

**HJR**

**49**

(7)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: January 31, 2000

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 4/6/00

The STATE AFFAIRS Committee considered:

HJR 49

HOUSE JOINT RESOLUTION NO. 49

CONST AM: PERM FUND INCOME DISTRIBUTION

Proposing an amendment to the Constitution of the State of Alaska to guarantee the permanent fund dividend, to provide for inflation proofing, and to require a vote of the people before changing the statutory formula for distribution that existed on January 1, 2000.

recommends it be replaced with the following committee substitute CS HJR 49 (STA)  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) AOV

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

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

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

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Jeannette James</u>	<u>WAC</u>	<input checked="" type="checkbox"/>		
<u>John S. Kelley</u>		<input checked="" type="checkbox"/>		
<u>Bob Kostulas</u>		<input checked="" type="checkbox"/>		
<u>Joseph [unclear]</u>			<input checked="" type="checkbox"/>	
<u>Bill Hunt</u>		<input checked="" type="checkbox"/>		
<u>[unclear]</u>			<input checked="" type="checkbox"/>	
<u>Scott [unclear]</u>	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE Jeannette James

*This is the CS*

*NO*

**SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 49**

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

**TWENTY-FIRST LEGISLATURE - SECOND SESSION**

**BY REPRESENTATIVES OGAN, Kohring, Sanders, Coghill, Dyson, Masek, Kott**

**Introduced:**

**Referred:**

**A RESOLUTION**

1 Proposing amendments to the Constitution of the State of Alaska to guarantee the  
2 permanent fund dividend, to provide for inflation proofing of the permanent fund,  
3 and to require a vote of the people before changing the statutory formula for  
4 distribution of permanent fund income that existed on January 1, 2000; and  
5 providing for an effective date.

6 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 \* **Section 1.** This resolution shall be known as an amendment to guarantee the permanent  
8 fund dividend, to provide for inflation proofing of the permanent fund, and to require a vote  
9 of the people before changing the statutory formula for distribution of permanent fund income  
10 that existed on January 1, 2000.

11 \* **Sec. 2.** Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

12 **Section 15. Alaska Permanent Fund.** At least twenty-five per cent of all  
13 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing  
14 payments and bonuses received by the State shall be placed in a permanent fund, the  
15 principal of which shall be used only for those income-producing investments

1 specifically designated by law as eligible for permanent fund investments. All income  
 2 from the permanent fund shall be distributed as provided for by statutory formula  
 3 that existed on January 1, 2000 (AS 37.13.140 and 37.13.145) [DEPOSITED IN  
 4 THE GENERAL FUND UNLESS OTHERWISE PROVIDED BY LAW].

5 \* **Sec. 3.** Article XV, Constitution of the State of Alaska, is amended by adding a new  
 6 section to read:

7           **Section 30. Effective Date of Permanent Fund Amendment.** The 2000  
 8 amendment to the Alaska permanent fund (art. IX, sec. 15) takes effect on the day  
 9 after the date of a final decision by the Internal Revenue Service deciding that, under  
 10 the language of the 2000 amendment, the income of the permanent fund will not be  
 11 subject to federal taxation while it is under the control of the State or an entity of the  
 12 State. In this section, "final decision" means a ruling, order, or decision that cannot  
 13 be appealed to the Internal Revenue Service because the ruling, order, or decision may  
 14 not be appealed to the agency, all possible appeals to the agency have been taken, or  
 15 the time for taking an appeal to the agency has expired without appeal.

16 \* **Sec. 4.** The amendments proposed by this resolution shall be placed before the voters of  
 17 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
 18 State of Alaska, and the election laws of the state.

*add this as amendment # 1  
 (with title change)*

To: House State Affairs

April 4, 2000

I am opposed to HJR49.

HJR49 is a poor idea from a policy perspective because it takes away the Legislature's authority to appropriate funds.

HJR49 is a poor idea from a financial perspective for all the reasons that changing to a percentage of market value distribution is a better idea. Although there are no performance guarantees with the market value approach, it does remove the dependence on volatile realized earnings and offers a more stable dividend distribution based on the real return of the Permanent Fund investments. By guaranteeing the dividend in the Constitution, this bill may also trigger a federal income tax assessment on the Permanent Fund's earnings.

However, the most important consideration of HJR49 is a philosophical one: whether decreasing our Permanent Fund dividend should be an option to help bridge our growing fiscal gap. I support a healthy dividend distribution. I think a long range fiscal plan including better control of government spending and a combination of reasonable taxes should be developed before the dividend program or the fund's undistributed income is tapped. However, adjusting the dividend should remain a legislative option for balancing personal benefit and the common good for all Alaskans as other General Fund revenue sources are depleted. Shortchanging funding for essential public services or raising exorbitant taxes in order to sustain a large personal dividend does not serve our best interests or the purposes for which the Permanent Fund was established.

Many people who support HJR49 believe it will preserve the value of their dividend. There are no guarantees for a continued high dividend, no matter what formula is applied. Other people want the government to keep its hands off the dividend program, no matter how much essential public services must be cut. I hope that with continued discussion the public will come to understand the real fiscal picture and agree to a well-reasoned long-term financial plan that controls spending, taps additional sources of revenue including a combination of taxes, and then uses Permanent Fund earnings to balance personal and common good for the benefit of all Alaskans. I think you have your work cut out for you to develop this plan and sincerely hope you are willing to tackle it soon.

