

HJR

28

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 8, 2008

FURTHER REFERRALS:

Date of Committee Action: 3/4/08

The FINANCE Committee considered:

HJR 28

HOUSE JOINT RESOLUTION NO. 28

CONST. AM: PRODUCTION TAX REVENUE FUND

Proposing an amendment to the Constitution of the State of Alaska relating to the production tax revenue fund, dedicating a portion of the petroleum production tax to the fund, and limiting appropriations from the fund.

Recommends it be replaced with HCS or CS for HJR 28 ZIN
 For Senate Bills with new title: Technical Title New Title: HCR Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFC
 GOV
 HSS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADMI	1			✓
Gov	2	✓		
REV	4	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>Michael C. Havel</i>	Hawker	★			
<i>Carla</i>	Gara			✓	
<i>Harry Crawford Jr</i>	CRAWFORD	✓			
<i>Scott Stoltz</i>	STOLTZ			X	
<i>Wm. B. Thomas</i>	Thomas	✓		X	
Chair:					
Chair: <i>K. Meyer</i>	Meyer	X			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHJR 28(FIN)
() Publish Date: _____

Identifier (file name): CSHJR28(FIN)-DOR-TRE-3-6-08 Dept. Affected: Revenue 04
Title: Const. Am: Production Tax Revenue Fund RDU: Taxation and Treasury
Component: Taxation and Treasury
Sponsor: Reps. Samue's, Hawker, Ramras
Requester: Rules Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual	4,287.0		4,822.0	4,914.0	5,001.0	5,131.0	5,254.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	4,287.0	0.0	4,822.0	4,914.0	5,001.0	5,131.0	5,254.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ()	206,100.0		231,800.0	258,600.0	263,200.0	270,000.0	276,500.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Constitutionally Dedicated Fund	4,287.0		4,822.0	4,914.0	5,001.0	5,131.0	5,254.0
TOTAL	4,287.0	0.0	4,822.0	4,914.0	5,001.0	5,131.0	5,254.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS:
HJR No. 28 calls for a constitutional change to the Constitutional Budget Reserve Fund converting it to an endowment that would receive revenues from the progressive surcharge portion of the oil production tax (AS 43.55.011(g)) and applying a 5% spend thrift plan. This fiscal note is a best estimate cost applicable for management oversight, accounting, performance measurement, financial advisory and internal and external portfolio investment management services. For an investment portfolio with an asset allocation structured to accommodate a moderate risk/reward profile at an initial funding level of approximately 4.3 billion, an estimated cost of 10 basis points or 4.3 million would be a reasonable estimate. This would be an investment portfolio where the Commissioner of Revenue would be the fiduciary and a large emphasis would be placed on internal and passive investment management. As a comparison, the investment management cost of the State's retirement portfolios is 21 basis points annually. The permanent fund costs about 19 basis points a year to manage. Costs are directly related to the complexity of the types of asset classes of securities.

Prepared by: Brian C Andrews
Division: Treasury Division
Approved by: Jerry Burnett
Department of Revenue

Phone: 465-2300
Date/Time: 3/6/2008 4:00:00 PM
Date: 3/6/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHJR 28(JUD)
(H) Publish Date: 2/8/08

Identifier (file name): HJR028-DOA-DOF-1-25-08 Dept. Affected: Administration
Title: "Proposing an amendment to the Constitution relating to the RDU Centralized Admin Services
production tax revenue fund, dedicating a portion of the tax..." Component: Finance
Sponsor: Representatives Samuels, Hawker, Ramras
Requester: _____ Component Number: 59

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Establishing funds created by legislation such as this is in the normal course of business for the Division of Finance.

Prepared by: Kim Garrero, Director
Division: Division of Finance
Approved by: Kevin Brooks, Deputy Commissioner
Department of Administration

Phone: 465-3435
Date/Time: 1/25/08 10:00 AM
Date: 1/25/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHJR 28(JUD)
(H) Publish Date: 2/8/08

Identifier (file name): HJR028-OOG-DOE-1-18-08 Dept. Affected: OOG
Title: Constitutional amendment relating to the production tax revenue fund, dedicating a portion of the petroleum..... RDU: Elections
Sponsor: Representatives Smauels, Hawker, Ramras Component: Elections
Requester: House Judiciary Committee Component Number: 21

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	1.5							
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF	1.5						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The passage of this resolution would require the constitutional amendment to appear on the 2008 general election ballot. The cost of providing information about the constitutional amendment in the Official election Pamphlet, as required by AS 15.58 is \$15. Should the addition of this question require printing an 8-1/2 by 18 inch ballot, the cost will increase to \$22.0.

Prepared by: Gail Fenunian, Director
Division: Division of Elections
Approved by: Linda Perez, Administrative Director
Office of the Governor

Phone: 465-2644
Date/Time: 1/18/2008, 5:03pm
Date: 1/18/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: CSHJR 28(JUD)
(H) Publish Date: 2/8/08

Identifier (file name): HJR28-DOR-TAX-1-24-08 Dept. Affected: Revenue 04
Title: Const. Am: Production Tax Revenue Fund RDU: Taxation and Treasury
Component: Taxation and Treasury
Sponsor: Reps. Samuels, Hawker, Ramras
Requester: House Judiciary Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()		0.0	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	(400,000.0)		(350,000.0)	(350,000.0)	(400,000.0)	(400,000.0)	(400,000.0)
1005 GF/Program Receipts							
1037 GF/Mental Health							
Constitutionally Dedicated Fund	400,000.0		350,000.0	350,000.0	400,000.0	400,000.0	400,000.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

*This measure proposes to create a constitutionally dedicated fund (called the "production tax revenue fund") that receives revenues from the progressive surcharge portion of the oil production tax (AS 43.55.011(g)). All revenues received through the progressive surcharge tax after June 30, 2007 would be deposited in the fund. We estimate that in addition to "FY 2009 - 2014 revenues, approximately \$950 million would be deposited in the fund from fiscal year 2008 progressive surcharge tax revenues.

Prepared by: Jonathan Iversen, Director, and Cherie Nuntuis, Petroleum Economist
Division: Tax Division
Approved by: Jerry Burnell
Department of Revenue

Phone 269-1033
Date/Time 1/23/08 4:00 PM
Date 1/24/08

adopted 3/4/08

25-LS1217L
Cook
3/3/08

CS FOR HOUSE JOINT RESOLUTION NO. 28()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES SAMUELS, Hawker, Ramras, Lynn, Doogan, Kelly

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the budget
2 reserve fund, and to appropriations to and transfers from the fund; and dedicating a
3 portion of the petroleum production tax to the fund.

