

SB324

SENATE FINANCE COMMITTEE REPORT

DATE: 1/29/92

FURTHER: Reported Out 2-11-92

DATE TURNED INTO OFFICE: 2-11-92

The Finance Committee considered SENATE BILL NO. 324

"An Act relating to a report on earnings of the Alaska marine highway system fund."

and recommends:

[X] replace with CS 5B324 (FINANCE)
or [ ] adopt previous CS
[ ] attaches amendment(s)

[ ] same title
[X] new title
[ ] technical title change (HB only)

[ ] adopts Letter of Intent

[ ] further referral to the

- [ ] do pass
[ ] do not pass
[ ] no recommendation
[ ] individual recommendations

NEW FISCAL NOTES: Dept/Date
[X] zero fiscal notes DOR 2-6-92

PREVIOUS FISCAL NOTES: Dept/Date
[ ] zero fiscal notes

[ ] fiscal notes

[ ] fiscal notes

[ ] appropriation--no fiscal note

DO PASS:

Handwritten signatures for 'DO PASS' including Al Adams and others.

OTHER RECOMMENDATIONS:

Blank lines for other recommendations.

1. [Signature] Co-Chair: Signature/Recommendation

2. [Signature] Co-Chair: Signature/Recommendation

FISCAL NOTE

02/10/92  
FEB 10 1992

BILL NO. SB 324

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 2/6/92

Title: An act relating to a report on earnings of the Alaska marine highway system fund.

Sponsor: Senate Finance Committee

Requestor: Senator Duncan

Department Affected: Revenue

BRU: Operations

Component: Treasury Management

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANL & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

SB 324

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: February 6, 1992

Approved by Commissioner: [Signature]

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, &

Rev 12/91

Changes in SB 324 (Fin) have no fiscal impact. This fiscal note is appropriate.

2-11-92  
date

[Signature]  
Comte Aide (initial)

**CS FOR SENATE BILL NO. 324 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATOR DUNCAN**

**A BILL**  
**FOR AN ACT ENTITLED**

1 "An Act relating to reports on earnings on gross revenue of the Alaska marine highway  
2 system deposited into the Alaska marine highway system fund and on the earnings of the  
3 Alaska marine highway system vessel replacement fund."

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

5 \* Section 1. AS 19.65.070 is amended by adding a new subsection to read:

6 (c) The Department of Revenue shall submit a written report to the legislature, no later  
7 than the 10th legislative day of each regular legislative session, regarding the earnings on gross  
8 revenue of the Alaska marine highway system that was deposited into the Alaska marine highway  
9 system fund during the prior fiscal year and projected earnings on gross revenue of the Alaska  
10 marine highway system that is projected to be deposited into the Alaska marine highway system  
11 fund for the current fiscal year and the next fiscal year.

12 \* Sec. 2. AS 37.05.550 is amended by adding a new subsection to read:

13 (c) The Department of Revenue shall submit a written report to the legislature, no later  
14 than the 10th legislative day of each regular legislative session, regarding the earnings of the

1 Alaska marine highway system vessel replacement fund during the prior fiscal year and projected  
2 earnings of the Alaska marine highway system vessel replacement fund for the current fiscal year  
3 and the next fiscal year.

2-11-92  
Adopted

7-LS1499\A.1  
Utermohle  
02/10/92

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ADAMS

TC · B 324

Page 1, line 1:

Delete "a report"

Insert "reports"

Delete "of"

Insert "on gross revenue of the Alaska marine highway system deposited into"

Page 1, line 1, after "fund":

Insert "and on the earnings of the Alaska marine highway system vessel replacement fund"

Page 1, line 5:

Delete the second occurrence of "of"

Insert "on gross revenue of the Alaska marine highway system that was deposited into"

Page 1, line 6:

Delete "of"

Insert "on gross revenue of the Alaska marine highway system that is projected to be deposited into"

Page 1, following line 7:

Insert a new bill section to read:

**\*\* Sec. 2.** AS 37.05.550 is amended by adding a new subsection to read:

(c) The Department of Revenue shall submit a written report to the legislature, no later than the 10th legislative day of each regular legislative session, regarding the earnings of the Alaska marine highway system vessel replacement fund during the prior fiscal year and projected earnings of the Alaska marine highway system vessel replacement fund for the current fiscal year

and the next fiscal year."

