

SB 235

() USE COMMITTEE REPORT

(11)

Date Referred: May 19, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-20-91

The FINANCE Committee considered:

CSSB 235(FIN)

CS FOR SENATE BILL NO. 235 (FINANCE)

DEBT RETIREMENT FUND

"An Act establishing the Alaska debt retirement fund relating to the financing of capital projects; relating to state bonded indebtedness and reimbursements for school construction; and providing for an effective date."

- RECOMMENDATIONS:**
- the same title
 - be replaced with _____ a new title
 - have attached amendments(s)
 - do pass
 - do not pass
 - no recommendations
 - individual recommendations
 - additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

- ATTACHES NEW FISCAL NOTE(s):** (Dept)
- fiscal impact _____
 - zero fiscal note _____

- APPROVES PREVIOUS:** (Dept/Date)
- fiscal note(s) REV 4-3-91
 - zero fiscal note(s) ADMIN 4-3-91
DOE 4-3-91

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Richard J. ...</i>	<input checked="" type="checkbox"/>	<i>Jan ...</i>		<input checked="" type="checkbox"/>	
<i>Rec'd & Rec'd</i>	<input checked="" type="checkbox"/>				
<i>Bob ...</i>	<input checked="" type="checkbox"/>				
<i>...</i>	<input checked="" type="checkbox"/>				
<i>Mark Boyer</i>	<input checked="" type="checkbox"/>				
<i>...</i>	<input checked="" type="checkbox"/>				
<i>Mike ...</i>	<input checked="" type="checkbox"/>				
<i>Tamara ...</i>	<input checked="" type="checkbox"/>				

Mike ...
CHAIRMAN'S SIGNATURE

FISCAL NOTE

NO. 1

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB235

(S) Publish Date: 4/2/91

Revision Date: March 27, 1991
Title: Alaska Debt Retirement Fund

Department Affected: Revenue
BRU: Revenue Operations
Component: Treasury Management

Sponsor: Rules request of Governor
Requestor: Office of the Governor

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
FEDERAL FUNDS						
OTHER						
TOTAL	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: Treasurys' operations would not experience a fiscal impact. If bill passes and the constitutional amendment is not adopted there would not be a revenue impact. If the constitutional amendment is adopted general fund revenues will be reduced by the above numbers. This assumes interest earnings on unspent residual amounts. See attached spread sheet analysis for details.

Prepared by: Brian C. Andrews Phone: 465 - 2350
 Division: Treasury Date: _____
 Approved by Commissioner: [Signature]
 Agency: _____
 Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Alaska Debt Retirement Fund
(millions)

Dedicated Revenue	State GO Debt	School Debt	Net	Investment Return	Total Revenue Impact
242.86	68.20	116.10	58.56	4.68	63.24
283.56	59.70	106.00	117.86	14.49	132.35
304.60	33.90	93.40	177.30	29.83	207.13
321.12	23.10	84.30	213.72	49.32	263.04
327.30	21.50	71.10	234.70	72.04	306.74
353.85	16.70	48.70	288.45	100.88	389.33

- 1/ Gross Revenue from DOR Spring '91 revenue forecast scenario B
- 2/ State GO & School debt from DOR's Ak Public Debt March '90
- 3/ Inv't return assumed at 8%