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

5 * Section 1. Article IX. sec. 17(a), Constitution of the State of Alaska, is amended to . :

6 (a) There is established as a separate fund in the State treasury the budget
7 reserve fund. All [EXCEPT FOR MONEY DEPOSITED INTO THE PERMANENT
8 FUND UNDER SECTION 15 OF THIS ARTICLE, ALL] money received by the
9 State after June 30, 2007, and before January 1, 2015, that is attributable to an oil
10 and gas production tax levied at a rate that increases as the taxable value of the
11 oil or gas increases and that is in addition to the money received by the State that
12 is attributable to the nominal or base oil and gas production tax rate [JULY 1,
13 1990, AS A RESULT OF THE TERMINATION, THROUGH SETTLEMENT OR

14 OTHERWISE, OF AN ADMINISTRATIVE PROCEEDING OR OF LITIGATION

15 IN A STATE OR FEDERAL COURT INVOLVING MINERAL LEASE BONUSSES,

1 RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL
2 REVENUE SHARING PAYMENTS OR BONUSES, OR INVOLVING TAXES
3 IMPOSED ON MINERAL INCOME, PRODUCTION, OR PROPERTY,] shall be
4 deposited in the budget reserve fund. Money in the budget reserve fund shall be
5 invested so as to yield competitive market rates to the fund. Income of the fund shall
6 be retained in the fund. Section 7 of this article does not apply to deposits made to the
7 fund under this subsection. Money may not be appropriated from the fund and may
8 be transferred from the fund only as authorized under (f) [(b) OR (c)] of this
9 section.

10 * Sec. 2. Article IX, sec. 17, Constitution of the State of Alaska, is amended by adding new
11 subsections to read:

12 (e) Appropriations of money may be made to the budget reserve fund at any
13 time. Money appropriated to the fund shall be treated the same as money deposited to
14 the fund under (a) of this section.

15 (f) On July 1 of each year, an amount equal to five percent of the average of
16 the fiscal year-end market values of the budget reserve fund for the first five of the
17 preceding six fiscal years shall be transferred from the budget reserve fund to the
18 general fund.

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

21 **Section 30. Budget Reserve Fund; Transition.** The money in the budget
22 reserve fund on the effective date of the 2008 amendments relating to that fund (art.
23 IX, sec. 17) shall be retained in the fund.

24 * Sec. 4. Article IX, secs. 17(b), (c), and (d) are repealed.

25 * Sec. 5. The amendments proposed by this resolution shall be placed before the voters of
26 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
27 State of Alaska, and the election laws of the state.

3/4/08

HJR 28

Revenue Sources Book

Alaska Department of Revenue – Tax Division



FALL 2007

Figure 2-9. Total General Purpose Unrestricted Revenue, FY 2007 and Forecasted FY 2008-2018 (\$ million)

Fiscal Year	Unrestricted Oil Revenue	Unrestricted Other Revenue (except Federal & Investment)	Unrestricted Investment Revenue	Total Unrestricted Revenue	Percent From Oil
2007	4,565.3	536.5	138.7	5,240.5	87%
2008	5,903.0	519.3	182.2	6,604.5	89%
2009	4,420.0	494.3	108.5	5,022.8	88%
2010	4,127.0	478.1	108.5	4,713.6	88%
2011	4,123.7	474.5	108.5	4,706.7	88%
2012	4,226.5	478.5	108.5	4,813.5	88%
2013	4,324.0	487.4	108.5	4,919.9	88%
2014	4,198.0	497.4	108.5	4,803.9	87%
2015	1,371.1	505.2	108.5	1,984.8	69%
2016	1,317.5	516.4	108.5	1,942.4	68%
2017	1,386.2	524.1	108.5	2,018.8	69%
2018	1,718.4	531.7	108.5	2,358.6	73%

Spending, Revenue Forecast and the Constitutional Budget Reserve Fund

As approved by voters in 1990, all receipts from oil and gas tax and royalty settlements are deposited into the Constitutional Budget Reserve Fund (CBRF). The state has deposited about \$5.8 billion into the reserve fund, and generated another \$2.0 billion in investment earnings. Since the increase in oil prices beginning in about 2003, no CBRF withdrawals have been necessary to balance the state's budget. However, given price volatility and the decline expected in volumes from the North Slope, the state may have to depend on

the CBRF in the future. Through September 30, 2007, approximately \$5.2 billion had been borrowed from the CBRF to balance the budget, leaving a balance of approximately \$2.7 billion. According to the state constitution, the \$5.2 billion that was withdrawn must be repaid to the CBRF.

Two figures are presented to help the reader understand the time period in which the CBRF would be depleted. Figure 2-10(A) presents the case where all surpluses are deposited in the CBRF.

Figure 2-10(B) presents the case where no surpluses are deposited in the CBRF. For example, using the DOR price and revenue forecast and assuming the 2007 baseline General Fund appropriations budget forecast, the CBRF would be depleted by March 2018 if all budget surpluses were deposited into the CBRF (see Figure 2-10(A)). By contrast, if none of the budget surpluses were deposited into the CBRF, the CBRF would be depleted in April 2016 (see Figure 2-10(B)).

Figure 2-10 (A). CBRF Run-Out Date With Revenue Surpluses Deposited into CBRF⁽¹⁾

Annual State Budget (% change)	Fall 2007 Oil Price Forecast ⁽²⁾	Fiscal Model of Oil Revenue & CBRF Performance at Selected Prices (\$ per barrel) ⁽³⁾				
		\$35	\$50	\$65	\$80	\$95
+6%	Jun 2017	Oct 2011	Feb 2014	Nov 2019	Dec 2020	Dec 2020
+5%	Jul 2017	Nov 2011	Mar 2014	Feb 2020	Dec 2020	Dec 2020
+4%	Sep 2017	Nov 2011	Apr 2014	Apr 2020	Dec 2020	Dec 2020
+3%	Oct 2017	Dec 2011	Jun 2014	Dec 2020	Dec 2020	Dec 2020
+2%	Dec 2017	Jan 2012	Aug 2014	Dec 2020	Dec 2020	Dec 2020
+1%	Jan 2018	Jan 2012	Jan 2015	Dec 2020	Dec 2020	Dec 2020
Baseline Fall Forecast	Mar 2018	Feb 2012	Jun 2015	Dec 2020	Dec 2020	Dec 2020
-1%	Apr 2018	Mar 2012	Aug 2015	Dec 2020	Dec 2020	Dec 2020
-2%	Jun 2018	Apr 2012	Sep 2015	Dec 2020	Dec 2020	Dec 2020
-3%	Aug 2018	May 2012	Oct 2015	Dec 2020	Dec 2020	Dec 2020
-4%	Sep 2018	May 2012	Dec 2015	Dec 2020	Dec 2020	Dec 2020
-5%	Nov 2018	Jun 2012	Jan 2016	Dec 2020	Dec 2020	Dec 2020
-6%	Jan 2019	Jul 2012	Feb 2016	Dec 2020	Dec 2020	Dec 2020