SFC 2-11-92  
 Andrews-DOR  
 SB 324 + 325

REFERENCE ONLY\*\*  
 GENERAL INVESTMENT FUND INVESTMENT INCOME CREDITS  
 MARINE TRNS HIGHWAY FUND  
 #12135

DATE	GENERAL INVESTMENT FUND MARKETABLE SECURITIES	AMORTIZED INCOME MARKETABLE SECURITIES	PRELIMINARY FUND BALANCE	FUND PRO-RATA SHARE	INCOME CREDITS	FUND BALANCE END OF MONTH
07/31/90	1,160,963,408.39	8,469,415.43	4,369,623.92	0.379178%	32,114.16	4,401,738.08
08/31/90	936,282,816.39	6,890,490.88	3,709,576.47	0.937012%	64,565.16	8,773,141.63
09/30/90	1,681,106,554.33	7,797,726.45	11,674,366.40	0.897717%	54,406.09	11,729,372.49
10/31/90	1,637,450,506.49	10,990,004.94	14,338,538.28	0.981579%	96,885.60	14,435,423.88
11/30/90	1,583,751,575.83	10,497,308.28	16,205,459.23	1.030060%	108,134.77	16,313,594.00
12/31/90	1,734,284,262.43	10,539,150.27	18,426,605.09	1.068614%	112,622.87	18,539,227.96
01/31/91	1,786,339,548.44	13,145,485.31	20,336,950.24	1.146856%	150,761.13	20,487,611.37
02/28/91	1,761,644,400.40	9,652,936.78	23,117,404.88	1.319493%	127,369.83	23,244,774.71
03/31/91	1,499,290,799.26	9,630,099.15	23,995,146.81	1.745105%	168,053.78	26,164,200.59
04/30/91	1,528,408,589.60	8,522,719.50	28,995,529.44	1.907744%	162,591.66	29,158,121.10
05/31/91	1,499,041,719.69	9,042,519.24	33,651,772.31	2.258510%	204,228.42	33,856,000.73
06/30/91	1,570,621,344.93	7,348,484.65	39,215,633.46	2.508561%	184,341.22	39,399,994.68
AVERAGE	1,531,645,511.11	9,377,245.99	20,419,760.34	1.341404%	122,172.89	20,541,933.44
TOTAL		112,526,951.88			1,466,074.69	
07/31/91	1,439,349,313.60	8,343,950.76	72,166,173.94	5.043058%	421,042.40	72,587,216.34
08/31/91	1,331,262,319.49	7,405,553.25	70,755,363.96	5.347660%	395,023.37	71,191,387.23
09/30/91	1,657,821,875.19	7,924,431.65	68,748,422.22	3.716337%	294,498.58	69,042,920.80
10/31/91	1,563,591,365.23	8,917,570.46	65,026,934.63	4.166593%	371,558.97	65,398,493.50
11/30/91	1,427,581,992.88	7,751,796.55	61,777,305.31	4.351077%	337,236.64	62,115,191.95
12/31/91	1,391,135,762.34	7,254,352.68	56,416,793.68	4.076528%	295,746.12	56,712,539.80
AVERAGE	1,502,300,639.19	7,933,859.33	65,821,930.62	4.403197%	352,692.75	66,174,623.37
TOTAL		47,603,155.95			2,116,156.49	



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: SB 324/SB 325

APPROVED: W. R. Bauer

TITLE: Earnings Report: Marine  
Highway System Fund

DATE: January 24, 1992

SB 324 requires the Department of Revenue to report to the Legislature the earnings of the Alaska Marine Highway System fund during the prior fiscal year, as well as a projection of the fund's earnings for the next fiscal year.

SB 325 makes an appropriation of the fiscal year 1992 earnings of the Alaska Marine Highway System Fund as follows:

- 50% to the Alaska Marine Highway System Vessel Replacement fund; and
- 50% to the Alaska Marine Highway System for facilities improvements and consolidations.