(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTAL REVS W/PERM FND DEDICATION	PUB SCH FUND	NPR-A FUND	OTHER FUNDS	PERM FUND DEDICATION	BUDGET RESERVE FUND	NET GEN FUND UNRESTRICTED REVENUES
4110.80	7.50	0.00	74.30	385.10	0.00	3718.20
4516.90	8.00	0.00	0.00	400.50	0.00	4108.40
4061.40	9.40	0.00	0.00	421.00	0.00	3631.00
3765.30	9.00	0.00	0.00	366.20	0.00	3390.10
3640.50	7.10	5.40	0.00	368.00	0.00	3260.00
3446.40	6.50	41.00	0.00	323.40	0.00	3075.50
1983.20	3.30	9.90	0.00	170.60	0.00	1799.40
2747.10	6.60	1.00	15.80	417.90	0.00	2305.80
2419.70	4.30	0.80	0.00	228.40	0.00	2186.20
2780.06	5.13	0.60	0.00	267.10	0.00	2507.23
3532.97	6.55	0.60	0.00	414.97	284.85	2826.00
2375.84	4.65	0.60	3.00	242.86	0.00	2124.73
2709.21	5.44	0.50	7.00	283.56	0.00	2412.71
2827.36	5.84	0.50	7.00	304.60	0.00	2509.42
2943.28	6.16	0.30	7.00	321.12	0.00	2608.70
2961.47	6.28	0.10	7.00	327.30	0.00	2620.79
3113.95	6.79	0.00	7.00	353.85	0.00	2746.31
3035.90	6.69	0.00	10.00	348.67	0.00	2670.54
2827.79	6.31	0.00	10.00	328.76	0.00	2482.73
2624.88	5.91	0.00	10.00	307.92	0.00	2301.05
2461.49	5.56	0.00	10.00	289.71	0.00	2156.22
2348.23	5.35	0.00	10.00	278.72	0.00	2054.17
2239.17	5.13	0.00	0.00	267.34	0.00	1966.70
2175.43	5.00	0.00	0.00	260.39	0.00	1910.05
2090.83	4.85	0.00	0.00	252.52	0.00	1833.46
1960.78	4.58	0.00	0.00	238.76	0.00	1717.44
1820.89	4.31	0.00	0.00	224.47	0.00	1592.11
1728.61	4.15	0.00	0.00	216.21	0.00	1508.25
1630.89	3.94	0.00	0.00	205.47	0.00	1421.48
1531.81	3.72	0.00	0.00	193.76	0.00	1334.34

TABLE 3.2

State of Alaska
Debt Service on State-Supported Debt
(\$ Millions)

Fiscal Year	(1) State GO	(2) UA	(3) ASHA	(4) Lease-Purchase Obligations (Lease)	(5) School Debt (Muni)	Total Debt Service
79	\$60.0	\$1.7	\$10.1	\$0	\$22.3	\$94.1
80	75.1	1.8	10.1	0	24.1	111.1
81	97.6	2.2	10.0	0	38.4	148.2
82	97.5	2.3	10.0	0	38.3	148.1
83	143.6	2.3	9.9	0	36.2	192.0
84	166.3	2.0	9.9	0	90.6	268.0
85	169.5	2.0	9.9	.8	93.2	275.4
86	163.2	1.8	9.9	.5	106.3	281.7
87	154.9	1.8	6.5	4.7	115.8	283.7
88	147.9	1.5	6.5	.7	109.5	266.1
89	135.5	2.2	6.5	5.2	109.5	258.8
90	120.3	2.2	6.5	5.5	107.8	242.3
91	95.5	2.2	6.5	5.5	120.2	229.9
92	68.2	2.1	6.5	5.5	116.1	198.4
93	59.7	2.1	5.9	5.5	106.0	179.2
94	33.9	1.9	3.1	5.5	93.4	137.8
95	23.1	2.0	1.5	5.5	84.3	116.4
96	21.5	1.9	0	5.5	71.1	100.0
97	16.7	1.9	0	5.5	48.7	72.8
98	14.4	1.9	0	5.5	45.7	67.5
99	9.0	1.9	0	5.5	43.2	59.6
00	2.6	1.9	0	4.7	34.8	44.0
01	0	1.8	0	4.7	21.2	27.7
02	0	1.2	0	4.7	9.1	15.0
03	0	1.0	0	4.7	5.4	11.1
04	0	1.1	0	4.7	5.4	11.2
05	\$0	\$1.0	\$0	\$4.7	\$5.3	\$11.0

(1) State of Alaska general obligation bonds

(2) University of Alaska bonds

(3) Alaska State Housing Authority lease revenue bonds

(4) Debt issued to finance Seward Student Service Center, Spring Creek Correctional Center, and Palmer Court-house

(5) State reimbursement of municipal general obligation debt issued to finance school construction for debt issued through December 31, 1989

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 235

(S) Publish Date: 4/2/91

Revision Date: _____ Department Affected: Education
 Title: Establishing the Alaska Debt Retirement Fund BRU: School Construction Debt Retirement
 Retirement Fund Component: School Construction Debt Retirement
 Sponsor: Rules
 Requestor: Governor COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note assumes that the responsibility for disbursement of school construction debt retirement funds remain within the Department of Education.