Baseline Expenditure Forecast (\$ million)												
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
\$4,407	\$4,520	\$4,731	\$4,932	\$5,063	\$5,198	\$5,326	\$5,458	\$5,645	\$5,664	\$5,866	\$6,076	\$6,294

⁽¹⁾ The figures in these tables do not include a December 2007 settlement in the amount of \$379 million deposited into the Constitutional Budget Reserve Fund that will significantly increase FY 2008 restricted oil revenue.

⁽²⁾ Fall 2007 forecasted ANS price projections are \$71.65 per barrel in FY 2008, \$66.32 per barrel in FY 2009, \$63.40 per barrel in FY 2010, \$64.75 per barrel in FY 2011, \$66.35 per barrel in FY 2012, \$67.45 per barrel in FY 2013, \$68.55 for FY 2014 and \$41.05 for FY 2015. For FY 2016-beyond ANS prices are estimated to grow at 2.75%.

⁽³⁾ Matrix allows reader to select specific fiscal year price (from FY 2010-beyond) to determine CBRF exhaustion date. Fall 2007 forecasted production volumes are used. A date of Dec-2020 indicates that the CBRF does not run out during matrix timeframe.

Figure 2-10 (B). CBRF Run-Out Date Without Excess Revenue Surpluses Deposited into CBRF⁽¹⁾

Annual State Budget (% change)	Fall 2007 Oil Price Forecast ⁽²⁾	Fiscal Model of Oil Revenue & CBRF Performance at Selected Prices (\$ per barrel) ⁽³⁾				
		\$35	\$50	\$65	\$80	\$95
+6%	Feb 2016	Aug 2011	Nov 2013	Apr 2017	Dec 2020	Dec 2020
+5%	Feb 2016	Aug 2011	Dec 2013	May 2017	Dec 2020	Dec 2020
+4%	Mar 2016	Sep 2011	Feb 2014	May 2017	Dec 2020	Dec 2020
+3%	Mar 2016	Sep 2011	Mar 2014	Jun 2017	Dec 2020	Dec 2020
+2%	Mar 2016	Oct 2011	Apr 2014	Jul 2017	Dec 2020	Dec 2020
+1%	Apr 2016	Nov 2011	May 2014	Aug 2017	Dec 2020	Dec 2020
Baseline Fall Forecast	Apr 2016	Nov 2011	Jun 2014	Oct 2017	Dec 2020	Dec 2020
-1%	May 2016	Dec 2011	Sep 2014	Nov 2017	Dec 2020	Dec 2020
-2%	May 2016	Jan 2012	Jan 2015	Dec 2017	Dec 2020	Dec 2020
-3%	May 2016	Feb 2012	Jul 2015	Feb 2018	Dec 2020	Dec 2020
-4%	Jun 2016	Feb 2012	Aug 2015	Mar 2018	Dec 2020	Dec 2020
-5%	Jun 2016	Mar 2012	Sep 2015	May 2018	Dec 2020	Dec 2020
-6%	Jun 2016	Apr 2012	Oct 2015	Jul 2018	Dec 2020	Dec 2020

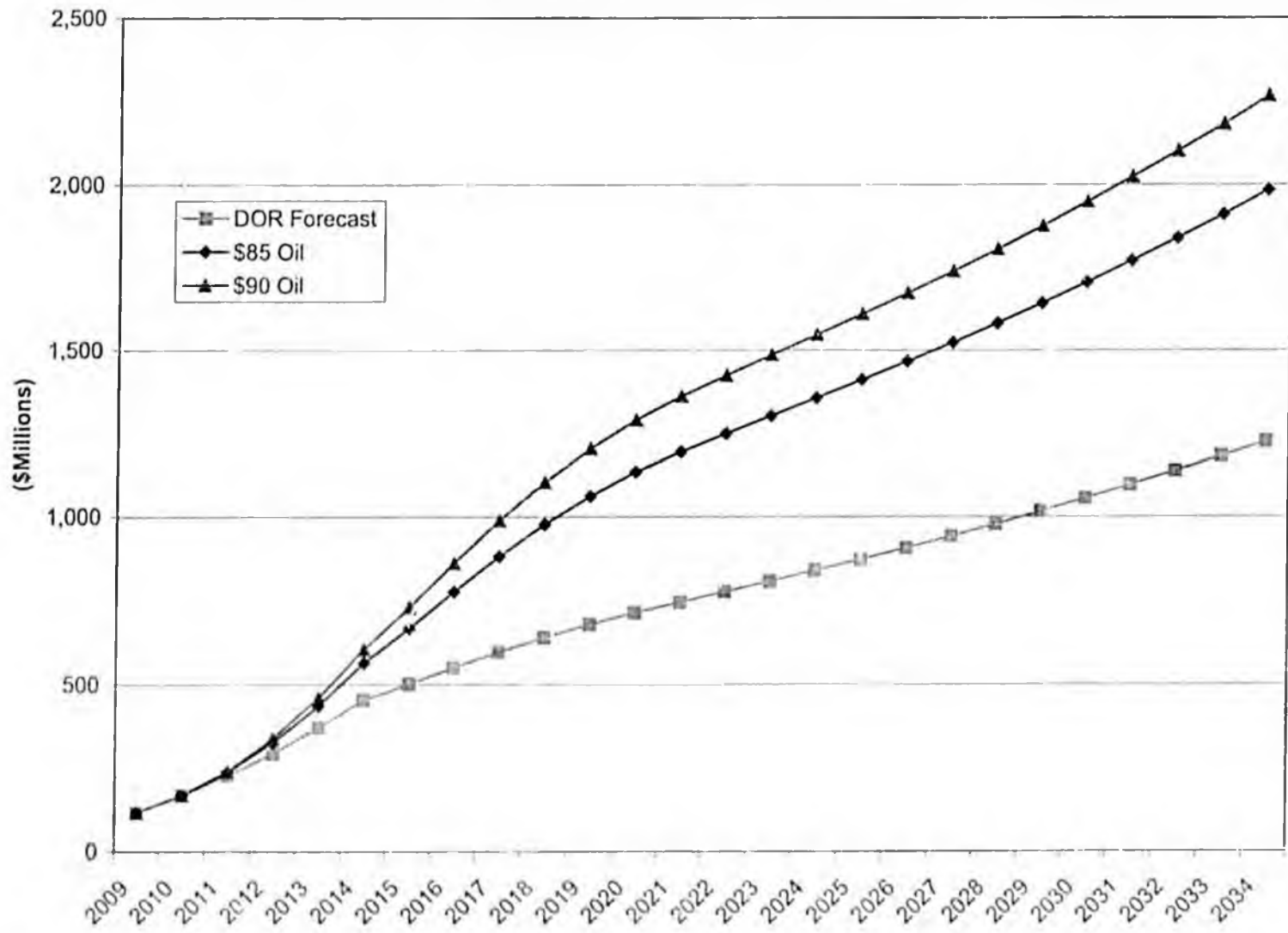
Baseline Expenditure Forecast (\$ million)												
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
\$4,407	\$4,520	\$4,731	\$4,932	\$5,063	\$5,198	\$5,326	\$5,458	\$5,645	\$5,664	\$5,866	\$6,076	\$6,294

⁽¹⁾ The figures in these tables do not include a December 2007 settlement in the amount of \$379 million deposited into the Constitutional Budget Reserve Fund that will significantly increase FY 2008 restricted oil revenue.

⁽²⁾ Fall 2007 forecasted ANS price projections are \$71.65 per barrel in FY 2008, \$66.32 per barrel in FY 2009, \$63.40 per barrel in FY 2010, \$64.75 per barrel in FY 2011, \$66.35 per barrel in FY 2012, \$67.45 per barrel in FY 2013, \$68.55 for FY 2014 and \$41.05 for FY 2015. For FY 2016 beyond ANS prices are estimated to grow at 2.75%.

⁽³⁾ Matrix allows reader to select specific fiscal year price (from FY 2010 beyond) to determine CBRF exhaustion date. Fall 2007 forecasted production volumes are used. A date of Dec-2020 indicates that the CBRF does not run out during matrix timeframe.

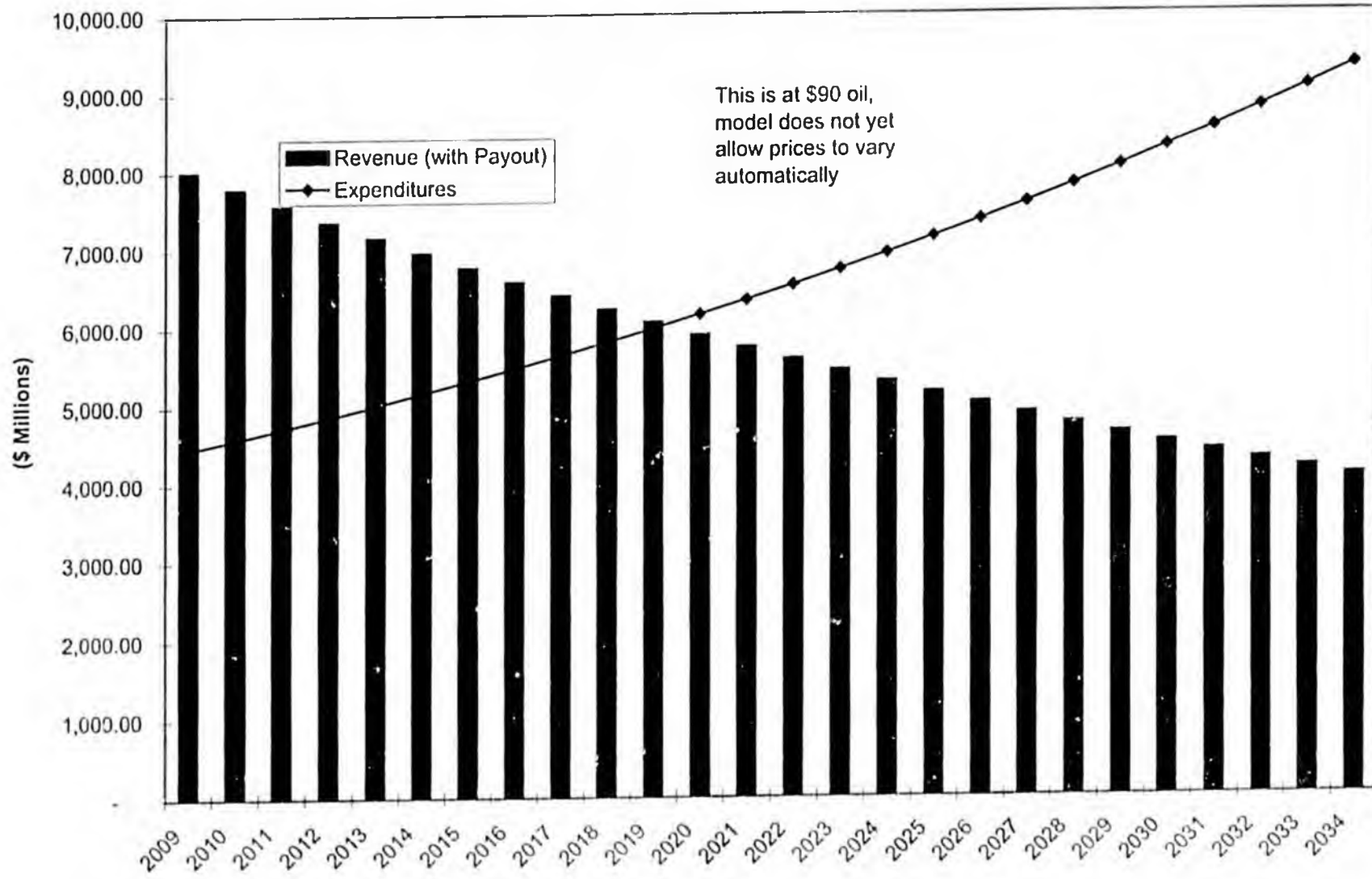
Endowment Payout under
the "Short Version" of a Constitutional Amendment Converting the CBRF to an Endowment