SB 325 also appropriates the fiscal year 1993 earnings of the Alaska Marine Highway System Fund to the Alaska Marine Highway Vessel Replacement Fund.

The Alaska Marine Highway System Fund has been in place for two years. During this time, AMHS has been able to generate revenues consistent with those projected at the time of the legislation's passage. As a result of the success of the fund, revenues have increased from \$36 million to \$44 million and estimated interest earnings on the funds are \$3,694,608 and \$3,652,688 in fiscal years 1992 and 1993, respectively. While the concept of returning the earnings of the AMHS fund to the vessel replacement fund was discussed, it was decided to defer this issue.

Since then AMHS has undertaken an extensive analysis of the condition of the vessels in the fleet. The results have shown an ambitious program of refurbishment is required to maintain a consistent level of service to the communities served by the AMHS. It has become clear that a variety of funding sources must be utilized if this plan is to succeed. Certainly, the most important source of funds are those available from the Federal Highway Administration. Because of this it is prudent to make annual contributions to the AMHS Vessel Replacement Fund in order to assure adequate financing of needed vessel improvements is available.

*For Further Information contact Katy McHugh at 465-3900.*

**BILL NO:** SB 324/325

**TITLE:** Earnings Report: Marine Highway System Fund

**DATE:** January 24, 1992

The mechanism of returning the interest earned by the AMHS Fund is a fair way to approach this problem. The management of the system is responsible for generating revenues from the operation of the system. Without vessels operating in good condition, the system's revenue needs may not be met, thus lowering the amount of interest earned by the fund. Thus, an incentive is created to operate efficiently in order to create adequate financing for vessel improvements. This concept moves the AMHS toward the goal of operating as much like a business as possible while still reserving the discretion of the Legislature and Executive to ultimately determine what level of support the AMHS requires.

The Department of Transportation and Public Facilities supports the passage of SB 324 and SB 325.



# Alaska State Legislature

SENATOR JIM DUNCAN

P. O. BOX V JUNEAU, ALASKA 99811-3100  
(907) 465-4766

COMMITTEES:  
VICE CHAIR –  
FINANCE  
VICE CHAIR –  
STATE AFFAIRS  
RULES  
BUDGET & AUDIT  
ETHICS REFORM

To: Senator Pat Pourchot  
Chair, Senate Finance Committee

From: Senator Jim Duncan

Subject: Hearing for Senate Bills 324 and 325

Date: January 29, 1991

I request the earliest possible hearing for Senate Bills 324 and 325 by the Senate Finance Committee.

Senate Bill 324 works in tandem with Senate Bill 325 and requires the Department of Revenue to submit an annual report to the Legislature on the earnings of the Alaska Marine Highway System Fund.

SB 325 makes provisions for the interest income earned by the Alaska Marine Highway Fund to be devoted to replacing vessels and upgrading support facilities. Under terms of the bill the interest income earned this fiscal year would be evenly divided between the Vessel Replacement Fund and support facilities. The total interest income in FY 93 would be devoted to the Vessel Replacement Fund.

This legislation is a continuation of the effort two years when the Legislature approved a bill setting up the fund to ensure the Alaska Marine Highway System is as financially self-sustaining as possible. The argument was used then that the use of the funds by the system will encourage efficiency in operations which should result in greater revenues and expanded service. The very same argument applies to the use of the fund's interest income by the system.

Allowing earned interest from the fund to go to the system does not violate constitutional provisions related to the prohibition of dedicated funds. It is subject to annual appropriation by the Legislature. It is exactly the way the measure establishing the fund was structured two years ago.

The following information is attached:

-A position paper from the Department of Transportation and Public Facilities in support of SB 324 and SB 325.

-A zero fiscal note from the Department of Transportation and Public Facilities which also projects the fund's interest earnings for FY '92 and '93.

-A copy of state law establishing the Alaska Marine Highway Fund.

-A fiscal note prepared by the Senate Transportation Committee showing no fiscal impact on the Department of Revenue.

Senate Bills 324 and 325 were passed out of the Senate Transportation Committee without change.

Your favorable consideration of my request is appreciated.

Attachments: