relating to the
Alaska Permanent Fund
Sponsor: Faiks
Requestor: Faiks

Agency Affected: Office of the Governor
BRU: Division of 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	-0-	-0-	2.2*	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	2.2*	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer program-ing requirements for vote (Continued)

Prepared by: Linda Edgeworth Phone: 465-4611
Division: Elections Date: _____

Approved by Commissioner: *[Signature]* Date: 3/1/89
Agency: Division of Elections

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSJR 5

counting purposes. 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

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE _____
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

FURTHER

JUD
FIN

DATE TURNED INTO OFFICE 3-17-89

2/2/89

Mr. President:

STATE AFFAIRS

Committee considered

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, etc and recommended:

replace with CS SJR 5 (St Aff) same title
[] attached amendment(s) and [] new title

[] _____ letter of intent adopted

[] do pass

[] do not pass

[] no recommendation

individual recommendations

[] further referral to _____

FISCAL NOTE(S) attached [] zero
[] appropriation no FN attached

fiscal impact
[] Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Jan Smith
Paul Adams

Tim Kelly - No Rec

Pat Fournier no rec
Chairman signature and recommendation

[] Committee backup attached

SSSJR 5 Constitutional amendment: 50/30/20, appropriation
limit, and budget stabilization fund (FAIKS)

Suspends Constitutional prohibition against dedicated funds to allow dedication of PF earnings:

50%	dividends
30%	inflation proofing
20%	budget stabilization fund

Suspends Constitutional appropriation limit. Establishes a 1996 limit of \$1.4 billion; legislature to establish by law limits for preceding years. Revenues in excess of limit:

50%	deposit in PF
50%	budget stabilization fund

Allows for expenditure of up to 25% of budget stabilization fund in any year in which revenues are less than expenditure limit. (FY 92 51.8, FY 93 106.0, FY 94 162.5, etc.)

NOTE: We have on file the following runs:

Status Quo	(mid-case per Budget Summit)
40-30-30	(dividends-inflation-budget stabilization fund)
50-25-25	
50-30-20	(SSSJR 5 - largest impact is on inflation proofing which is halved; PFDs continue to grow but at a smaller rate after the first few years; ensures a reserve, which disappears under the status quo)

SJR 18 Constitutional amendment: use of income (HALFORD)

Income shall be appropriated:

for dividends as provided by law
to the principal of the PF
administrative costs of the PF
other purposes if approved by voters

SB 69 Advisory vote: use of earnings reserve (FISCHER)

Distribute balance in earnings reserve account:

25%	special dividend (\$150m, \$256 apiece)
25%	to principal of PF (\$150m)
50%	general fund (\$300m)

SB 79 Annual reductions in state budget levels (FAIKS)

Reduce:

6.5%	FY 90	(by 144.8 -- from 2228.1 to 2083.3)
6.5%	FY 91	(by 135.4 -- from 2083.3 to 1947.9)

Intent is that SJR 5 would receive voter approval in November 1990, and the 6.5% annual reductions would continue through 1996 to get us to the \$1.4 billion level.

SS SJR 5 AMENDMENTS TO THE CONSTITUTION RELATING TO THE
PERMANENT FUND, THE EXPENDITURE LIMIT, AND A BUDGET
STABILIZATION FUND

NOTIFIED

SENATOR FAIKS, SPONSOR (CHERYL)

MARY HALLORAN, O.M.B.

JIM KELLY, PERMANENT FUND

LINDA EDGEWORTH, ELECTIONS

IRVIN JONES, DEPT. REVENUES (IF QUESTIONS ON DIVIDENDS)

F.Y.I.

ESTABLISHES BASIC SERVICES BUDGET LEVEL OF \$1.4 MILLION FOR FY
96. FAIKS' MEMO EXPLAINS RATIONALE (BASED ON OTHER STATES WITH
AN ADJUSTMENT FOR ALASKA'S COST OF LIVING) -- THE AMOUNT IS IN
TODAY'S DOLLARS. SHOULD IT BE INFLATION ADJUSTED FOR 6 YEARS
FROM NOW?

CONCEPT IS TO ALLOW EARNINGS RESERVE TO BE SPENT ON GENERAL
BUDGET NEEDS -- IT'S CALLED "BUDGET STABILIZATION" AND THE AMOUNT
THAT CAN BE SPENT EACH YEAR IS LIMITED, BUT SOME WILL BE SPENT TO
BALANCE THE BUDGET EACH YEAR AT LEAST THROUGH 1996.

PER FAIKS, WHEN CONSTITUTIONAL STUFF IS AUTOMATICALLY REPEALED IN
1996, THE BUDGET STABILIZATION FUND WILL BE AVAILABLE FOR
WHATEVER. THE BALANCE WILL BE OVER \$1 BILLION. WHAT'S THE POINT
OF ANOTHER SAVINGS ACCOUNT? WILL IT BE AS POLITICALLY HARD TO
SPEND AS THE EARNINGS RESERVE ACCOUNT IS NOW?

IT APPEARS THAT EVEN WITH BUDGET REDUCTIONS (FAIKS PROPOSED 6.5%
PER YEAR) AND THE BUDGET STABILIZATION FUND OUR BUDGET WILL NOT
BALANCE.

EFFECTS PER PERMANENT FUND CORP. VS STATUS QUO:

REDUCED RATE OF GROWTH IN FUND PRINCIPAL (IN 1996, 13,064
MILLION VS. 14,962 MILLION).

IN TURN, LESS INCOME (IN 1996, 1,225 MILLION VS. 1,335
MILLION) AND SMALLER INFLATION-PROOFING TRANSFERS (IN
1996, 368 MILLION VS. 720 MILLION).

DIVIDENDS WOULD BE LARGER FOR FIRST 3 YEARS AND THEREAFTER
WOULD ALWAYS BE SMALLER (IN 1996, \$938.08 VS. \$951.40)

SJR 5 AMENDMENTS TO THE CONSTITUTION RELATING TO THE
PERMANENT FUND, EXPENDITURE LIMIT, AND BUDGET
STABILIZATION FUND

NOTIFIED

SENATOR FAIKS, SPONSOR (CHERYL)

MARY HALLORAN/JACK FARGNOLI, O.M.B.

F.Y.I.

COMMITTEE SUBSTITUTE:

DELETE \$1.4 BILLION APPROPRIATION LIMIT; INSTEAD, LIMIT IS
PRIOR YEAR'S LEVEL ADJUSTED FOR INFLATION

EXPENDITURE LIMIT CAN BE OVERRIDDEN WITH 2/3 VOTE OF EACH
HOUSE (ORIGINAL PROPOSAL WAS 3/4)

REVENUES WITHIN EXPENDITURE LIMIT THAT AREN'T
APPROPRIATED GO TO THE PERMANENT FUND

O.M.B. CONCERNED ABOUT LANGUAGE IN SECTION 1: "TRUST" AND
"PRUDENT INVESTOR RULE". PER JIM KELLY, DAVE ROSE REQUESTED THIS
LANGUAGE -- PERMANENT FUND BOARD HASN'T TAKEN A POSITION ON IT.

SB 79 WAS FAIKS' COMPANION BILL THAT SET IN STATUTE ANNUAL BUDGET
REDUCTIONS. C.S. MAKES IT MOOT.

Alaska State Legislature

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

**Distribution of Permanent Fund Earnings
and
Expenditure Reduction Plan**

TIMEFRAME

FY 90 and FY 91	Implementation through statute change
November, 1990	General Election for Constitutional Amendment
July 1, 1991	Effective Date for Constitutional Provisions
June 30, 1996	Constitutional Amendment sunsets

Distribution of Permanent Fund Earnings

-- Provides for distribution of Permanent Fund Earnings:
50% to Dividends
30% to Redeposit in Principal of the Fund for inflation proofing
20% to Budget Stabilization Fund

Basic Services Budget Level

-- Establishes a Basic Services Budget level of \$1.4 billion which will be achieved by FY 96.