Prepared By: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 3/27/91
 Approved by Commissioner: Steve Hole, Acting Commissioner
 Agency: Education Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 235
(S) Publish Date: 4/2/91

Revision Date: _____ Department Affected: Administration
Title: A Bill establishing a Debt Retirement Fund. BRU: Central Services
Component: Finance

Sponsor: Governor Hickel
Requestor: Governor Hickel

COMPONENT SERIAL NO.	59			
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This Act will not have a fiscal impact on the Division of Finance or the Department of Administration. Accounting procedures are in place to establish the Debt Retirement Fund and deposit revenue to the fund.

Prepared By: Weldon L. Blackwell *WLB* 03/27/91 Phone: 465-2240
Division: Finance Date: 03/27/91

Approved by Commissioner: Millett Keller *Millett Keller* Date: 03/27/91
Agency: Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FIX

CS FOR SENATE BILL NO. 235 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/19/91
Referred: Rules

Sponsor(s): SENATE RULES/GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Alaska debt retirement fund; relating to the financing of capital
2 projects; relating to state bonded indebtedness and reimbursements for school construction;
3 and providing for an effective date."

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

5 * Section 1. FINDINGS. The legislature finds that a mechanism is needed to ensure a long-term
6 source of money for the debt service obligations of the state and local governments, and to strengthen
7 and add to the economy of the state, in order to benefit all present and future generations of Alaskans.
8 It is the intent of the legislature that the Alaska debt retirement fund be established to help meet the
9 general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to
10 finance capital projects with money remaining after debt obligations are paid.

11 * Sec. 2. AS 37.15 is amended by adding a new section to read:

12 Sec. 37.15.011. ALASKA DEBT RETIREMENT FUND. (a) The Alaska debt
13 retirement fund is established as a separate fund in the general fund. The fund consists of all
14 money appropriated to it.

1 (b) The Alaska debt retirement fund shall be invested by the Department of Revenue so
2 as to yield competitive market rates, as provided in AS 37.10.071. Money in the fund may be
3 appropriated

4 (1) for the purposes set out in AS 37.15.012;

5 (2) to reimburse municipalities for obligations authorized under AS 14.11.100;

6 (3) to finance the acquisition of state facilities through lease-purchase agreements;

7 and

8 (4) if an unobligated balance remains, to finance the design and construction of
9 capital projects.

10 * Sec. 3. AS 37.15.012 is amended to read:

11 Sec. 37.15.012. CONTINUING DEBT SERVICE APPROPRIATION. The amounts
12 required annually to pay the principal, interest, and redemption premium on all issued and
13 outstanding general obligation bonds of the state are appropriated each fiscal year from the
14 Alaska debt retirement [GENERAL] fund to the state bond committee to make all required
15 payments of principal, interest, and redemption premium. If the balance of the Alaska debt
16 retirement fund is insufficient to fully pay these amounts, the necessary additional amounts
17 are appropriated from the general fund to the state bond committee to make all required
18 payments of principal, interest, and redemption premium.

19 * Sec. 4. AS 37.15.015(a) is amended to read:

20 (a) Before a general or special election in which a bond issue is offered for ratification,
21 the state bond committee shall publish a notice of existing state bonded indebtedness at least once
22 a week for three consecutive weeks in a newspaper of general circulation in each of the four
23 judicial districts of the state. The first notice shall be published at least 20 days before the date
24 of the election. A notice must contain

25 (1) the current total bonded indebtedness of the state;

26 (2) the cost of the debt service on the current indebtedness;

27 (3) the projected amount of state general obligation debt principal that could
28 be issued and paid for from the Alaska debt retirement fund;

29 (4) the estimated debt service requirements for the bond issue offered for
30 ratification; and

31 (5) whether the bond issue offered for ratification will be repaid with

1 amounts from the Alaska debt retirement fund.

