

HB

55

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 22, 1991

FURTHER REFERRALS: Finance

Date of Committee Action: 4-17-91

The STATE AFFAIRS Committee considered:

HB 55

HOUSE BILL NO. 55

APPROP: BUDGET RESERVE FUND

"An Act amending an appropriation to the budget reserve fund; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with CS HB 55 (STA)  the same title  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) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

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

zero fiscal note \_\_\_\_\_

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

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

	Check appropriate column:	Do Not Pass	No Rec	Amend
<i>Gene Kubera</i>			X	
<i>Tommy</i>			X	
<i>David</i>			✓	
<i>E. Bruckner</i>			—	
<i>Jim</i>			—	
<i>Mike</i>			—	
<i>Rep. [unclear]</i>			—	

*Gene Kubera*  
Chairman's Signature



# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Official Business

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

April 15, 1991

To: House State Affairs Committee  
Rep. Gene Kubina, Chairman  
Rep. Tom Moyer  
Rep. Dave Choquette  
Rep. Betty Bruckman  
Rep. Max Gruenberg  
Rep. Larry Baker  
Rep. Mike Miller

From: Representative Kay Brown *Kay*

I want to express my support for the proposed committee substitute for House Bill 55, an act making appropriations to the Constitutional and Statutory Budget Reserve Funds.

My original intent in introducing House Bill 55 was to amend last session's appropriation of FY91 surplus funds to the statutory budget reserve fund. The bill would have deposited the funds instead into the Constitutional Budget Reserve approved by voters last November.

As you can see by the new version of the bill, I haven't changed my mind about the importance of saving money for future budgets. But the proposed committee substitute would better conform to the House's overall spending plan for the remainder of FY91 and FY92.

The bill no longer amends last session's appropriation to the statutory budget reserve. If projections are correct the statutory budget reserve at the end of this year should receive about \$600 million in surplus funds, \$200 million of which will be needed to support the FY92 budget.

The new version of HB 55 would, instead, appropriate 50% of the balance of the statutory budget reserve, as of June 30, 1992, into the Constitutional budget reserve. And it would deposit 50% of any FY92

- Sponsor Statement -

surplus funds into the Constitutional Budget Reserve and 50% into the statutory Budget Reserve.

If the House spending plan is adopted by the Legislature, this bill would have the effect of depositing about \$200 million into the Constitutional budget reserve and leaving about \$200 million in the statutory reserve. It would also appropriate any FY92 carryforward funds into the two reserve funds on a 50/50 basis, although there is currently no carryforward projected for the end of FY92.

As you are all aware, it's difficult to predict state revenues from month to month, much less year to year. Thus, it seems more sensible to propose appropriations of surplus funds that are based on percentages rather than exact dollar figures.

Thank you for your consideration.

### Comparison: Hickel and House Budget Plans

	Governor	House
FY 91 Available	3,407.4	3,407.4
FY91 Expenditures	3,156.1	2,655.6
Carry Forward/Budget Reserve	138.1	650.6
FY92 Available	2,660.1	2,636.2
<u>FY92 Expenditures</u>	<u>2,422.8</u>	<u>2,639.6</u>
<b>Total Expenditures/FY91&amp;92</b>	<b>5,578.9</b>	<b>5,295.2</b>

#### Reserve Fund Balances:

Balance Left in Budget Reserve	81.7	396.3
Surplus/Unreserved	246.8	.0
Governor's Debt Repayment Fund	105.7	.0
Mental Health Trust Income Balance	60.1	78.2
<b>Total</b>	<b>494.3</b>	<b>474.5</b>

**Brown CS**

**CS FOR HOUSE BILL NO. 55 ( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES BROWN, Parnell, B.Davis, Finkelstein, Ellis, Navarre, R.Phillips**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act making appropriations to the statutory budget reserve fund and the constitutional  
2 budget reserve fund; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* Section 1. An amount equal to 50 percent of the unexpended and unobligated balance in the budget  
5 reserve fund established under AS 37.05.540 on June 30, 1992, is appropriated from that fund to the  
6 budget reserve fund established under art. IX, sec. 17, Constitution of the State of Alaska.

7 \* Sec. 2. An amount equal to 50 percent of the "general fund balance available for appropriation"  
8 in the annual financial report prepared by the Department of Administration under AS 37.05.210(2) for  
9 fiscal year 1992 is appropriated to the budget reserve fund established under art. IX, sec. 17, Constitution  
10 of the State of Alaska.

