

**HB**

**1001**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/24/99

FURTHER: 5/24/99

DATE TURNED IN TO OFFICE: 24 May 1999

Finance Committee considered CS FOR HOUSE BILL NO. 1001(FIN) am

"An Act relating to income of the Alaska permanent fund and authorizing an advisory vote on a long-term financial plan for the state; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 1001 (FIN)
- adopt previous CS forthcoming
- attached amendment(s)
- adopt Letter of Intent by
- further referral to the          Committee

- Senate Bill: same title
- new title
- House Bill:**
- same title
- technical title
- new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓	<i>[Signature]</i>		X	need to Amend
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

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1-LS1022S/  
Cook  
5/24/99

**SENATE CS FOR CS FOR HOUSE BILL NO. 1001(FIN)**

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

**TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to income of the Alaska permanent fund and authorizing an  
2 advisory vote on a long-term financial plan for the state; and providing for an  
3 effective date."

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

5 \* Section 1. ADVISORY VOTE. At a special election to be held on September 14, 1999,  
6 in substantial compliance with the election laws of the state, including absentee voting and the  
7 preparation, publication, and mailing of an election pamphlet under AS 15.58.010 - 15.58.050,  
8 the lieutenant governor shall place before the qualified voters of the state a question advisory  
9 to the legislature and the governor. The election pamphlet for the special election must  
10 comply with AS 15.58.020(6), including the requirement that it contain statements that  
11 advocate voter approval or rejection of the question. Notwithstanding AS 15.60.005 and other  
12 laws relating to preparation of the ballot proposition, the question shall appear on the ballot  
13 in the following form:

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**QUESTION**

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- 1 Preamble: The people of Alaska created the Alaska permanent fund to save a  
2 portion of Alaska's petroleum revenue for the future. After investing those  
3 savings, the original intent and purpose was to then use the earnings from those  
4 investments when Alaska's petroleum revenues declined. Petroleum revenues  
5 have now declined substantially and are forecast to continue to decline. Our  
6 reliance on declining oil production and volatile oil prices constitutes an  
7 unsustainable budget system. The governor and the legislature seek the public's  
8 judgment in adopting a stable and sustainable long-term balanced budget plan.  
9 Balanced Budget Plan: This will preserve the permanent fund dividend,  
10 inflation-proof the Alaska permanent fund, support public services, and  
11 establish a Citizens' Balanced Budget Task Force. Please mark "yes" or "no"  
12 on this plan. The Balanced Budget Plan will
- 13 (1) Spending Reductions: Continue state general fund budget reductions to  
14 a combined total of at least \$60,000,000 for fiscal years 2000 and 2001.  
15 Submit a proposed constitutional amendment to the voters that would  
16 reduce the base amount of annual appropriations in art. IX, sec. 16,  
17 Constitution of the State of Alaska, and make other changes to establish  
18 a meaningful appropriation limit.
- 19 (2) Permanent Fund Protection: Guarantee the Alaska permanent fund  
20 principal is untouched. The principal of the fund is inflation-proofed  
21 to protect its value for all Alaskans, including future generations.
- 22 (3) Permanent Fund Dividends: Guarantee a dividend is paid to qualified  
23 Alaska residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000  
24 and, thereafter, approximately \$1,348 and higher. Beginning in 2001,  
25 the constitutional budget reserve and the permanent fund earnings  
26 reserve will be combined. In determining the market value for the  
27 calculation of the dividend, this new account will be joined with the  
28 principal of the Alaska permanent fund. After accounting for inflation-  
29 proofing, the dividend will be based on 50 percent of the annual  
30 earnings payment of these combined accounts.
- 31 (4) Earnings Reserve Usage for Public Purposes: After payment of

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permanent fund dividends and inflation-proofing the fund, the remaining annual earnings payment will be prioritized for usage for education, public safety, and transportation.

(5) Accountability: Expenditures from the combined account will be fully disclosed on each annual permanent fund dividend check.

(6) Balanced Budget Task Force: Establish a Citizens' Balanced Budget Task Force to present options to further reduce state spending and identify appropriate future revenue sources.

(7) Income Tax: No income tax on individuals will be required as part of this plan.

After paying annual dividends to residents and inflation-proofing the Alaska permanent fund, should a portion of permanent fund investment earnings be used to help balance the state budget?