2 * Sec. 5. AS 37.15.170(a) is amended to read:

3 (a) Before December [JANUARY] 1 of each year after bonds are issued, the state bond
4 committee shall certify to the commissioner of administration the amount needed for the
5 following calendar year to meet principal, interest, and reserve requirements on all bonds or
6 issues or series of bonds then outstanding, including reimbursements authorized under
7 AS 14.11.100.

8 * Sec. 6. AS 37.15.170 is amended by adding a new subsection to read:

9 (c) Before December 1 of each year, the state bond committee shall report to the
10 governor and the legislature the current fund balance in the Alaska debt retirement fund. The
11 report must contain an estimate of the amount of state general obligation debt principal that could
12 be issued and paid for from the fund.

13 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

WALTER J. HICKEL, GOVERNOR

REPLY TO:

1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317

P.O. BOX K— STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

May 13, 1991

The Honorable Jim Duncan
Alaska State Senate
P O Box V
Juneau, Alaska 99811

Re: Dedicated fund prohibition
applied to segregated funds

Dear Senator Duncan:

Your question concerning the dedicated fund prohibition was referred to me by Shelby Stastny of the office of management and budget. During a meeting of the Senate finance committee on May 10, 1991, you inquired whether the dedicated fund analysis set out in our memorandum dated May 9, 1991 regarding the provisions of SB 65 (mental health trust lands) would apply to the debt retirement fund proposed in SB 235.

Our May 9 memo was prepared on short notice and for that reason does not contain exhaustive citations of authority for the analysis set out there. We have consistently given testimony before committees considering the mental health trust lands issue, that the proposals to create a segregated trust fund may violate the dedicated fund prohibition. By "segregated trust fund" we mean a fund that is held separate from the state treasury. SB 65 provides for a trust "corpus" and an income account into which land management proceeds would be deposited directly. Provisions, which imply a direct deposit to a segregated trust, caused us to warn the sponsors that these provisions may violate the dedicated fund prohibition.

In State v. Alex, 646 P.2d 203 (Alaska 1982), the Alaska Supreme Court applied the dedicated fund prohibition to assessments for salmon enhancement purposes. In Alex, the court interpreted the prohibition to apply not only to the proceeds of taxes and licenses, but also to all sources of state revenue. After reviewing the history of the prohibition, the court observed:

The [framers] intended [the dedicated fund prohibition] to prohibit not only the dedication of taxes, but also such revenue as the proceeds from the sale of state lands.

Hon. Jim Duncan
Re: Dedicated fund prohibition applied
to segregated funds

May 13, 1991
Page 2

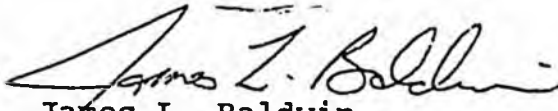
646 P.2d at 210 (citation omitted). Some versions of SB 65 propose the diversion by statute of royalty proceeds earned from oil and gas lands to a trust corpus and trust income account. If the prohibition applies to the proceeds of sale, it seems logical that it would also apply to rents and royalties derived from a conveyance of an interest in land.

In Alex, the court went on to conclude that the framers intended only to allow dedications of revenue after it was received and placed in the general fund of the state. Id; see also, 4 Alaska Const. Conv. Proceed. 2363. The dedication referred to would take the form of an appropriation. Based on this analysis we concluded that the creation of a segregated trust fund under the provisions of SB 65 may violate the dedicated fund prohibition.

The debt retirement bill (SD 235) does not propose to establish a fund segregated from the treasury. It does propose to establish a separate fund within the treasury. Until the constitutional amendment is adopted, the debt retirement fund would consist entirely of appropriations enacted by the legislature. Amounts would be spent from the debt retirement fund only if appropriated by the legislature. This statutory process does not violate the dedicated fund prohibition set out in Art. IX, Sec. 7 of the Alaska Constitution.

Do not hesitate to call if you have additional questions.