Expenditure Reduction Plan

-- Statute specifies there will be a 6.5% reduction in unrestricted general fund expenditures in FY 90 and FY 91. Upon voter approval of **Constitutional amendment**, the Legislature would establish percent reductions which will be necessary to achieve the Basic Services Budget level of \$1.4 billion. The target reductions will become the Expenditure Limit for that fiscal year.

- Expenditure Limit can be exceeded by:
 - 3/4 vote of each House
 - Voter approval
 - Appropriations to meet a state natural disaster
- Revenues which exceed the Expenditure Limit, shall be distributed:
 - 50% to Permanent Fund
 - 50% to Budget Stabilization Fund

Budget Stabilization Fund

-- Establishes the Budget Stabilization Fund which will consist of revenues in excess of Expenditure Limit. When revenues are less than the Expenditure Limit's ceiling, up to 25% of the Budget Stabilization Fund can be used.

Sunset Provision

All provisions of the Constitutional amendment would sunset at the end of Fiscal Year 1996. Voters would then have the opportunity to determine disposition of the balance in the Budget Stabilization Fund.

The Result

If FY 89 is the base year, and if there is a 6.5% reduction each fiscal year from FY 90 through FY 96, by the end of FY 96, the *balance in the Budget Stabilization Fund would be over \$1 billion*. By FY 96, the state's *budget would coincide with the level of projected revenues*. And because of the sunset provision, Alaskans would have the opportunity to determine how the Budget Stabilization Fund is spent, such as forward funding of education or nearly the state's entire budget.

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

"ERP" and "50-30-20"

Sponsor Substitute for Senate Joint Resolution 5 is a Constitutional amendment which will amend Alaska's constitution to provide for the distribution of Permanent Fund earnings and establish a means of reducing the state's expenditures.

SS SJR 5 will:

- Provide a mechanism to allow Alaskans to have a role in deciding the use of Permanent Fund earnings;
- Establish an Expenditure Limit to be achieved through an Expenditure Reduction Plan (ERP) by which the state can begin to reduce state spending so that by FY 96, the state will achieve a level of spending which, based on projected state revenues, could be supported;
- Establish the Budget Stabilization Fund which will consist of 20% of each year's Permanent Fund earnings and 50% of revenues exceeding that which can be spent under the Expenditure Limit. The other 50% in excess revenues will be deposited in the Permanent Fund;
- Sunset in 1996 so Alaskans can decide if the amendment's provisions should continue and give Alaskans the opportunity to decide what to do with the balance in the Budget Stabilization Fund when it sunsets. Based on projected earnings and revenues, the Fund would grow to over \$2 billion.

Why ERP?

Revenue projections show a dramatic decline for future years. In five years, projected revenues show a 39% drop when compared to the current year's level of spending. In ten years, revenues show a projected drop of 47%.

Alaska's per capita spending of \$7,407 is nearly five times the national average. It is 2 1/2 times that of its nearest rival, the state of Wyoming. The number of state and municipal employees is 770 per 10,000 in population; this compares to the national average of 492 per 10,000.

In the last three fiscal years, appropriations for the operating and capital budgets have exceeded projected revenues by over \$1.5 billion. One time funds have been used to artificially prop up the state's level of spending. With these one-time sources nearly exhausted, it is now necessary to take steps to implement an Expenditure Reduction Plan in order to attain a level of spending which has a relationship to state projected revenues.

Basic Services Budget

SS SJR 5 establishes a Basic Services Budget level of \$1.4 billion to be achieved by FY 96.

The amount is based on the following:

If the State of Alaska spent the U. S. per capita amount of \$1,550.08, plus 16% for cost-of-living differences, the state's 1986 expenditures would have been \$944,485,920 (these numbers are from the 1988-1989 "The Book of the States"). If the State of Alaska had spent the U.S. per capita average of state and local governments combined, Alaska's total 1986 expenditure would have been \$1,553,338,500. Add 16% cost-of-living adjustment and Alaska would have spent \$1,801,872,660.

Although state government in Alaska accounts for a higher proportion of total combined state and local government spending than any other state, it does not carry the entire state-local expenditure burden. In 1986 the state was responsible for 68.5%.

Adjusting the \$1.8 billion by 68.5%, a "Basic Services Budget" for Alaska in 1986 would have been \$1,234,282,772. In today's dollars, assuming a 10% increase in the costs of government since 1986, a "Basic Services Budget level" would be \$1,357,711,049. This is the basis for the \$1.4 billion ERP target.

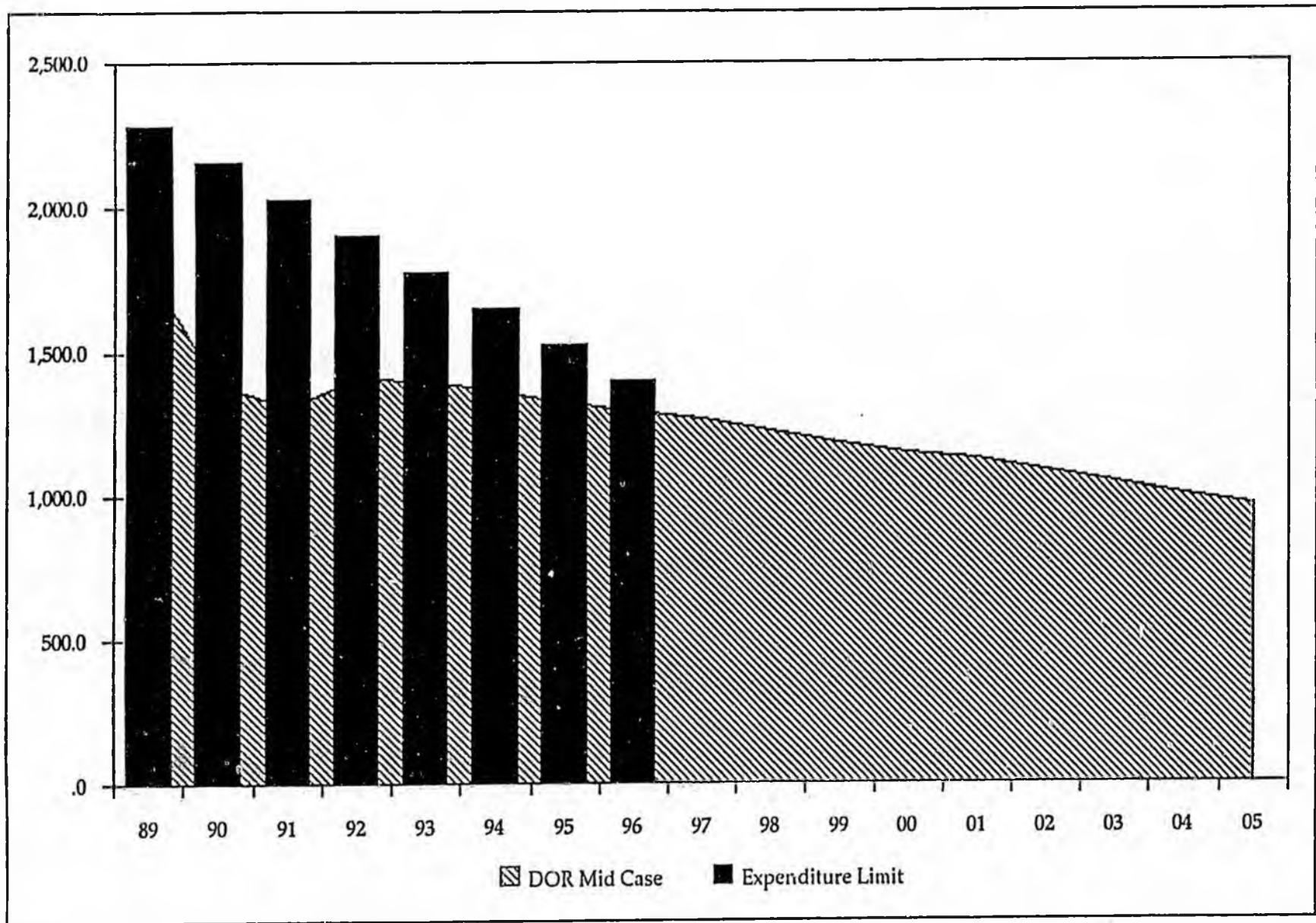
How ERP Would Work

The Constitutional amendment would go before voters in November, 1990. If approved, FY 92 would be the first fiscal year to which its provisions would apply. In conjunction with SS SJR 5, I have also introduced Senate Bill 79, also pending in your committee. This legislation requires a 6.5% reduction in spending for FY 90 and 91 from the current year's level of spending.