Yes [ ]

No [ ]

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

**SENATE FINANCE COMMITTEE**  
**1999 COMMITTEE ACTION**

<b>Bill Number</b>	HB 1001	
<b>Amendment</b>	Cb 5	
<b>Motion</b>	move from cmtt	
<b><u>Motion by</u></b>	Parnell	
<b><u>Objection</u></b>		
<b><u>Objection by</u></b>	Adams	
<b><u>Removed</u></b>		
<b><u>Second Objection by</u></b>		
<b><u>Committee Member</u></b>	<b><u>Vote</u></b>	
Senator Gary Wilken	Y	
Senator Pete Kelly	Y	
Senator Lyda Green	Y	
Senator Randy Phillips	Y	
Senator Dave Donley	Y	
Senator Loren Leman	Y	
Senator Al Adams	N	
Co-Chair Sean Parnell	Y	
Co-Chair John Torgerson	Y	
<b><u>Tally</u></b>		
Yea	0	8
Nay	0	1
Absent	0	—
<b><u>MOTION</u></b>	Pass	

SENATE FINANCE COMMITTEE  
**1999 COMMITTEE ACTION**

<b>Bill Number</b>	HB 100
<b>Amendment</b>	CS "S"
<b>Motion</b>	adopt
<b><u>Motion by</u></b>	Parnell
<b><u>Objection</u></b>	
<b><u>Objection by</u></b>	H Adams
<b><u>Removed</u></b>	
<b><u>Second Objection by</u></b>	
<b><u>Committee Member</u></b>	<b><u>Vote</u></b>
Senator Loren Leman	Y
Senator Al Adams	N
Senator Gary Wilken	Y
Senator Pete Kelly	Y
Senator Lyda Green	Y
Senator Randy Phillips	Y
Senator Dave Donley	Y
Co-Chair Sean Parnell	Y
Co-Chair John Torgerson	Y
<b><u>Tally</u></b>	
Yea	0 8
Nay	0 1
Absent	0
<b><u>MOTION</u></b>	adopt

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Cook  
5/24/99

**SENATE CS FOR CS FOR HOUSE BILL NO. 1001(FIN)**

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

**TWENTY-FIRST LEGISLATURE - FIRST SPECIAL SESSION**

**BY THE SENATE FINANCE COMMITTEE**

Offered:  
Referred:

Sponsor(s): **HOUSE RULES COMMITTEE BY REQUEST**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to income of the Alaska permanent fund and authorizing an  
2 advisory vote on a long-term financial plan for the state; and providing for an  
3 effective date."

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

5 \* Section 1. ADVISORY VOTE. At a special election to be held on September 14, 1999,  
6 in substantial compliance with the election laws of the state, including absentee voting and the  
7 preparation, publication, and mailing of an election pamphlet under AS 15.58.010 - 15.58.090,  
8 the lieutenant governor shall place before the qualified voters of the state a question advisory  
9 to the legislature and the governor. The election pamphlet for the special election must  
10 comply with AS 15.58.020(6), including the requirement that it contain statements that  
11 advocate voter approval or rejection of the question. Notwithstanding AS 15.60.005 and other  
12 laws relating to preparation of the ballot proposition, the question shall appear on the ballot  
13 in the following form:

**QUESTION**

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Preamble: The people of Alaska created the Alaska permanent fund to save a portion of Alaska's petroleum revenue for the future. After investing those savings, the original intent and purpose was to then use the earnings from those investments when Alaska's petroleum revenues declined. Petroleum revenues have now declined substantially and are forecast to continue to decline. Our reliance on declining oil production and volatile oil prices constitutes an unsustainable budget system. The governor and the legislature seek the public's judgment in adopting a stable and sustainable long-term balanced budget plan. Balanced Budget Plan: This will preserve the permanent fund dividend, inflation-proof the Alaska permanent fund, support public services, and establish a Citizens' Balanced Budget Task Force. Please mark "yes" or "no" on this plan. The Balanced Budget Plan will

- (1) Spending Reductions: Continue state general fund budget reductions to a combined total of at least \$60,000,000 for fiscal years 2000 and 2001. Submit a proposed constitutional amendment to the voters that would reduce the base amount of annual appropriations in art. IX, sec. 16, Constitution of the State of Alaska, and make other changes to establish a meaningful appropriation limit.
- (2) Permanent Fund Protection: Guarantee the Alaska permanent fund principal is untouched. The principal of the fund is inflation-proofed to protect its value for all Alaskans, including future generations.
- (3) Permanent Fund Dividends: Guarantee a dividend is paid to qualified Alaska residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000 and, thereafter, approximately \$1,348 and higher. Beginning in 2001, the constitutional budget reserve and the permanent fund earnings reserve will be combined. In determining the market value for the calculation of the dividend, this new account will be joined with the principal of the Alaska permanent fund. After accounting for inflation-proofing, the dividend will be based on 50 percent of the annual earnings payment of these combined accounts.
- (4) Earnings Reserve Usage for Public Purposes: After payment of

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permanent fund dividends and inflation-proofing the fund, the remaining annual earnings payment will be prioritized for usage for education, public safety, and transportation.