CHARLES E. COLE
ATTORNEY GENERAL

By: 
James L. Baldwin
Assistant Attorney General

JLB:jr

cc: Shelby Stastny, Director
OMB, Office of the Governor

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

May 15, 1991

SUBJECT: Alaska debt retirement fund (SB 235)

TO: Senator Pat Pourchot

FROM: Tamara Brandt Cook
Director

TBC

You have asked whether SB 235 poses constitutional questions. Under the bill a separate Alaska debt retirement fund is established. To the extent it consists of money appropriated to the fund, no constitutional problem is created. However, under AS 37.15.011(b) fund money is to be invested, but it is not clear whether income from those investments is expected to be retained in the fund. If this is done without appropriation, a question will be created as to whether this amounts to an improper dedication of funds. (Article IX, Sec. 13, Constitution of the State of Alaska; Opinion Atty' Gen., February 28, 1977)

AS 37.15.011(c) sets out certain uses for which money may be appropriated from the fund. In my opinion, money could also be appropriated for any other public purpose under the legislature's constitutional "power of the purse."

Note that under SJR 26, in Section 18(b), interest earned on money in the constitutionally established Alaska debt retirement fund accrues to that fund, so the question of retained interest will be dealt with once a constitutional fund is established. Also, under the amendment, uses that may be made of money in the fund are restricted.

TBC:lmb
91-192.lmb



Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 1267

Fairbanks, Alaska 99707

907-452-4761

May 16, 1991

Honorable Members of
the Interior Delegation
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Members of the House and Senate:

I am sure you have received a copy of the attached Resolution No. 91-042. Since hearing the Governor's most recent statement, it seemed timely to send it to you again.

I am confident in your ability to strike a compromise between maintaining your control over the debt retirement fund. This resolution may help.

Thank for all you do for us. Happy last week!

Sincerely,

Juanita Helms
Borough Mayor

JH:rlf

Attachment:
as stated

By: Hank Hove
Paul Chizmar
John Davies
Donna Gilbert
Harold Gillam
Don Lowell
Guy Sattley
Bonnie Williams
Introduced: 04/25/91
Adopted: 04/25/91

RESOLUTION NO. 91-042

A RESOLUTION SUPPORTING HB 251, HB 252, AND HJR 28, ALL
RELATING TO THE ESTABLISHMENT OF A DEBT RETIREMENT FUND

WHEREAS, there needs to be a mechanism which would ensure a long-term source of funds for debt service obligations of the state and local governments; and

WHEREAS, currently, debt service is funded by what the administration and the legislature feel the state can afford; and

WHEREAS, local governments are usually required to set their budgets and mil rate prior to the final action on any bill which appropriates funds for debt retirement; and


WHEREAS, many times, local governments have had to make severe budget cuts because of a shortage of state funds; and

WHEREAS, Governor Walter J. Hickel has introduced House Bill 251 which establishes the Alaska Debt Retirement Fund, House Bill 252, which appropriates funds from the "general fund unreserved, undesignated fund balance available for appropriation" to forward fund the Debt Retirement Fund, and HJR 28, which proposes amendments to the Alaska State Constitution creating a debt retirement fund. HJR 28, if approved by the legislature, must be ratified by a majority of the voters at the next general election.

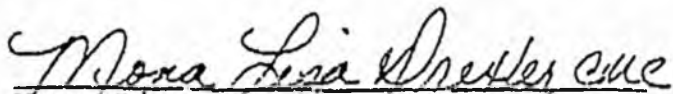
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly, by this resolution, goes on record as supporting HB 251, HB 252, and HJR 38.

BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Walter J. Hickel, Governor, State of Alaska; the Honorable Lee Fisher, Commissioner appointee, Alaska State Department of Revenue; and all members of the Interior Delegation.

PASSED AND APPROVED THIS 25TH DAY OF APRIL, 1991.