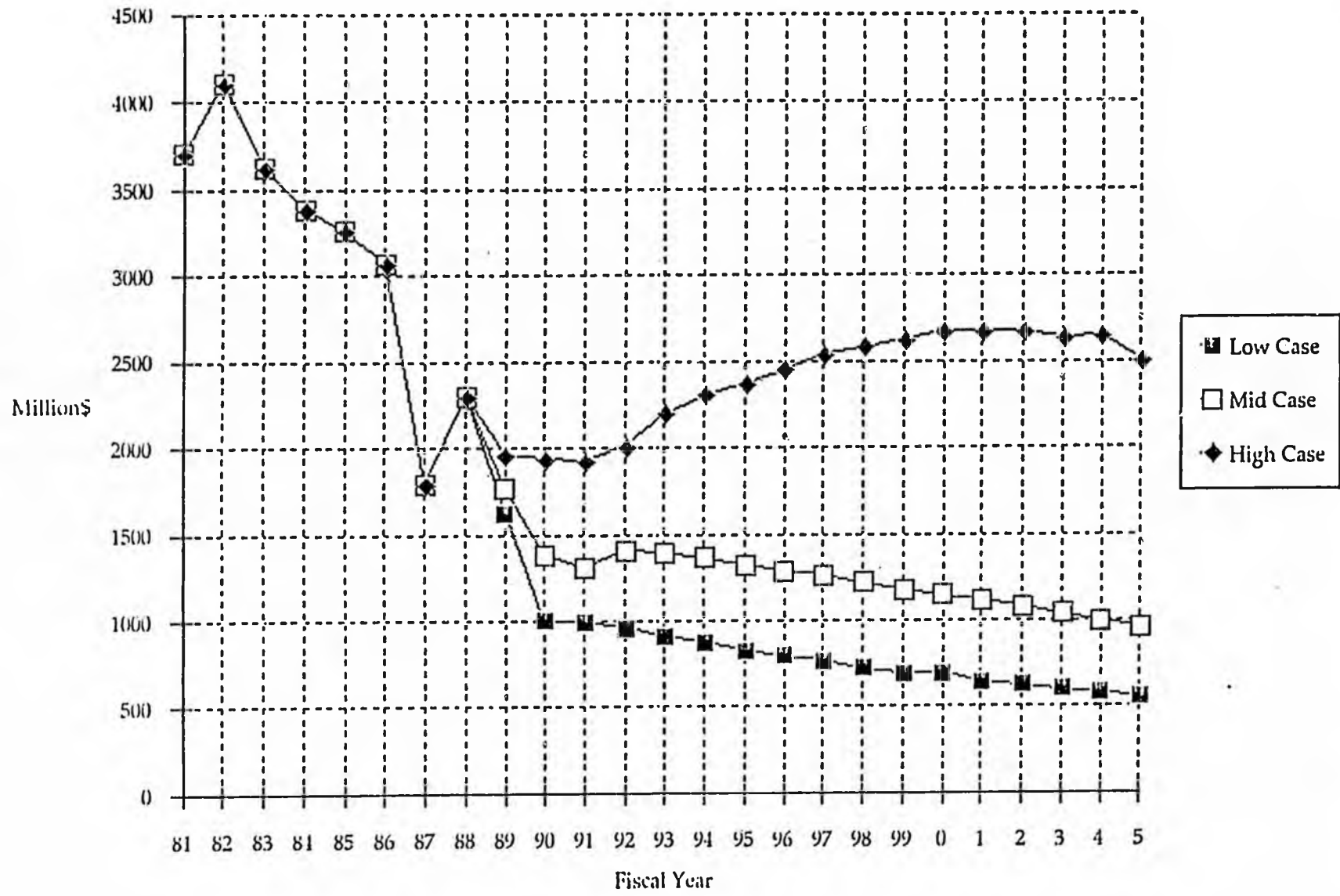
The Result

If FY 89 is the base year and 20% of 1989 Permanent Fund earnings are deposited in a Budget Stabilization Fund or reserve account, and if there is a 6.5% reduction in expenditures each fiscal year from FY 90 through FY 96, the balance in the Budget Stabilization Fund when it sunsets on June 30, 1996 would be \$1,051,500,000. This amount would be nearly enough to forward fund the state's entire budget or forward fund certain elements such as education and the University.

Revenues v. Expenditure Limit



Revenues - Unrestricted General Funds



FY 81 - FY 88 based on actuals

Alaska State Legislature

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

Sectional Analysis

**Sponsor Substitute
Senate Joint Resolution 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

Section 1.

Amends the Alaska Permanent Fund section of the Constitution by adding:

"The fund is established as a trust on behalf of all the presidents of the State and its principal shall be invested in accordance with the prudent investor rule"

This is the current philosophy of the Fund's investments as established in statute. By amending the Constitution, it ensures that the Fund's investment policies will always be guided by this approach.

Section 2.

Amends the Constitution by adding the following new sections:

Section 29. DEDICATED FUNDS.

- (a) Suspends current constitutional provisions from July 1, 1991 - June 30, 1996.
- (b) Allows dedication of funds to the Permanent Fund, dedication of its earnings, and dedication to the Budget Stabilization Fund.

Section 30. ALASKA PERMANENT FUND.

- (a) Suspends current constitutional provisions from July 1, 1991 - June 30, 1996.
- (b) This section is the same as the current constitutional provision regarding the percentage of royalties going into the Permanent Fund except that it deletes the following sentence: "All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law". It also adds the new language regarding prudent investor rule as specified in Section 1.
- (c) Provides that the income from the Permanent Fund shall be distributed as follows:
- (1) 50% to be used for dividends;
 - (2) 30% to be added back into the principal
 - (3) 20% to the Budget Stabilization Fund

Section 31. EXPENDITURE LIMIT.

- (a) Suspends the current Constitutional Appropriation Limit from July 1, 1991 through June 30, 1996
- (b) Establishes an Expenditure Limit requiring that by FY 96, state appropriations will be \$1.4 billion. Beginning with the FY 92 budget, the Legislature is required by law to establish the Expenditure Limit for each fiscal year so that the FY 96 budget level can be achieved.

Excluded from the Expenditure Limit are:

- Appropriations to the Permanent Fund and dividends;
- Appropriations to the Budget Stabilization Fund;
- Appropriations to meet a natural disaster
- Revenue bond proceeds

- Money received from a non-State sources in trust

(c) The Expenditure Limit can be exceeded by a three-fourths vote of each House or by voter approval. If expenditures taken to the voters are for capital projects, voters shall be informed of the projects' operating and maintenance costs.

(d) 50% of the revenues above the Expenditure Limit and which are not appropriated shall be deposited in the Permanent Fund and the remaining 50% deposited in the Budget Stabilization Fund.

Section 32. BUDGET STABILIZATION FUND.

(a) Section applies July 1, 1991 through June 30, 1996

(b) Provides for deposit of Permanent Fund earnings and 50% of revenues not available for appropriation into the Budget Stabilization Fund. Permits additional appropriations to the fund.

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

(d) If revenues in a fiscal year are less than the level of appropriation permitted under the Expenditure Limit for that year, up to 25% of the balance of the Budget Stabilization Fund can be used, not to exceed that year's Expenditure Limit.

(e) Provides for additional appropriations above the Expenditure Limit to meet a state disaster declared by the Governor.

Section 33. REPEAL.

Repeals all but Section 1 on July 1, 1996.

Section 3.

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



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: February 2, 1989

TO: Senator Jan Faiks
Chair, Senate Judiciary Committee

FROM: Jim Kelly *JK*
Research & Liaison Officer

SUBJECT: Analysis of Variations of SJR 5

Attached are seven financial projections prepared by the Alaska Permanent Fund Corporation at your request.