(5) Accountability: Expenditures from the combined account will be fully disclosed on each annual permanent fund dividend check.

(6) Balanced Budget Task Force: Establish a Citizens' Balanced Budget Task Force to present options to further reduce state spending and identify appropriate future revenue sources.

(7) Income Tax: No income tax on individuals will be required as part of this plan.

After paying annual dividends to residents and inflation-proofing the Alaska permanent fund, should a portion of permanent fund investment earnings be used to help balance the state budget?

Yes [ ]

No [ ]

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

FAILED

Adams

AMENDMENT

OFFERED IN THE SENATE:

TO: CSHB1001(FIN) am

SENATE FINANCE  
COMMITTEE  
Amendment Number: 1  
Bill Number: HB 1001  
Sponsor: Adams Date: 5/24/99  
Logged In By: Mindy

Page ~~4~~<sup>2</sup>, line ~~4~~<sup>1</sup> through page ~~5~~<sup>3</sup>, line ~~15~~<sup>14</sup>:

Delete all material and insert:

QUESTION

**Preamble:** The people of Alaska created the Alaska Permanent Fund to save a portion of Alaska's petroleum revenue for the future. After investing those savings, the original intent and purpose was to then use the earnings from those investments when Alaska's petroleum revenues declined. Petroleum revenues have now declined substantially and are forecast to continue to decline. Our reliance upon declining oil production and volatile oil prices constitutes an unsustainable state budget system. The governor and state legislature seek the public's judgement in adopting a stable and sustainable long-term balanced budget plan.

**Balanced Budget Plan:** This will preserve the Permanent Fund dividend, inflation-proof the Permanent Fund, support public services, and establish a Citizen's Balanced Budget Task Force. Please mark "yes or "no" on this plan.

The Balanced Budget Plan will:

1. Spending Reductions: Continue state general fund budget reductions for fiscal years 2000 and 2001 and establish a Citizen's Balanced Budget Task Force to identify options to further reduce state spending and explore future revenue sources.
2. Permanent Fund Protection: Guarantee the Alaska Permanent Fund principal is untouched. The principal of the Fund is inflation-proofed to protect its value for all Alaskans, including future generations.
3. Permanent Fund Dividends: Guarantee a dividend is paid to qualified Alaska residents at a minimum of \$1,700 in 1999 and \$1,700 in 2000 and thereafter, approximately \$1,348 and higher. Beginning in 2001, the Constitutional Budget Reserve and the Permanent Fund Earnings Reserve will be combined, which requires a three-quarter vote of the House and Senate. In

determining the market value for the calculation of the dividend, this new account will be joined with the principal of the Permanent Fund. After accounting for inflation-proofing, the dividend will be based on 50% of the annual earnings payment of these combined accounts.

4. Earnings Reserve Usage for Public Purposes: After payment of Permanent Fund dividends and inflation-proofing the Fund, the remaining annual earnings payment will be used for essential public services.
5. Accountability: Expenditures from the combined account will be fully disclosed on each annual Permanent Fund Dividend check.
6. Income Tax: No personal income tax is required as part of this plan.

**Question:** After paying annual dividends to residents and inflation-proofing the Permanent Fund, should a portion of Permanent Fund Investment Earnings be used to help balance the state budget?

Yes( )      No( )

SENATE FINANCE COMMITTEE  
**1999 COMMITTEE ACTION**

<b>Bill Number</b>	HB 1001	
<b>Amendment</b>	#1	
<b>Motion</b>	adpt	
<b><u>Motion by</u></b>	Adams	
<b><u>Objection</u></b>		
<b><u>Objection by</u></b>	Torgerson	
<b><u>Removed</u></b>	0	
<b><u>Second Objection by</u></b>		
<b><u>Committee Member</u></b>		<b><u>Vote</u></b>
Senator Dave Donley	Y	
Senator Loren Leman	Y	
Senator Al Adams	Y	
Senator Gary Wilken	Y	
Senator Pete Kelly	Y	
Senator Lyda Green	Y	
Senator Randy Phillips	Y	
Co-Chair Sean Parnell	Y	
Co-Chair John Torgerson	Y	
<b><u>Tally</u></b>		
Yea	0	1
Nay	0	8
Absent	0	
<b><u>MOTION</u></b>	FAIL	