Henry "Hank" Hove
Presiding Officer

ATTEST:


Mona Lisa Drexler, CMC
Municipal Borough Clerk

**Alaska Debt Retirement Fund
Fiscal Projections
Case #1B**

5/12/91

**\$209 Million Deposit in FY 92
Revenue Scenario B**

Assumptions

Revenue Forecast: Spring 1991, Scenario B
 FY 91 Deposit (Projected): 209.2
 Earnings Rate (Avg. Balance): 8.0%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Fiscal Year	Beginning Balance	Prior Year Budget Surplus	Dedicated Resource Revenue	Prior Debt Service Payments	Capital Project and New Debt Service Outlays	Ending Earnings Base	Annual Earnings	Ending Balance
92	209.2	314.0		209.2		0.0	8.4	8.4
93	8.4		141.8	141.8 *	0.0	8.4	0.7	9.0
94	9.0		304.6	142.6	150.0	21.0	1.2	22.2
95	22.2		321.1	121.4	200.0	21.9	1.8	23.7
96	23.7		327.3	103.9	200.0	47.1	2.8	49.9
97	49.9		353.9	76.9	250.0	76.9	5.1	82.0
98	82.0		348.7	71.5	250.0	109.2	7.6	116.9
99	116.9		328.8	63.7	250.0	132.0	10.0	141.9
00	141.9		307.9	46.6	250.0	153.2	11.8	165.0
01	165.0		289.7	28.7	250.0	176.0	13.6	189.7
02	189.7		278.7	17.4	250.0	201.0	15.6	216.6
03	216.6		267.3	13.5	250.0	220.4	17.5	237.9
04	237.9		260.4	13.5	250.0	234.8	18.9	253.7
05	253.7		252.5	13.3	250.0	242.9	19.9	262.7
06	262.7		238.8	10.4	250.0	241.1	20.2	261.3
07	261.3		224.5	5.2	250.0	230.6	19.7	250.3
08	250.3		216.2	4.1	250.0	212.4	18.5	230.9
09	230.9		205.5	0.3	250.0	186.1	16.7	202.8
10	202.8		193.8	0.3	250.0	146.3	14.0	160.2
Total:			4,861.5	1,084.3	4,050.0			

* Note D1 - An FY 92 deposit of \$209 million would leave an insufficient fund balance in FY 93 to fully pay prior debt service requirements.

An additional \$43.8 million from the general fund would be necessary to fully fund general obligation and municipal school debt.

Note D2 - Equivalent to dedications to the Permanent Fund (Spring 1991 Revenue Forecast). FY 93 dedication is 50% (6 months).

Note E - Includes G.O. debt, school debt, lease purchases, and ASHA debt payments.

Note H - Earnings are on the Fund's average balance (Beginning Balance plus Ending Earnings Base, divided by two).

**Alaska Debt Retirement Fund
Fiscal Projections
Case #2B**

5/12/91

\$209 Million Deposit in FY 92

Revenue Scenario A

Assumptions

Revenue Forecast: Spring 1991, Scenario A
 FY 91 Deposit (Projected): 209.2
 Earnings Rate (Avg. Balance): 8.0%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Fiscal Year	Beginning Balance	Prior Year Budget Surplus	Dedicated Resource Revenue	Prior Debt Service Payments	Capital Project and New Debt Service Outlays	Ending Earnings Base	Annual Earnings	Ending Balance
92	209.2	314.0		209.2		0.0	8.4	8.4
93	8.4		96.0	96.0 *	0.0	8.4	0.7	9.0
94	9.0		210.7	142.6	50.0	27.1	1.4	28.6
95	28.6		222.3	121.4	100.0	29.5	2.3	31.8
96	31.8		225.6	103.9	100.0	53.5	3.4	56.9
97	56.9		221.5	76.9	150.0	51.5	4.3	55.9
98	55.9		216.0	71.5	150.0	50.4	4.2	54.6
99	54.6		199.8	63.7	150.0	40.7	3.8	44.5
00	44.5		184.3	46.6	150.0	32.2	3.1	35.3
01	35.3		203.7	28.7	150.0	60.3	3.0	64.1
02	64.1		192.6	17.4	150.0	89.3	6.1	95.4
03	95.4		183.0	13.5	150.0	114.9	8.4	123.4
04	123.4		177.9	13.5	150.0	137.8	10.4	148.2
05	148.2		170.6	13.3	150.0	155.5	12.1	167.7
06	167.7		160.0	10.4	150.0	167.3	13.4	180.7
07	180.7		125.0	5.2	150.0	150.5	13.2	163.7
08	163.7		117.6	4.1	150.0	127.2	11.6	138.8
09	138.8		109.0	0.3	150.0	97.5	9.5	107.0
10	107.0		99.5	0.3	150.0	56.2	6.5	62.7
Total:			3,115.1	1,032.5	2,350.0			

* Note D1 - An FY 92 deposit of \$209 million would leave an insufficient fund balance in FY 93 to fully pay prior debt service requirements.