Financial Projection #1: This is the status quo case as of December 31, 1988 - but using the Mid Case Department of Revenue population and revenue forecasts, including the revenue consensus numbers agreed upon by the Budget Summit for fiscal years 1989-90. It provides the Mid Case benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This projection depicts the Mid Case impacts of passage of SJR 5, but with one change from the proposed legislation: capital gains would be treated no differently than any other net income. Otherwise, it makes this change to the status quo for fiscal years 1992 - 1996: (1) on June 30 of each year, all net income would be distributed 40% to dividends, 30% to principal to help offset inflation, and 30% to the Budget Stabilization Fund.

You will notice there is a column added to depict the total cumulative fiscal year-end balance of the Budget Stabilization Fund, and another to depict 25% of that balance. It is the Corporation's understanding that the latter column reflects the amounts available for appropriation when revenues are less than the "expenditure limit" level allowed under SJR 5

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would cause a reduced rate of growth in Fund principal. The smaller principal would, in turn, produce less income and smaller inflation-proofing transfers. The distributions to the Budget Stabilization Fund, of course, would be larger.

The dividend distributions and per capita dividends would continue to grow larger under the proposed changes, although at a reduced level compared to the status quo. For example in FY 92, the first year in which the proposed changes would be implemented, per capita dividends would be reduced from \$770.21 under the status quo to \$679.14.

Financial Projection #2A: This projection is identical to #2 above, except it assumes the changes would continue through the year 2005.

Financial Projection #3: This is identical to #2 above, except it would distribute net income 50% to dividends, 25% to inflation-proofing, and 25% to the Budget Stabilization Fund.

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would also cause a reduced rate of growth in Fund principal. (The reduction in #3 is greater than in #2 because of the lower inflation-proofing transfers.) The smaller principal would, in turn, produce less income and smaller distributions to the Budget Stabilization Fund than #2.

The dividend distributions and per capita dividends would be larger than the status quo for the first three years of the new program, and thereafter would always be smaller than the status quo. For example in FY 92, the first year in which the proposed changes would be implemented, per capita dividends would be increased from \$770.21 under the status quo to \$856.04.

For your information, according to the status quo dividend formula, dividends are projected to equal the following percentages of annual net income:

* 56% in FY 89	45% in FY 93
* 58% in FY 90	46% in FY 94
* 48% in FY 91	46% in FY 95
* 45% in FY 92	47% in FY 96

The high rates in 89 and 90 are due to the impact of the billion dollar-plus earnings years of 86 and 87 on the five-year "averaging" computation in the current formula.

Financial Projection #3A: This projection is identical to #3 above, except it assumes the changes would continue through the year 2005.

Financial Projection #4: This is identical to #2 above, except it would distribute net income 50% to dividends, 30% to inflation-proofing, and 20% to the Budget Stabilization Fund.

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would have the same effect on the

growth in Fund principal, the production of net income and the amounts of future inflation-proofing transfers as #2. The distributions to the Budget Stabilization Fund would be the smallest of any of the scenarios, except, of course, the status quo.

Like #3, the dividend distributions and per capita dividends would be larger than the status quo for the first three years of the new program, and thereafter would always be smaller than the status quo.

Financial Projection #4A: This projection is identical to #4 above, except it assumes the changes would continue through the year 2005.

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #2

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	13,064	(1,898)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,225	(110)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	490	(131)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	743.79	(207.61)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	368	(352)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	368	368

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #3

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	12,769	(2,193)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,204	(131)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	602	(19)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	920.95	(30.45)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	301	(419)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	301	301

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #4

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	13,064	(1,898)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,225	(110)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	613	(8)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	938.08	(13.32)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	368	(352)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	245	245

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 December 31, 1983

FY	PRINCIPAL					INCOME					FY		
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Dividends	Per Capita Dividends**	Inflation Proofing		General Fund	Add (Delete)
78			54		54		2				1		75
79	54		84		139		8				7		75
80	139		344		483		32	12			12		60
81	483	900	385		1,769		150	28			28	59	81
82	1,769	800	401		2,969		368	71	\$1,000.00		71	185	82
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	83
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	84
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	85
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	86
87	6,281	1,264	171	148	7,864		1,069	391	\$708.19	148		529	87
88	7,864		418	303	8,585		789	424	\$826.93	303		62	88
89	8,585		184	351	9,120		818	457	\$800.60	351		10	89
90	9,120		190	466	9,776		818	475	\$813.18	466	(122)	480	90
91	9,776		161	596	10,533		974	471	\$790.21	596	(93)	387	91
92	10,533		169	642	11,344		1,037	468	\$770.58	642	(74)	313	92
93	11,344		172	691	12,206		1,107	499	\$806.59	691	(83)	230	93
94	12,206		170	743	13,119		1,180	537	\$852.75	743	(100)	130	94
95	13,119		164	797	14,080		1,256	583	\$909.77	797	(124)	6	95
96	14,080		162	720	14,962	134	1,335	621	\$951.40	720	(6)		96
97	14,962		161	757	15,879	151	1,418	661	\$994.22	757			97
98	15,879		158	801	16,838	161	1,504	703	\$1,037.94	801			98
99	16,838		152	848	17,837	172	1,594	746	\$1,081.98	848			99
0	17,837		147	896	18,881	183	1,688	792	\$1,126.77	896			0
1	18,881		143	947	19,971	194	1,786	839	\$1,172.48	947			1
2	19,971		134	1,000	21,105	206	1,888	888	\$1,218.83	1,000			2
3	21,105		128	1,055	22,288	219	1,995	940	\$1,265.99	1,055			3
4	22,288		120	1,112	23,520	232	2,106	994	\$1,310.84	1,112			4
5	23,520		111	1,172	24,803	246	2,222	1,050	\$1,359.43	1,172			5

Cumulative Totals:	3,964		5,960	14,879	24,803	1,898	29,824	13,452	\$21,476.38	14,879	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 Mid Case Forecast - November 1988

2/1/89

STATUS QUO EXCEPT
 MID CASE REVENUE FORECAST
 (WITH BUDGET SUMMIT REVENUE CONSENSUS NUMBERS FOR FY 89-90)

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

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

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund	25% of Budget Stabilization Fund	
78			54		54		2			1						78
79	54		84		139		8			7						79
80	139		344		483		32	12		12						80
81	483	900	395		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	\$396.15	231	110	110	354			83
84	4,021	300	366	151	4,838		530	175	\$331.29	151	203	203	557			84
85	4,838	300	368	235	5,741		658	217	\$404.00	235	206	206	763			85
86	5,741		323	216	6,261		1,021	303	\$556.26	216	501	1,264	86			86
87	6,261	1,264	171	148	7,864		1,069	391	\$708.19	148	529	529	87			87
88	7,864		418	303	8,585		789	424	\$826.93	303	62	591	88			88
89	8,585		184	351	9,120		818	457	\$800.60	351	10	601	89			89
90	9,120		190	466	9,776		818	475	\$813.18	466	(122)	480	90			90
91	9,776		161	596	10,533		974	471	\$790.21	596	(93)	387	91			91
92	10,533		169	311	11,013	331	1,037	415	\$679.14	311		387	92	311	78	92
93	11,013		172	325	11,509	346	1,082	433	\$695.70	325	311	387	93	636	159	93
94	11,509		170	339	12,018	362	1,129	452	\$711.95	339	339	387	94	975	244	94
95	12,018		164	353	12,535	378	1,177	471	\$728.06	353	353	387	95	1,328	332	95
96	12,535		162	368	13,064	394	1,225	490	\$743.79	368	368	387	96	1,695	424	96
97	13,064		161	794	14,018		1,275	618	\$927.72	794		(137)	250	1,695	424	97
98	14,018		158	851	15,026		1,352	647	\$952.00	851		(145)	105	1,695	424	98
99	15,026		152	911	16,089		1,433	573	\$822.37	911		(51)	54	1,695	424	99
0	16,089		147	971	17,208	3	1,528	611	\$861.11	971		(54)	0	1,695	424	0
1	17,208		143	977	18,328	64	1,628	651	\$901.06	977			1	1,695	424	1
2	18,328		134	1,040	19,502	68	1,734	693	\$941.81	1,040			2	1,695	424	2
3	19,502		128	1,106	20,735	71	1,844	738	\$983.67	1,106			3	1,695	424	3
4	20,735		120	1,176	22,031	75	1,960	784	\$1,023.37	1,176			4	1,695	424	4
5	22,031		111	1,249	23,391	80	2,082	833	\$1,066.85	1,249			5	1,695	424	5
Cumulative Totals:		3,964	5,960	13,467	23,391	2,172	28,194	11,540	\$18,655.41	13,467	229	1,695		1,695	424	