revised
Handout |
HSR 28
3-4-08

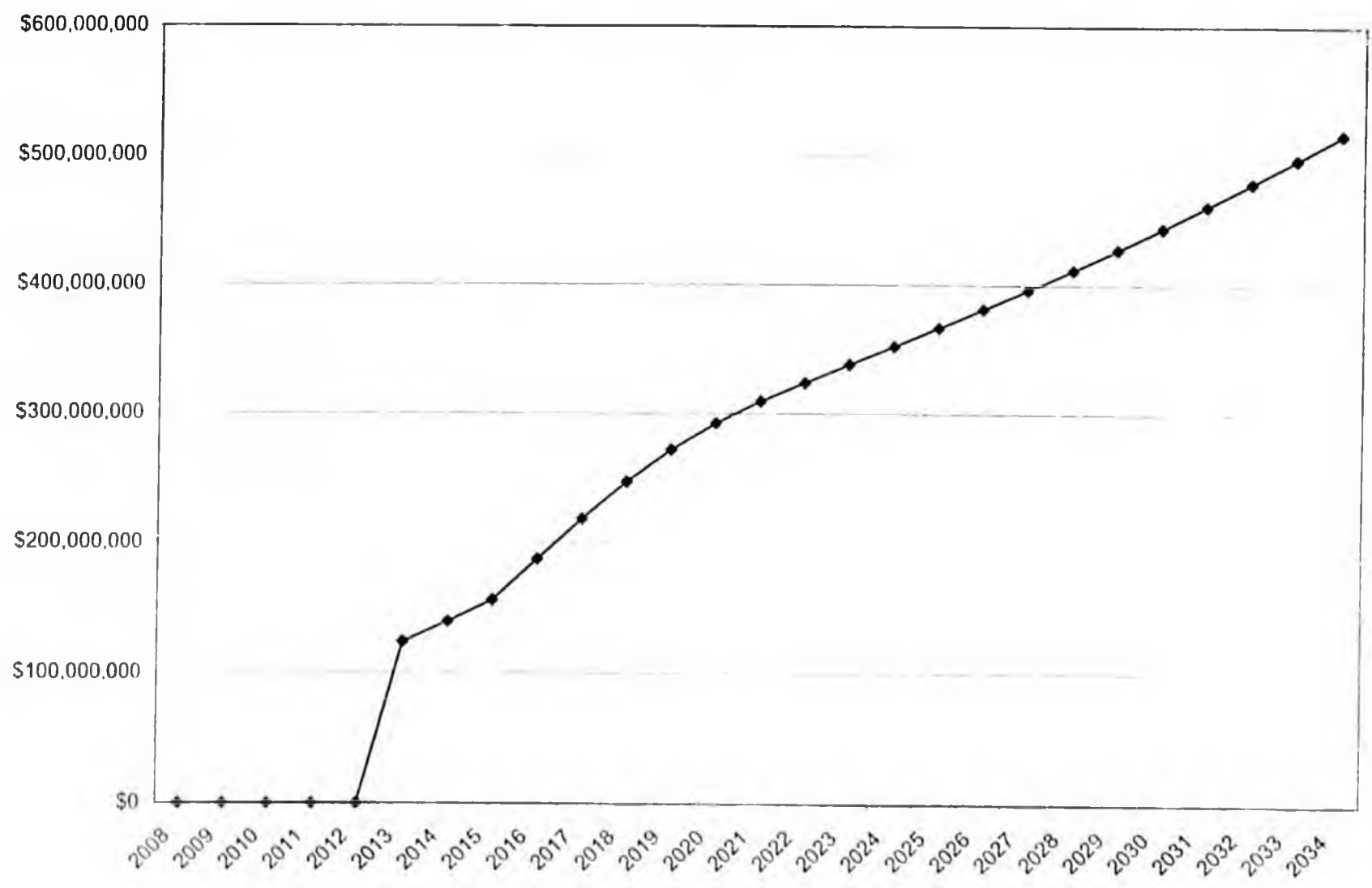
Short Fiscal Sum

Projected General Fund Revenue and Expenditures



3/4/08

HJR28--Payout from Production Tax Revenue Fund



2/12/08



Representative Ralph Samuels

House District 29

Sponsor Statement

HJR 28 Constitutional Amendment: Production Tax Revenue Fund

Proposing an amendment to the Constitution of the State of Alaska relating to the production tax revenue fund, dedicating a portion of the petroleum production tax to the fund, and limiting appropriations from the fund

Saving the surplus cash that Alaska is receiving at high oil prices is the most important thing we can do this session.

House Joint Resolution 28 would put before the voters of Alaska, the opportunity to save a large portion of that money while still having the ability to provide for essential government services such as education, transportation and public safety.

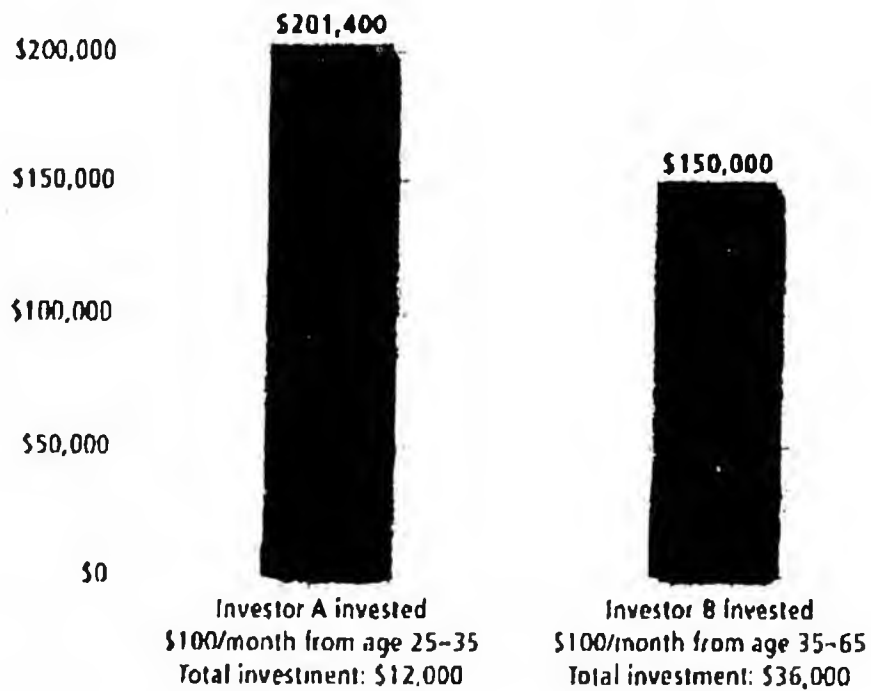
The voters of Alaska would have the chance to create an endowment established as a separate fund in the State treasury that would provide a cash flow mechanism for the State on into perpetuity.