An additional \$89.6 million from the general fund would be necessary to fully fund general obligation and municipal school debt.

Note D2 - Equivalent to dedications to the Permanent Fund (Spring 1991 Revenue Forecast). FY 93 dedication is 50% (6 months).

Note E - Includes G.O. debt, school debt, lease purchases, and ASHA debt payments.

Note H - Earnings are on the Fund's average balance (Beginning Balance plus Ending Earnings Base, divided by two).

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 3, 1991

235

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska debt retirement fund. This bill is one of three measures that make up my Alaska debt retirement fund proposal; the others, which accompany this bill, are a proposed constitutional amendment and an appropriation bill.

The Alaska debt retirement fund has two major objectives: first, to set aside part of fiscal year 1991 surplus revenue to help pay Alaska's future general obligation debt service and municipal school debt reimbursement; and second, to establish a long-term source of revenue to pay for debt service and to finance capital projects that will broaden Alaska's economic base.

I hope that every member of the legislature will agree with me that, as stewards of Alaska's resource wealth, we must consider investing, rather than spending, most of the revenue surplus that the state receives this year. Of course, I expect there to be a wide range of opinions on the best way to invest the surplus, but if we can concur that this unexpected revenue should be invested soundly, we will have reached an important point of agreement. I am willing to give all proposals for investing the revenue surplus fair consideration, and I hope that the legislature will accord the Alaska debt retirement fund the same fair hearing.

The first goal of the Alaska debt retirement fund is to help retire state and municipal debt. The State of Alaska will spend nearly \$250,000,000 over the next nine years to repay our general obligation debt. In addition, the legislature authorized the reimbursement of Alaska's municipal governments in an amount exceeding \$735,000,000 in school debt service over the next 23 years. These two budget items total nearly \$1,000,000,000.

The Honorable Richard Eliason -2-

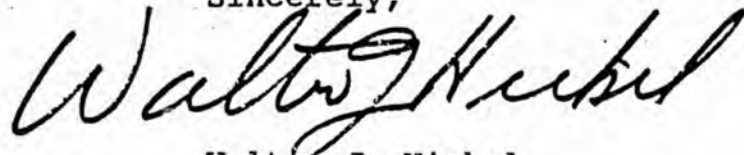
The Alaska debt retirement fund would allow us to save part of our surplus revenue to help pay off our general obligation debt and reimburse Alaska's municipal governments for their school debt payments. By doing so, we would substantially improve Alaska's ability to maintain a balanced budget as petroleum revenue declines over the next 20 years.

The second goal of the Alaska debt retirement fund is to establish a long-term source of revenue to pay for debt service, and to use the remaining balance of the fund to finance capital projects that will diversify and strengthen Alaska's economy. The companion joint resolution to this bill proposes a constitutional amendment that would dedicate a portion of our ownership revenue -- mineral lease rentals, royalties, royalty sale proceeds, and other resource revenues -- to the fund.

Alaska's economic infrastructure -- its port, transportation and energy systems -- are inadequate to support the broad economic foundation on which the future of the state depends. The Alaska debt retirement fund would provide the means to finance responsible expansion of the state's infrastructure, enhancing the viability and competitiveness of Alaska's industries.

The time for the Alaska debt retirement fund is now. This year's surplus revenue gives Alaska the opportunity to establish a fund with a statewide purpose. This revenue surplus is expected to be a one time event. With the declining production at Prudhoe Bay, we must commit to retiring our debt and building a broader, value-added economy. The Alaska debt retirement fund will serve that purpose. I urge your support for the fund.

Sincerely,



Walter J. Hickel
Governor