ASSUMPTIONS:

2/2/89
FROM FY 92-96, ALL NET INCOME DISTRIBUTED
40% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 30% TO BUDGET STABILIZATION FUND

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

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

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
78			54		54		2				1			78			78
79	54		84		139		8				7			79			79
80	139		344		483		32	12			12			80			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		194	351	9,120		818	457	\$800.60	351			10	601			89
90	9,120		190	466	9,776		818	475	\$813.18	466			(122)	480			90
91	9,776		161	596	10,533		974	471	\$790.21	596			(93)	387			91
92	10,533		169	311	11,013	331	1,037	415	\$679.14	311	311			387	311	78	92
93	11,013		172	325	11,509	346	1,082	433	\$695.70	325	325			387	636	159	93
94	11,509		170	339	12,018	362	1,129	452	\$711.95	339	339			387	975	244	94
95	12,018		164	353	12,535	378	1,177	471	\$728.06	353	353			387	1,328	332	95
96	12,535		162	368	13,064	394	1,225	490	\$743.79	368	368			387	2,095	424	96
97	13,064		161	383	13,607	411	1,275	510	\$759.22	383	383			387	2,078	519	97
98	13,607		158	398	14,163	428	1,326	531	\$774.46	398	398			387	2,476	619	98
99	14,163		152	414	14,728	445	1,378	551	\$789.34	414	414			387	2,859	722	99
0	14,728		147	429	15,305	463	1,431	573	\$804.05	429	429			387	3,319	830	0
1	15,305		143	446	15,893	481	1,486	594	\$818.26	446	446			387	3,764	941	1
2	15,893		134	462	16,490	499	1,541	616	\$832.08	462	462			387	4,226	1,057	2
3	16,490		128	479	17,096	518	1,596	639	\$845.52	479	479			387	4,705	1,176	3
4	17,096		120	496	17,712	537	1,653	661	\$855.39	496	496			387	5,201	1,300	4
5	17,712		111	513	18,336	556	1,711	684	\$866.98	513	513			387	5,715	1,429	5
Cumulative Totals:	3,964		5,960	8,412	18,336	6,151	26,756	10,751	\$17,520.74	8,412	229	5,715		5,715		1,429	

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 Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

2/2/89

AFTER FY 91, ALL NET INCOME DISTRIBUTED
40% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 30% TO BUDGET STABILIZATION FUND

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

** SOURCE: Population Projections From
Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME							Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*		Inflation Proofing Shortfall	Net Income	Distributions			Budget Stabilization Fund	Reserves		Budget Stabilization Fund	25% of Budget Stabilization Fund			
			Inflation Proofing	FY End Balance			Per Capita Dividends**	Inflation Proofing	Add (Delete)		FY End Balance						
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			29		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	818	457	\$800.60	351			10	601			89	
90	9,120		190	466	9,776	818	475	\$813.18	466			(122)	480			90	
91	9,776		161	596	10,533	974	471	\$790.21	596			(93)	387			91	
92	10,533		169	259	10,961	383	1,037	\$856.04	259		259		387	259	65	92	
93	10,961		172	269	11,402	399	1,078	\$872.92	269		269		387	529	132	93	
94	11,402		170	200	11,852	415	1,119	\$889.43	280		280		387	809	202	94	
95	11,852		164	290	12,306	431	1,161	\$905.57	290		290		386	1,099	275	95	
96	12,306		162	301	12,769	447	1,204	\$920.95	301		301		386	1,400	350	96	
97	12,769		161	776	13,705	1,247	610	\$914.64	776			(138)	248	1,400	350	97	
98	13,705		158	832	14,695	1,322	635	\$935.18	832			(145)	103	1,400	350	98	
99	14,695		152	891	15,737	1,402	561	\$803.45	891			(50)	53	1,400	350	99	
0	15,737		147	950	16,835	3	1,495	\$841.50	956			(53)	0	1,400	350	0	
1	16,835		143	956	17,933	63	1,593	\$880.65	956				1	1,400	350	1	
2	17,933		134	1,018	19,385	66	1,696	\$920.78	1,018				2	1,400	350	2	
3	19,085		128	1,083	20,295	70	1,805	\$961.62	1,083				3	1,400	350	3	
4	20,295		120	1,151	21,567	74	1,918	\$1,000.63	1,151				4	1,400	350	4	
5	21,567		111	1,223	22,900	78	2,038	\$1,043.26	1,223				5	1,400	350	5	

Cumulative Totals:	3,964		5,960	12,976	22,900	2,427	27,823	11,955	\$19,363.44	\$2,976	229	1,400		1,400	350		

ASSUMPTIONS: 4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89
2/2/69

FROM FY 92-96, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 25% TO INFLATION-PROOFING,
AND 25% TO BUDGET STABILIZATION FUND

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
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

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

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME					Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
78			54		54		2			1			78		78	
79	54		84		139		8			7			79		79	
80	139		344		483		32	12		12			80		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		659	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	521		88	
89	8,585		184	351	9,120		818	457	\$800.60	351		10	601		89	
90	9,120		190	466	9,776		818	475	\$813.18	466		(122)	480		90	
91	9,776		161	596	10,533		974	471	\$790.21	596		(93)	387		91	
92	10,533		169	259	10,961	383	1,037	519	\$856.04	259	259		387	259	65	92
93	10,961		172	269	11,402	399	1,078	539	\$872.92	269	269		387	529	132	93
94	11,402		170	280	11,852	415	1,119	560	\$889.43	280	280		387	809	202	94
95	11,852		164	290	12,306	431	1,161	581	\$905.57	290	290		386	1,099	275	95
96	12,306		162	301	12,769	447	1,204	602	\$920.95	301	301		386	1,400	350	96
97	12,769		161	312	13,241	464	1,247	624	\$936.13	312	312		386	1,712	428	97
98	13,241		158	323	13,722	481	1,292	646	\$950.93	323	323		386	2,035	509	98
99	13,722		152	334	14,208	498	1,337	668	\$965.17	334	334		386	2,359	592	99
0	14,208		147	346	14,701	516	1,382	691	\$978.90	346	346		386	2,714	679	0
1	14,701		143	357	15,201	534	1,429	714	\$992.11	357	357		386	3,071	768	1
2	15,201		134	369	15,703	551	1,475	738	\$1,004.63	369	369		386	3,440	860	2
3	15,703		128	381	16,211	569	1,522	761	\$1,016.61	381	381		386	3,821	955	3
4	16,211		120	393	16,724	587	1,570	785	\$1,024.75	393	393		386	4,213	1,053	4
5	16,724		111	404	17,239	606	1,618	809	\$1,034.91	404	404		386	4,618	1,154	5
Cumulative Totals:		3,964	5,960	7,315	17,239	6,880	26,178	12,367	\$19,965.86	7,315	229	4,618		4,618	1,154	

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

2/2/89

AFTER FY 91, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 25% TO INFLATION-PROOFING,
AND 25% TO BUDGET STABILIZATION FUND

5.00% Inflation Rate FY 90
0.00% 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
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