If the idea passes with a majority vote of Alaskans, all of the "windfall profits", or the money gained as a result of the progressivity feature of Alaska's severance tax - AS 43.55.011(g), would be deposited into an endowment fund. The fund would then spin off 4.5% of its total value into the general fund which could be used for government services.

This endowment concept is widely accepted as the methodology for large scale endowments ranging from the Ford Foundation to Yale University.

It is of the utmost importance to the economic health of Alaskans that the State think LONG-TERM. The passage of HJR 28 would put the issue of this constitutional amendment before the people of Alaska. The cash flow it will provide will help Alaskans for generations. It will constitutionally protect the seed-corn.

Time: your investment ally



This example is hypothetical and for illustrative purposes only. It does not represent the performance of any particular investment vehicle. Investment returns cannot be guaranteed. Calculations were based on 8% per annum compounded monthly. No mortality, morbidity and withdrawal rates were assumed in the calculations.

HJR 28--Setting up a Production Tax Revenue Fund and POMV Payouts

Earnings	8.51%	*This earning is based on PERS annualized returns from 1996-2006
Payout	5.00%	*Payout is 5% of the average annual EoFY balance on the preceding five fiscal years
		*Payout doesn't happen until after the last deposit in Aug. 2013
Assumptions:		
Initial deposit in Jan. 2009	\$ 1,448,000,000	Estimated surcharge revenue based on \$85 oil
Additional deposit in Aug. 2009	\$ 400,000,000	
Additional deposit in Aug. 2010	\$ 350,000,000	
Additional deposit in Aug. 2011	\$ 350,000,000	From DOR revenue fiscal note
Additional deposit in Aug. 2012	\$ 400,000,000	
Additional deposit in Aug. 2013	\$ 400,000,000	
Additional deposit in Aug. 2014	\$ 400,000,000	
Additional deposit in Aug. 2015	\$ 200,000,000	one half year

*Although additional deposits come in in August, we still calculate the interest earnings based on a 12-month period, instead of 11 months

FY	BoFY Balance	Contributions	Avg Earnings @ 8.51%	EoFY Balance	Payout @ 5.00%	Remaining Balance
2008	\$0	\$1,448,000,000	\$0	\$1,448,000,000	\$0	\$1,448,000,000
2009	\$1,448,000,000	\$400,000,000	\$78,632,400	\$1,926,632,400	\$0	\$1,926,632,400
2010	\$1,926,632,400	\$350,000,000	\$178,848,917	\$2,455,481,317	\$0	\$2,455,481,317
2011	\$2,455,481,317	\$350,000,000	\$223,853,960	\$3,029,335,277	\$0	\$3,029,335,277
2012	\$3,029,335,277	\$400,000,000	\$274,816,432	\$3,704,151,709	\$0	\$3,704,151,709
2013	\$3,704,151,709	\$400,000,000	\$332,243,310	\$4,436,395,020	(\$123,524,150)	\$4,312,870,870
2014	\$4,312,870,870	\$400,000,000	\$394,045,311	\$5,096,916,181	(\$138,945,009)	\$4,957,971,172
2015	\$4,957,971,172	\$200,000,000	\$430,433,347	\$5,588,404,519	(\$155,519,957)	\$5,432,884,562
2016	\$5,432,884,562		\$462,338,476	\$5,895,223,038	(\$187,222,795)	\$5,708,000,243
2017	\$5,708,000,243		\$485,750,821	\$6,193,751,064	(\$218,552,027)	\$5,975,199,037
2018	\$5,975,199,037		\$508,489,438	\$6,483,688,475	(\$247,210,905)	\$6,236,477,570
2019	\$6,236,477,570		\$530,724,241	\$6,767,201,811	(\$272,106,898)	\$6,495,094,913
2020	\$6,495,094,913		\$552,732,577	\$7,047,827,490	(\$292,579,833)	\$6,755,247,657
2021	\$6,755,247,657		\$574,871,576	\$7,330,119,233	(\$309,282,680)	\$7,020,836,544
2022	\$7,020,836,544		\$597,473,190	\$7,618,309,734	(\$323,076,919)	\$7,294,432,815
2023	\$7,294,432,815		\$620,756,233	\$7,915,189,047	(\$338,225,881)	\$7,576,963,167
2024	\$7,576,963,167		\$644,799,565	\$8,221,762,732	(\$352,471,467)	\$7,869,291,265
2025	\$7,869,291,265		\$669,676,687	\$8,538,967,951	(\$366,786,473)	\$8,172,181,478
2026	\$8,172,181,478		\$695,452,644	\$8,867,634,122	(\$381,332,082)	\$8,486,302,040
2027	\$8,486,302,040		\$722,184,304	\$9,208,486,343	(\$396,243,487)	\$8,812,242,856
2028	\$8,812,242,856		\$749,921,867	\$9,562,164,723	(\$411,618,636)	\$9,150,546,087
2029	\$9,150,546,087		\$778,711,472	\$9,929,257,559	(\$427,520,402)	\$9,501,737,157
2030	\$9,501,737,157		\$808,587,832	\$10,310,334,990	(\$443,990,159)	\$9,866,344,831
2031	\$9,866,344,831		\$839,625,945	\$10,705,970,776	(\$461,065,107)	\$10,244,905,669
2032	\$10,244,905,669		\$871,841,472	\$11,116,747,141	(\$478,778,777)	\$10,637,968,364
2033	\$10,637,968,364		\$905,291,108	\$11,543,259,472	(\$497,162,144)	\$11,046,097,328
2034	\$11,046,097,328		\$940,022,883	\$11,986,120,211	(\$516,244,752)	\$11,469,875,459
Total			\$14,862,136,008		(\$7,340,260,549)	

Changes from Dept of Revenue Model:

- increased FY08 deposit
- added FY15 deposit
- earnings are applied to beginning balance and one-half of contributions during year
- payout could be 5 preceding fiscal years, but is first 5 of 6 (per resolution) DOR includes current year

2/12/08

HJR 28--Setting up a Production Tax Revenue Fund and POMV Payouts

Earnings	8.51%	*This earning is based on PERS annualized returns from 1996-2006.	
Payout	5.00%	*Payout is 5% of the average annual EoFY balance on the preceding five fiscal years.	
		*Payout doesn't happen until after the last deposit in Aug. 2013	
Assumptions:			
Initial deposit in Jan. 2009	\$ 1,448,000,000	Estimated surcharge revenue based on \$85 oil	
Additional deposit in Aug. 2009	\$ 400,000,000		
Additional deposit in Aug. 2010	\$ 350,000,000		
Additional deposit in Aug. 2011	\$ 350,000,000	From DOR revenue fiscal note	
Additional deposit in Aug. 2012	\$ 400,000,000		
Additional deposit in Aug. 2013	\$ 400,000,000		
Additional deposit in Aug. 2014	\$ 400,000,000		
Additional deposit in Aug. 2015	\$ 200,000,000	one half year	

*Although additional deposits come in in August, we still calculate the interest earnings based on a 12-month period, instead of 11 months.

FY	BoFY Balance	Contributions	Avg Earnings @ 8.51%	EoFY Balance	Payout @ 5.00%	Remaining Balance
2008	\$0	\$1,448,000,000	\$0	\$1,448,000,000	\$0	\$1,448,000,000
2009	\$1,448,000,000	\$400,000,000	\$78,632,400	\$1,926,632,400	\$0	\$1,926,632,400
2010	\$1,926,632,400	\$350,000,000	\$178,848,917	\$2,455,481,317	\$0	\$2,455,481,317
2011	\$2,455,481,317	\$350,000,000	\$223,853,960	\$3,029,335,277	\$0	\$3,029,335,277
2012	\$3,029,335,277	\$400,000,000	\$274,816,432	\$3,704,151,709	\$0	\$3,704,151,709
2013	\$3,704,151,709	\$400,000,000	\$332,243,310	\$4,436,395,020	(\$123,524,150)	\$4,312,870,870
2014	\$4,312,870,870	\$400,000,000	\$384,045,311	\$5,096,916,181	(\$138,945,009)	\$4,957,971,172
2015	\$4,957,971,172	\$200,000,000	\$430,433,347	\$5,588,404,519	(\$155,519,957)	\$5,432,884,562
2016	\$5,432,884,562		\$462,338,476	\$5,895,223,038	(\$187,222,795)	\$5,708,000,243
2017	\$5,708,000,243		\$485,750,821	\$6,193,751,064	(\$218,552,027)	\$5,975,199,037
2018	\$5,975,199,037		\$508,489,438	\$6,483,688,475	(\$247,210,905)	\$6,236,477,570
2019	\$6,236,477,570		\$530,724,241	\$6,767,201,811	(\$272,106,898)	\$6,495,094,913
2020	\$6,495,094,913		\$552,732,577	\$7,047,827,490	(\$292,579,633)	\$6,755,247,657
2021	\$6,755,247,657		\$574,871,576	\$7,330,119,233	(\$309,202,689)	\$7,020,836,544
2022	\$7,020,836,544		\$597,473,190	\$7,618,309,734	(\$323,876,919)	\$7,294,432,815
2023	\$7,294,432,815		\$620,756,233	\$7,915,189,047	(\$338,225,881)	\$7,576,963,167
2024	\$7,576,963,167		\$644,799,565	\$8,221,762,732	(\$352,471,467)	\$7,869,291,265
2025	\$7,869,291,265		\$669,676,687	\$8,538,967,951	(\$366,786,473)	\$8,172,181,478
2026	\$8,172,181,478		\$695,452,644	\$8,867,634,122	(\$381,332,082)	\$8,486,302,040
2027	\$8,486,302,040		\$722,184,304	\$9,208,486,343	(\$396,243,487)	\$8,812,242,856
2028	\$8,812,242,856		\$749,921,867	\$9,562,164,723	(\$411,618,636)	\$9,150,546,087
2029	\$9,150,546,087		\$778,711,472	\$9,929,257,559	(\$427,520,402)	\$9,501,737,157
2030	\$9,501,737,157		\$808,597,832	\$10,310,334,990	(\$443,990,159)	\$9,866,344,831
2031	\$9,866,344,831		\$839,625,945	\$10,705,970,776	(\$461,065,107)	\$10,244,905,669
2032	\$10,244,905,669		\$871,841,472	\$11,110,747,141	(\$478,778,777)	\$10,637,968,364
2033	\$10,637,968,364		\$905,291,108	\$11,543,259,472	(\$497,162,144)	\$11,046,097,328
2034	\$11,046,097,328		\$940,022,883	\$11,986,120,211	(\$516,241,752)	\$11,469,875,459

LFD Handout
enlarged 2/12/09

Additional deposit in Aug. 2009	\$	400,000,000				
Additional deposit in Aug. 2010	\$	350,000,000				
Additional deposit in Aug. 2011	\$	350,000,000	From DOR revenue fiscal			
Additional deposit in Aug. 2012	\$	400,000,000	note			
Additional deposit in Aug. 2013	\$	400,000,000				
Additional deposit in Aug. 2014	\$	400,000,000				
Additional deposit in Aug. 2015	\$	200,000,000	one half year			

*Although additional deposits come in in August, we still calculate the interest earnings based on a 12-month period, instead of 11 months.