Thank you.

Maryetta  
2267

MARY GRISWOLD  
BOX 1417  
HOMER 99603



**HJR - 49**

*People's Dividend Protection Plan*

**Sponsor Statement**

**HJR - 49** was conceived and introduced to make sure the Permanent Fund Dividend enjoys constitutional protection. Currently the dividend exists at the sole pleasure and protection of a simple majority of the legislature.

1. The primary motivation is to protect the dividend.
2. The sponsor believes that protecting the permanent fund dividend will also assist in limiting unwarranted government growth.
3. HJR - 49 will not alter the existing PFD. It simply provides constitutionally guaranteed voter protection of the existing program.

**Here's how HJR - 49 will protect your PFD:**

- 18 years of PFD earnings will be preserved and given voter protection.
- No elected official can touch the PFD without voter approval.
- Even with voter approval, it will take a two-thirds, instead of a simple legislative majority to change the PFD.
- The principle of the fund will be "inflation-proofed" unless a majority of Alaskans vote otherwise.

*("inflation-proofing" is a fancy term for making sure inflation does not diminish the principal of the fund and the PFD)*

In summary, passage of HJR - 49 gives the people an opportunity to make their Permanent Fund Dividend a **Constitutional mandate** instead of a **legislative option**.



# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Official Business

State Capitol  
Juneau, AK 99801-1182

*This would  
allow RS to  
tax Perm  
Fund!*

### Memorandum

**To:** Representative Jeanette James / Chair, House State Affairs  
**Date:** March 8, 2000  
**Re:** HJR - 49 Permanent Fund Protection

\*\*\*\*\*

We would sincerely appreciate your taking up HJR - 49 as soon as possible.

It is important to let the public process work and give Alaskans an opportunity to let the legislature know how they feel about this measure. If all we do in the House is hear ideas on how to change the fund or raise revenue, we will give the impression that no other idea is worthy of discussion. This would be most unfortunate.

Thank you.

*Pete Kott*  
Representative Pete Kott

*Beverly Masek*  
Representative Beverly Masek

*Fred Dyson*  
Representative Fred Dyson

*John Coghill*  
Representative John Coghill

*Jerry Sanders*  
Representative Jerry Sanders

*Scott Ogan*  
Representative Scott Ogan

*Vic Kohring*  
Representative Vic Kohring

**Bill History/Action Display**

BILL: HJR 49 SHORT TITLE: CONST AM: PERM FUND INCOME DISTRIBUTION  
 BILL VERSION:  
 SPONSOR(S): REPRESENTATIVES(S) OGAN, Kohring, Sanders, Coghill, Dyson,  
 Masek, Kott

CURRENT STATUS: (H) STA  
 THEN JUD, FIN

STATUS DATE: 1/31/00

TITLE: Proposing an amendment to the Constitution of the State of Alaska to guarantee the permanent fund dividend, to provide for inflation proofing, and to require a vote of the people before changing the statutory formula for distribution that existed on January 1, 2000.

No Fiscal Information for Bill/Resolution

Jrn-Date	Jrn-Page	Action
1/31/00	<u>2044</u>	(H) READ THE FIRST TIME - REFERRALS
1/31/00	<u>2044</u>	(H) STA, JUD, FIN
1/31/00	<u>2044</u>	(H) REFERRED TO STATE AFFAIRS
2/02/00	<u>2075</u>	(H) COSPONSOR(S): DYSON
2/11/00	<u>2188</u>	(H) COSPONSOR(S): MASEK
2/21/00	<u>2259</u>	(H) COSPONSOR(S): KOTT

Similar Subject Match or Exact Subject Match  
CONSTITUTIONAL AMENDMENTS  
PERMANENT FUND

Bill Root:

[Return to BASIS Main Menu\(21st Legislature\)](#)  
[Return to the Legislature Home Page](#)  
 Information in BASIS is in Real Time.  
 Please use your 'Reload' button to update this page.

March 28, 2000

Jeannette,

I need an answer ASAP - -

Jim Kelly (Permanent Fund) called to let us know their lawyer is out of town and will be unable to attend or testify at a hearing next Tuesday. He doesn't want to have State Affairs executive session without having the lawyer present.

? He requested that we delay hearing Ogan's bill until Tuesday, April 11. I told him if we did that, we'd have to talk to Scott Ogan first since you made a public commitment to him.

I said I'd let him know.

Barbara

(Call Jim Kelly at 2059)

*Told him will hear it  
April 4 - I then  
had it until  
April 11.*

# FISCAL NOTE

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

BILL NO. HJR 49

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Office of the Governor  
 Title Constitutional Amendment: relating to the BRU Elective Operations  
permanent fund income distribution Component Elections  
 Sponsor Representative Ogan  
 Requester House State Affairs Committee Component No. 21

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. However, only six measures can be printed on an 8-1/2 by 14 inch ballot. If this measure requires printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenwick *Gail Fenwick* Phone 465-3935  
 Division Division of Elections Date/Time 3/31/00 2:46 PM  
 Approved by Lt. Governor Fran Ulmer *Fran Ulmer* Date 03/31/2000  
 Agency Office of the Lieutenant Governor

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**

For further distribution information, call the Governor's Legislative Office