

HB

95

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 16, 1999

FURTHER REFERRALS:

Date of Committee Action: 5/4/99

The FINANCE Committee considered:

HB 95

HOUSE BILL NO. 95

CONSTIT BUD RES. FUND APPROP

"An Act making and amending appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 95 (FIN) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Edna Mulder</i> Mulder	X			
<i>Wm Kohring</i> Kohring	X			
<i>John N. Williams</i> Davies	X			
<i>Ben Grussendorf</i> Grussendorf	X			
<i>Foster Davis</i> Davis	X			
<i>Edna Williams</i> Williams	+			
<i>Edna Foster</i> Foster	X			

CO-CHAIR'S SIGNATURE

Edna Mulder
mulder

\$500 + \$ approp from CBR
to LAN 6/30/99 | 6/30/2000
amendment pending

\$100 + \$
leg Council

CS FOR HOUSE BILL NO. 95(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act making and amending appropriations under art. IX, sec. 17(c),
2 Constitution of the State of Alaska, from the constitutional budget reserve fund;
3 and providing for an effective date."

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

5 * **Section 1. CONSTITUTIONAL BUDGET RESERVE FUND.** Section 42(b), ch. 139,
6 SLA 1998, is amended to read:

7 (b) If the unrestricted state revenue available for appropriation in fiscal year
8 1999 is insufficient to cover the general fund appropriations made for fiscal year 1999,
9 the amount necessary to balance revenue and general fund appropriations [, NOT TO
10 EXCEED \$700,000,001,] is appropriated to the general fund from the budget reserve
11 fund (art. IX, sec. 17, Constitution of the State of Alaska).

12 * **Sec. 2. ALASKA OIL AND GAS CONSERVATION COMMITTEE.** The sum of
13 \$188,000 is appropriated from the constitutional budget reserve fund (art. IX, sec. 17,
14 Constitution of the State of Alaska) to the Alaska Oil and Gas Conservation Committee for

- 1 operating costs for the fiscal year ending June 30, 1999.
- 2 * **Sec. 3.** The appropriations made by secs. 1 and 2 of this Act are made under art. IX,
- 3 sec. 17(c), Constitution of the State of Alaska.
- 4 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE MULDER

TO: CSHB 95(FIN), Draft Version "P"

1 Page 2, following line 1:

2 Insert a new bill section to read:

3 "* Sec. 3. The sum of \$500,000 is appropriated from the constitutional budget reserve
4 fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Law for costs
5 associated with the proposed BP Amoco - ARCO merger for the fiscal years ending June 30,
6 1999, and June 30, 2000."

7 Renumber the following bill sections accordingly.

8 Page 2, line 2:

9 Delete "secs. 1 and 2 of"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE MULDER

TO: CSHB 95(FIN), Draft Version "P"

1 Page 2, following line 1:

2 Insert a new bill section to read:

3 "* Sec. 3. The sum of \$100,000 is appropriated from the constitutional budget reserve
4 fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Legislative Council for costs
5 associated with the proposed BP Amoco - ARCO merger for the fiscal years ending June 30,
6 1999, and June 30, 2000."

7 Page 2, line 2:

8 Delete "secs. 1 and 2 of"

TONY KNOWLES
GOVERNOR



HB 95
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 10, 1999

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker *Brian* Porter:

In 1990, Alaska voters created the Constitutional Budget Reserve (CBR) to cushion state services and the state's economy from some of the effects of oil price volatility. Since then, state budgets have included a provision authorizing use of this oil volatility reserve if general funds are not adequate for the budget levels appropriated by the Legislature. Until last year, there was no specified limit on the dollar amount that could be drawn for this purpose since no one can predict oil prices with certainty. Most years we have needed far less CBR funds than anticipated when the budgets were passed.

The FY99 budget bill differed from prior years because it contained a \$700,000,001 cap on the use of CBR funds. When the budget was passed last May, the Department of Revenue's spring oil price forecast for FY99 was \$15.32, and the CBR draw was estimated to be \$685 million. If oil had stayed as forecast, the \$700 million cap on a CBR draw would not have affected budget levels set by the Legislature.

The Department of Revenue's most recent forecast predicts an annual oil price of \$11.58. If that price holds during the remaining four months of the fiscal year, general fund revenues will have to be supplemented with an estimated \$1.2 billion from the CBR.


The bill I am introducing today removes the specific limit on the amount of CBR funds to ensure we can continue to meet the expenditures authorized by the Legislature in this year's budget. Because no one can say exactly how much will be needed between now and June 30, a CBR limit with a revised specific dollar amount could result in another similar problem later in the fiscal year, possibly even after the Legislature has adjourned. Whether or not there is a limit on the CBR draw, agencies cannot expend more than the amount appropriated by the Legislature.

The Honorable Brian Porter
February 10, 1999
Page 2

This bill also corrects an inadvertent oversight from May when the CBR management fees did not come up for a separate CBR vote.

I urge your prompt passage of this bill so we can resolve the issue before incurring cash flow problems at the beginning of March.

Sincerely,


Tony Knowles
Governor