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

117
50-30-20

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Inflation Proofing**	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund	25% of Budget Stabilization Fund	
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	1,764	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		818	457	\$800.60	351		10	601			89
90	9,120		190	466	9,776		818	475	\$813.18	466		(122)	480			90
91	9,776		161	596	10,533		974	471	\$790.21	596		(93)	387			91
92	10,533		169	311	11,013	331	1,037	519	\$856.04	311	207		387	207	52	92
93	11,013		172	325	11,509	346	1,082	541	\$876.95	325	217		387	424	106	93
94	11,509		170	339	12,018	362	1,129	565	\$897.82	339	226		387	650	162	94
95	12,018		164	353	12,535	378	1,177	588	\$918.17	353	235		387	885	221	95
96	12,535		162	368	13,064	394	1,225	613	\$938.08	368	245		387	1,130	283	96
97	13,064		161	794	14,018		1,275	618	\$927.72	794		(137)	250	1,130	283	97
98	14,018		158	851	15,026		1,352	647	\$952.00	851		(145)	105	1,130	283	98
99	15,026		152	911	16,089		1,433	573	\$822.22	911		(51)	54	1,130	283	99
0	16,089		147	971	17,207	3	1,528	611	\$861.11	971		(54)	0	1,130	283	0
1	17,207		143	977	18,327	64	1,628	651	\$901.05	977			1	1,130	283	1
2	18,327		134	1,040	19,501	68	1,734	693	\$941.81	1,040			2	1,130	283	2
3	19,501		128	1,106	20,735	71	1,844	738	\$983.53	1,106			3	1,130	283	3
4	20,735		120	1,176	22,031	75	1,960	784	\$1,023.37	1,176			4	1,130	283	4
5	22,031		111	1,249	23,391	80	2,081	833	\$1,066.85	1,249			5	1,130	283	5

Cumulative Totals:	3,964	5,960	13,466	23,391	2,173		28,194	12,105	\$19,583.54	13,466	229	1,130		1,130	283	

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

2/2/89
FROM FY 92-96, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 20% TO BUDGET STABILIZATION FUND

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
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

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

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Net Income	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund	25% of Budget Stabilization Fund		
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	\$926.93	303		62	591				88
89	8,585		184	351	9,120	818	457	\$800.60	351		10	601				89
90	9,120		190	466	9,776	818	475	\$813.18	466		(122)	480				90
91	9,776		161	596	10,533	974	471	\$790.21	596		(93)	387				91
92	10,533		169	311	11,013	1,037	519	\$856.04	311	207		387	207	52		92
93	11,013		172	325	11,509	1,082	541	\$876.95	325	217		387	424	106		93
94	11,509		170	339	12,018	1,129	565	\$897.82	339	226		387	650	162		94
95	12,018		164	353	12,535	1,177	588	\$918.17	353	235		387	885	221		95
96	12,535		162	368	13,064	1,225	613	\$938.08	368	245		387	1,130	283		96
97	13,064		161	383	13,607	1,275	638	\$957.78	383	255		387	1,385	346		97
98	13,607		158	398	14,163	1,326	663	\$977.23	398	265		387	1,650	413		98
99	14,163		152	414	14,728	1,378	689	\$996.40	414	276		387	1,926	482		99
0	14,728		147	429	15,305	1,431	716	\$1,015.02	429	286		387	2,212	553	0	0
1	15,305		143	446	15,893	1,486	743	\$1,033.37	446	297		387	2,509	627	1	1
2	15,893		134	462	16,490	1,541	770	\$1,051.11	462	308		386	2,818	704	2	2
3	16,490		128	479	17,096	1,596	798	\$1,068.24	479	319		386	3,137	784	3	3
4	17,096		120	496	17,712	1,653	827	\$1,081.88	496	331		386	3,467	867	4	4
5	17,712		111	513	18,336	1,711	855	\$1,097.57	513	342		386	3,810	952	5	5
Cumulative Totals:		3,964	5,960	8,412	18,336	6,151	26,756	12,656	\$20,382.47	8,412	229	3,810	3,810	952		

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

2/2/89
AFTER FY 91, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 20% TO BUDGET STABILIZATION FUND

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
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

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

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, 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 17 Committee Meeting
DATE: March 17, 1989

Today at 1:30 p.m. in the Beltz Room the following bills will be back before the State Affairs Committee:

SJR 3, Proposing an amendment to the Constitution of the State of Alaska relating to repeal of regulations by the legislature

A draft committee substitute providing for repeal of regulations by joint resolution rather than concurrent resolution is attached. Because Uniform Rule 49 requires that a joint resolution receive three readings and that its vote be recorded in the journal, these requirements have been deleted from SJR 3.

SJR 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

SJR 5 would constitutionally dedicate permanent fund earnings (50% dividends, 30% inflation proofing, 20% budget stabilization fund), establish an appropriation limit, provide for deposit of revenues in excess of the appropriation limit (50% permanent fund, 50% budget stabilization fund), and allow for expenditure of up to 25% of the budget stabilization fund in years in which revenues are less than the appropriation limit.

A draft committee substitute which deletes the \$1.4 billion appropriation limit specified in the original bill is attached. Instead, annual appropriations would be limited to the level of appropriations made in the preceding year with an adjustment for inflation. Revenues within the spending limit that were not appropriated would be deposited in the Permanent Fund.

Committee Memo
March 17, 1989

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

When SJR 30 was before the committee, questions arose regarding the state's financial obligation if Alaska should be chosen as the site for a job corps center. The state's application to the federal government indicated that we would contribute \$1 million to capital costs of the center. The funding question will be addressed by the bill sponsor at today's meeting.

SB 170, An Act relating to state procurement

A draft committee substitute, which incorporates the following two provisions discussed by the committee, is attached:

- 1 Authorization of the Alaska Railroad Corporation to adopt procurement procedures based on the competitive principles of the state procurement code but adapted to the special needs of the corporation
- 2 Exemption from the procurement code for guest speakers or performers for an educational or cultural activity

Six additional amendments are also attached:

- 1 Application of the Alaska business license
- 2 Abuse of the Alaska bidders' preference by firms that carry on limited business enterprises exclusively for the purpose of taking advantage of the preference
- 3 Increase of the dollar threshold for open competitive bidding
- 4 Exemption for purchases made outside the U.S. for use outside the U.S., and for contracts for hearing officers
- 5 Penalty for frivolous protest of a contract award
- 6 Definition of "state money"

It is my hope that we could move all of these bills out of committee today.

Permanent Fund Earnings and Balance - SJR 5 Scenarios

SSSJR5



	PF Year End Balance			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	11,344.0	11,013.0	10,961.0	11,013.0
93	12,206.0	11,509.0	11,402.0	11,509.0
94	13,119.0	12,018.0	11,852.0	12,018.0
95	14,080.0	12,535.0	12,306.0	12,535.0
96	14,962.0	13,064.0	12,769.0	13,064.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

	Net Income			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	1,037.0	1,037.0	1,037.0	1,037.0
93	1,107.0	1,082.0	1,078.0	1,082.0
94	1,180.0	1,129.0	1,119.0	1,129.0
95	1,256.0	1,177.0	1,161.0	1,177.0
96	1,335.0	1,225.0	1,204.0	1,225.0

Based on mid-case projections by Department of Revenue - Senator Jan Faiks 2/3/89

Permanent Fund Earnings and Balance - SJR 5 Scenarios

	Dividends			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	468.0	415.0	519.0	519.0
93	499.0	433.0	539.0	541.0
94	537.0	452.0	560.0	565.0
95	583.0	471.0	581.0	588.0
96	621.0	490.0	602.0	613.0

Based on mid-case projections by Department of Revenue - Senator Jan Faiks 2/3/89

Permanent Fund Earnings and Balance - SJR 5 Scenarios

FY	Per Capita Distribution			
	Status Quo	40-30-30	50-25-25	50-30-20
92	770.58	679.14	856.04	\$856.04
93	806.59	695.70	872.92	\$876.95
94	852.75	711.95	889.43	\$897.82
95	909.77	728.06	905.57	\$918.17
96	951.40	743.79	920.95	\$938.08

Permanent Fund Earnings and Balance - SJR 5 Scenarios

FY	Inflation Proofing			
	Status Quo	40-30-30	50-25-25	50-30-20
92	642.0	311.0	259.0	311.0
93	691.0	325.0	269.0	325.0
94	743.0	339.0	280.0	339.0
95	797.0	353.0	290.0	353.0
96	720.0	368.0	301.0	368.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

Earnings Reserve/Budget Stabilization Fund				
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	313.0	311.0	259.0	207.0
93	230.0	325.0	269.0	217.0
94	130.0	339.0	280.0	226.0
95	6.0	353.0	290.0	235.0
96	.0	368.0	301.0	245.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

Budget Stab Fund Accumulated Balance*							
FY	Status Quo	40-30-30	25%	50-25-25	25%	50-30-20	25%
92		311.0	77.8	259.0	64.8	207.0	51.8
93		636.0	159.0	529.0	132.3	424.0	106.0
94		975.0	243.8	809.0	202.3	650.0	162.5
95		1,328.0	332.0	1,099.0	274.8	885.0	221.3
96		1,695.0	423.8	1,400.0	350.0	1,130.0	282.5
*Not reflected is Fund's interest earnings, "extra" revenues above Expenditure Limit							

Based on mid-case projections by Department of Revenue - Senator Jan Faiks 2/3/89

Alaska State Constitution

Art IX, Sec 15

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

§ 7. 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 or required by the federal government in connection with federal programs. This shall not prohibit the continuance of any special purposes existing upon the adoption of this section by the people.

(This section was approved by the voters of Alaska on November 2, 1976 and became effective February 21, 1977. The language inserted was provided in section 15 of this constitution.)

§ 8. No state debt shall be contracted for the purpose of repelling invasion, defending the State in case of insurrection, or redeeming in case of natural disasters, or repaying any debt outstanding at the time this constitution was adopted.

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

§ 10. The State and its political subdivisions shall not be permitted to use money to meet appropriations for the purpose of the collection of taxes for that year, but all debt so contracted shall be repaid before the end of the next fiscal year.

§ 11. The restrictions on contracting debt incurred through the operation of a public enterprise or

Budget

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.

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 mone; 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 House Journal, Joint Supplement No. 7, the Free Conference Committee Report on April 2, 1980. ch. 18, SLA 1980 (FCSSB 161), see 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 resource. 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 qualifications 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

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

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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)

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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."

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inflation proofing

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)

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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.

erage 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.

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Effect of amendments. — The 1986 amendment in the first sentence substituted "the change in the calendar year av-

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)

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, 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

Page 2

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

The Budget

FY 92 FY 93 FY 94 FY 95 FY 96

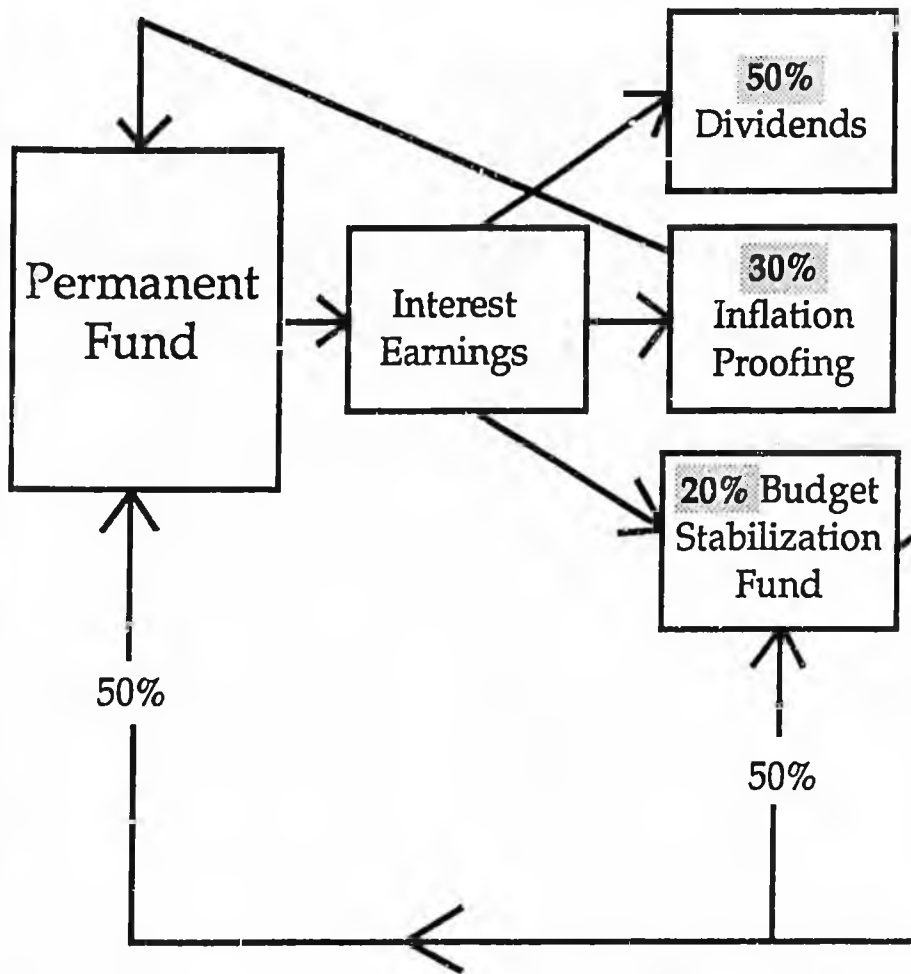
GOAL

1/91 Legislature Establishes

Expenditure Limit	1821.2	1702.8	1592.1	1488.6	1391.9
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\$1.4 Billion
6/31/96

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



Projected Revenues (mid-case)	1405.5	1395.8	1366.8	1323.4	1292.6
May Use 25% BSF Up to Expenditure Limit	56.3	115.0	176.2	165.2	99.3
Total Revenues Available	1461.8	1510.8	1543.0	1488.6	1391.9

Surplus revenues above expenditure limit

How "50-30-20" and "ERP" Work -- SSSJR 5

How ERP Works

FY	Expenditure Limit 1/	Revenues (mid case)	PF Income	BSF annual deposit (20% PF earnings)	Interest 8.5%	20% earnings + interest	Carryforward BSF balance	25% Available for Budget	Remaining BSF Balance	BSF + Rev	BSF+Rev vs. Exp Limit 2/
89	2,228.1										
90	2,083.3	1,574.0									
91	1,947.9	1,308.8									
92	1,821.2	1,405.5	1,037.0	207.4	17.6	225.0	225.0	56.3	168.7	1,461.8	-359.4
93	1,702.8	1,395.8	1,082.0	216.4	18.4	234.8	459.8	115.0	344.9	1,510.8	-192.0
94	1,592.1	1,366.8	1,129.0	225.8	19.2	245.0	704.8	176.2	528.6	1,543.0	-49.1
95	1,488.6	1,323.4	1,177.0	235.4	20.0	255.4	960.2	240.1	795.0	1,563.5	74.9
96	1,391.9	1,292.6	1,225.0	245.0	20.8	265.8	1,226.1	306.5	1,126.8	1,599.1	207.2

1/ Based on a 6.5% reduction from FY 89 authorized starting with FY 90 budget

2/ In FY 95 and FY 96, an amount up to the Expenditure Limit could be appropriated from the BSF. These amounts are reflected in the "Remaining BSF Balance" amount for these fiscal years

Original sponsors: Faiks, Jones,
Eliason, et al.

Changes in CS
page 3, lines 14-16
page 3, line 19
page 3, lines 25-29

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 5 ~~STAFF~~

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska amending provi-
7 sions relating to the Alaska permanent
8 fund; establishing temporary provisions
9 relating to dedicated funds, the Alaska
10 permanent fund, the expenditure limit,
11 and the budget stabilization fund; and
12 suspending the operation of provisions
13 relating to dedicated funds, the Alaska
14 permanent fund, and the appropriation
15 limit.

*Superseded
See P. 3*

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

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

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

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

1 by adding new sections to read:

2 SECTION 29. DEDICATED FUNDS. (a) The operation of Section 7 of
3 Article IX is suspended from July 1, 1991, through June 30, 1996, and
4 this section applies in lieu of Section 7 of Article IX.