11 \* Sec. 3. An amount equal to 50 percent of the "general fund balance available for appropriation"  
12 in the annual financial report prepared by the Department of Administration under AS 37.05.210(2) for  
13 fiscal year 1992 is appropriated to the budget reserve fund established under AS 37.05.540.

14 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

# STATE OF ALASKA

## THE LEGISLATURE

### BUDGET AND AUDIT COMMITTEE

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

### MEMORANDUM

DATE: March 5, 1991

TO: Mike Greany,  
Director

FROM: Nancy J. Slagle, *NJS*  
Fiscal Analyst

SUBJ: Constitutional Budget Reserve Fund

According to the Department of Administration, Division of Finance, the Constitutional Budget Reserve Fund has been established and the following amounts have been transferred into it:

	Deposit Date	Total Received	General Fund Amount
Amerada Hess Case Settlement			
Marathon	6/28/90	\$2,923,676	\$2,178,139
Marathon	7/5/90	76,555	57,033
Marathon	7/9/90	524,942	391,082
ARCO	9/17/90	287,161,781	213,695,740
Freeport	10/15/90	331,000	246,595
Tax Settlements			
Exxon	8/20/90	28,112,801	28,112,801
Marathon	10/90	5,525,000	5,525,000
Mobil	12/90	32,763,614	32,763,614
Mobil	1/23/91	110,293	110,293
Chevron	1/22/91	210,105	210,105
Balance of Fund at March 3, 1991			\$283,290,402

Interest that has been earned on these funds have not yet been transferred to the fund. Finance will be contacting Treasury to inform them that the fund has been established so that interest may now be transferred. Future interest should accumulate to the fund.

The Marathon funds received on 6/28/90 are included in the Constitutional Budget Reserve Fund because they are part of the same settlement that was received on 7/5 and 7/9.

# BALLOT MEASURE NO. 1

## Budget Reserve Constitutional Amendment

[HCS CSSSSJR 5 (Fin) am H]

### BALLOT LANGUAGE

This proposal would create the "Budget Reserve Fund" in the state treasury. Money the state receives from mineral revenue lawsuits or administrative actions would be deposited in the Fund, and invested at competitive rates. The Fund could be used when money available for appropriation in the year is less than the year before, but only to make up the shortfall. The legislature could only appropriate from the Fund for other purposes with a 3/4 vote. At the end of each year, the Fund would have to be paid back from money left in the treasury's general fund.

Should this constitutional amendment be adopted?

Yes  No

### VOTES CAST BY MEMBERS OF THE 16TH ALASKA LEGISLATURE ON FINAL PASSAGE

House: Yeas 38 Nays 2  
Senate: Yeas 15 Nays 5

### LEGISLATIVE AFFAIRS AGENCY SUMMARY

This measure will amend the state constitution by creating the budget reserve fund. Money from certain mineral revenue sources received by the state from an administrative proceeding or litigation is placed in the fund. Income of the fund is kept in the fund.

Appropriations may be made from the fund if money available for a fiscal year is less than the amount appropriated for the prior year. When this occurs the amount that may be taken from the fund is limited. Only the money needed to make up the difference may be appropriated.

Money may also be appropriated from the reserve fund by special vote of the legislature. Three-fourths of the members of each house must approve. The amount that may be taken is unlimited when this vote is obtained.

Money that is appropriated from the reserve fund must be repaid. Surplus general fund money must be deposited in the reserve fund at the end of each year until the reserve fund is repaid.

### FULL TEXT OF PROPOSED LAW

\*Section 1. Article IX. Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 17: BUDGET RESERVE FUND (a) There is

established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

(b) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

(c) An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature.

(d) If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.

\*Section 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1. Constitution of the State of Alaska, and the election laws of the state.

### STATEMENT IN SUPPORT

Cut the budget.  
Reduce state spending.  
Get state spending under control.

Each year these battle cries are raised by Alaskans. While elected officials say they listen and promise to do all they can, the simple fact is the Legislature's record shows it consistently spends most or all of the money available in the treasury. Alaska is confronted with an impending fiscal crisis of staggering proportions as a result of an inevitable "gap" between general fund revenues and current state spending levels. Present levels