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

12 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
13 tion 15 of Article IX is suspended from July 1, 1991, through June 30,
14 1996, and this section applies in lieu of Section 15 of Article IX.

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

23 (c) The income of the permanent fund shall be distributed as
24 follows:

25 (1) fifty percent to be used for dividends for State resi-
26 dents as provided by law;

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

(3) twenty percent to the budget stabilization fund established under Section 32 of this article.

SECTION 31. EXPENDITURE LIMIT. (a) The operation of Section 16 of Article IX is suspended from July 1, 1991, through June 30, 1996, and this section applies in lieu of Section 16 of Article IX.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget stabilization fund, appropriations by the legislature to meet a State natural disaster declared by the governor as prescribed by law, appropriations of revenue bond proceeds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year may not exceed [a basic services budget level of \$1.4 billion; legislature to establish annual limits by law] adjusted, as prescribed by law, for the change in population and inflation since the beginning of the preceding fiscal year.

(c) During a fiscal year the legislature may exceed the expenditure limit under (b) of this section if each bill that exceeds the limit is passed by affirmative vote of two-thirds ^[3/4] of the membership of each house of the legislature or, notwithstanding Sections 1 and 14 of Article II and Article XI, is approved by the voters as prescribed by law. The voters shall, for each bill for appropriations for capital projects, be informed as provided by law of the cost of operations and maintenance of each capital project.

~~(d) The money received by the State during a fiscal year that is subject to the expenditure limit under (b) of this section, that does not exceed that limit, and that is not appropriated under (b) or (c) of this section shall be deposited in the principal of the permanent fund.~~

ADDED

1 (e) Fifty percent of the money received by the State during a
2 fiscal year that is subject to the expenditure limit under (b) of this
3 section and that exceeds that limit but is not appropriated under (c)
4 of this section shall be deposited in the principal of the permanent
5 fund and the remaining fifty percent shall be deposited in the budget
6 stabilization fund.

7 SECTION 32. BUDGET STABILIZATION FUND. (a) This section ap-
8 plies from July 1, 1991, through June 30, 1996.

9 (b) Income of the permanent fund shall be deposited in the
10 budget stabilization fund in accordance with Section 30(c) of this
11 article. Fifty percent of the money received by the State that is
12 subject to the expenditure limit under Section 31(b) of this article,
13 exceeds that limit, and is not appropriated under Section 31(c) of
14 this article shall be deposited in the budget stabilization fund.
15 Additional appropriations may be made to the budget stabilization
16 fund.

17 (c) Money in the budget stabilization fund shall be invested so
18 as to yield competitive market rates to the fund. Income from invest-
19 ment of the fund shall be retained in the fund.

20 (d) If the legislature determines that the money subject to the
21 expenditure limit received by the State in a fiscal year is less than
22 the maximum amount that may be appropriated under Section 31 of this
23 article, money may be appropriated from the budget stabilization fund
24 to the general fund. However, the amount appropriated from the budget
25 stabilization fund during a fiscal year may not exceed the lesser of

26 (1) the amount that, when added to money subject to the
27 expenditure limit received by the State during that fiscal year,
28 equals the maximum amount that may be appropriated under Section 31 of
29 this article; or

1 (2) twenty-five percent of the balance of the budget sta-
2 bilization fund.

3 (e) Notwithstanding the expenditure limit in Section 31 of this
4 article, additional amounts may be appropriated from the budget stabi-
5 lization fund to meet a State disaster declared by the governor as
6 prescribed by law.

7 SECTION 33. REPEAL. Sections 29 - 32 of Article XV are repealed
8 July 1, 1996.

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

BY FAIKS, JONES, ELIASON,
FISCHER, DUNCAN

1 IN THE SENATE

2

SENATE JOINT RESOLUTION NO. 5

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

Suspends Constitutional provisions of dedicated funds + spending limit to allow for 40% dividends 30% inflation proofing 30% budget stabilization fund - this is the annual limit from \$2.5 billion threshold for depositing revenues in the stabilization fund and allowing expenditure from it.

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.

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

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

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

28 ited in the general fund unless otherwise provided by law.]
29 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended

new Sec. 30(p. 2, l. 23) would suspend this language

1 by adding new sections to read:

2 SECTION 29. DEDICATED FUNDS. (a) The operation of Section 7 of
3 Article IX is suspended from July 1, 1991, through June 30, 1996, and
4 this section applies in lieu of (Section 7 of Article IX.) *prohibition against*
dedicated funds

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

12 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
13 tion 15 of Article IX is suspended from July 1, 1991, through June 30,
14 1996, and this section applies in lieu of Section 15 of Article IX.

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

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

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

1 residents as provided by law;

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

5 (3) thirty percent to the budget stabilization fund estab-
6 lished under Section 32 of this article.

7 SECTION 31. EXPENDITURE LIMIT. (a) The operation of Section 16
8 of Article IX is suspended from July 1, 1991, through June 30, 1996,
9 and this section applies in lieu of (Section 16 of Article IX.) *Appropriation
Limit*

10 (b) Except for appropriations to the permanent fund or for
11 Alaska permanent fund dividends, appropriations to the budget stabili-
new language → zation fund, appropriations by the legislature to meet a State natural
12 disaster declared by the governor as prescribed by law, appropriations
13 of revenue bond proceeds, and appropriations of money received from a *in*
14 non-State source in trust for a specific purpose, including revenues *current*
15 of a public enterprise or public corporation of the State that issues *language*
16 revenue bonds, appropriations from the treasury made for fiscal year
17 1996 may not exceed a basic services budget level of \$1,400,000,000. *currently*
18 The legislature shall by law establish an expenditure limit for each *\$2.5 billion*
19 fiscal year calculated to achieve the basic services budget level
20 required under this section for fiscal year 1996.

22 (c) During a fiscal year the legislature may exceed the expendi-
23 ture limit under (b) of this section if each bill that exceeds the
24 limit is passed by affirmative vote of three-fourths of the membership
25 of each house of the legislature or, notwithstanding Sections 1 and 14
26 of Article II and Article XI, is approved by the voters as prescribed
27 by law. The voters shall, for each bill for appropriations for capi-
28 tal projects, be informed as provided by law of the cost of operations
29 and maintenance of each capital project.

1 (d) Fifty percent of the money received by the State that is
2 subject to the expenditure limit under (b) of this section and that
3 exceeds that limit but is not appropriated under (c) of this section
4 shall be deposited in the principal of the permanent fund and the
5 remaining fifty percent shall be deposited in the budget stabilization
6 fund.

7 SECTION 32. BUDGET STABILIZATION FUND. (a) This section
8 applies from July 1, 1991, through June 30, 1996.

9 (b) Income of the permanent fund shall be deposited in the
10 budget stabilization fund in accordance with Section 30(c) of this
11 article. Fifty percent of the money received by the State that is
12 subject to the expenditure limit under Section 31(b) of this article,
13 exceeds that limit, and is not appropriated under Section 31(c) of
14 this article shall be deposited in the budget stabilization fund.
15 Additional appropriations may be made to the budget stabilization
16 fund.

17 (c) Money in the budget stabilization fund shall be invested so
18 as to yield competitive market rates to the fund. Income from invest-
19 ment of the fund shall be retained in the fund.

20 (d) If the legislature determines that the money subject to the
21 expenditure limit received by the State in a fiscal year is less than
22 the maximum amount that may be appropriated under Section 31 of this
23 article, money may be appropriated from the budget stabilization fund
24 to the general fund. However, the amount appropriated from the budget
25 stabilization fund during a fiscal year may not exceed the lesser of

26 (1) the amount that, when added to money subject to the
27 expenditure limit received by the State during that fiscal year,
28 equals the maximum amount that may be appropriated under Section 31 of
29 this article; or

1 (2) twenty percent of the balance of the budget stabiliza-
2 tion fund.

3 (e) Notwithstanding the expenditure limit in Section 31 of this
4 article, additional amounts may be appropriated from the budget stabi-
5 lization fund to meet a State disaster declared by the governor as
6 prescribed by law.

7 SECTION 33. REPEAL. Sections 29 - 32 of Article XV are repealed
8 July 1, 1996.

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