FY	BoFY Balance	Contributions	Avg Earnings @ 8.51%	EoFY Balance	Payout @ 5.00%	Remaining Balance
2008	\$0	\$1,448,000,000	\$0	\$1,448,000,000	\$0	\$1,448,000,000
2009	\$1,448,000,000	\$400,000,000	\$78,632,400	\$1,926,632,400	\$0	\$1,926,632,400
2010	\$1,926,632,400	\$350,000,000	\$178,848,917	\$2,455,481,317	\$0	\$2,455,481,317
2011	\$2,455,481,317	\$350,000,000	\$223,853,960	\$3,029,335,277	\$0	\$3,029,335,277
2012	\$3,029,335,277	\$400,000,000	\$274,816,432	\$3,704,151,709	\$0	\$3,704,151,709
2013	\$3,704,151,709	\$400,000,000	\$332,243,310	\$4,436,395,020	(\$123,524,150)	\$4,312,870,870
2014	\$4,312,870,870	\$400,000,000	\$384,045,311	\$5,096,916,181	(\$138,945,009)	\$4,957,971,172
2015	\$4,957,971,172	\$200,000,000	\$430,433,347	\$5,588,404,519	(\$155,519,957)	\$5,432,884,562
2016	\$5,432,884,562		\$462,338,476	\$5,895,223,038	(\$187,222,795)	\$5,708,000,243
2017	\$5,708,000,243		\$485,750,821	\$6,193,751,064	(\$218,552,027)	\$5,975,199,037
2018	\$5,975,199,037		\$508,489,438	\$6,483,688,475	(\$247,210,905)	\$6,236,477,570
2019	\$6,236,477,570		\$530,724,241	\$6,767,201,811	(\$272,106,898)	\$6,495,094,913
2020	\$6,495,094,913		\$552,732,577	\$7,047,827,490	(\$292,579,833)	\$6,755,247,657
2021	\$6,755,247,657		\$574,871,576	\$7,330,119,233	(\$309,282,689)	\$7,020,836,544
2022	\$7,020,836,544		\$597,473,190	\$7,618,309,734	(\$323,876,919)	\$7,294,432,815
2023	\$7,294,432,815		\$620,756,233	\$7,915,189,047	(\$338,225,881)	\$7,576,963,167
2024	\$7,576,963,167		\$644,799,565	\$8,221,762,732	(\$352,471,467)	\$7,869,291,265
2025	\$7,869,291,265		\$669,676,687	\$8,538,967,951	(\$366,786,473)	\$8,172,181,478
2026	\$8,172,181,478		\$695,452,644	\$8,867,634,122	(\$381,332,082)	\$8,486,302,040
2027	\$8,486,302,040		\$722,184,304	\$9,208,486,343	(\$396,243,487)	\$8,812,242,856
2028	\$8,812,242,856		\$749,921,867	\$9,562,164,723	(\$411,618,636)	\$9,150,546,087
2029	\$9,150,546,087		\$778,711,472	\$9,929,257,559	(\$427,520,402)	\$9,501,737,157
2030	\$9,501,737,157		\$808,597,832	\$10,310,334,990	(\$443,990,159)	\$9,866,344,831
2031	\$9,866,344,831		\$839,625,945	\$10,705,970,776	(\$461,065,107)	\$10,244,905,669
2032	\$10,244,905,669		\$871,841,472	\$11,116,747,141	(\$478,778,777)	\$10,637,968,364
2033	\$10,637,968,364		\$905,291,108	\$11,543,259,472	(\$497,162,144)	\$11,046,097,328
2034	\$11,046,097,328		\$940,022,883	\$11,986,120,211	(\$516,244,752)	\$11,469,875,459
Total			\$14,862,136,008		(\$7,340,260,549)	
Changes from Dept of Revenue Model:						
	increased FY08 deposit					
	added FY15 deposit					
	earnings are applied to beginning balance and one-half of contributions during year					
	payout could be 5 preceding Fiscal years, but is first 5 of 6 (per resolution). DOR includes current year					

*replaced
3/4/08*

HOUSE JOINT RESOLUTION NO. *HJR 28*
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the budget
2 reserve fund, and to appropriations to and transfers from the fund; and dedicating a
3 portion of the petroleum production tax to the fund.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. Article IX, sec. 17(a), Constitution of the State of Alaska, is amended to read:

6 (a) There is established as a separate fund in the State treasury the budget
7 reserve fund. All [EXCEPT FOR MONEY DEPOSITED INTO THE PERMANENT
8 FUND UNDER SECTION 15 OF THIS ARTICLE, ALL] money received by the
9 State after June 30, 2007, and before January 1, 2015, that is attributable to an oil
10 and gas production tax levied at a rate that increases as the taxable value of the
11 oil or gas increases and that is in addition to the money received by the State that
12 is attributable to the nominal or base oil and gas production tax rate [JULY 1,
13 1990, AS A RESULT OF THE TERMINATION, THROUGH SETTLEMENT OR
14 OTHERWISE, OF AN ADMINISTRATIVE PROCEEDING OR OF LITIGATION
15 IN A STATE OR FEDERAL COURT INVOLVING MINERAL LEASE BONUSES,

1 RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL
2 REVENUE SHARING PAYMENTS OR BONUSES, OR INVOLVING TAXES
3 IMPOSED ON MINERAL INCOME, PRODUCTION, OR PROPERTY,] shall be
4 deposited in the budget reserve fund. Money in the budget reserve fund shall be
5 invested so as to yield competitive market rates to the fund. Income of the fund shall
6 be retained in the fund. Section 7 of this article does not apply to deposits made to the
7 fund under this subsection. Money may not be appropriated from the fund and may
8 be transferred from the fund only as authorized under (f) [(b) OR (c)] of this
9 section.

10 * Sec. 2. Article IX, sec. 17, Constitution of the State of Alaska, is amended by adding new
11 subsections to read:

12 (e) Appropriations of money may be made to the budget reserve fund at any
13 time. Money appropriated to the fund shall be treated the same as money deposited to
14 the fund under (a) of this section.

15 (f) On July 1 of each year, an amount equal to five percent of the average of
16 the fiscal year-end market values of the budget reserve fund for the first five of the
17 preceding six fiscal years shall be transferred from the budget reserve fund to the
18 general fund.

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

21 Section 30. Budget Reserve Fund; Transition. The money in the budget
22 reserve fund on the effective date of the 2008 amendments relating to that fund (art.
23 IX, sec. 17) shall be retained in the fund.

24 * Sec. 4. Article IX, secs. 17(b), (c), and (d) are repealed.

25 * Sec. 5. The amendments proposed by this resolution shall be placed before the voters of
26 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
27 State of Alaska, and the election laws of the state.

*replaced
3/4/08*

25-LS1521A
Cook
2/18/08

HOUSE JOINT RESOLUTION NO. *HR 28*
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the budget
2 reserve fund, to appropriations to and from the fund, and to transfers from the fund;
3 and dedicating a portion of the petroleum production tax to the fund.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. Article IX, sec. 17, Constitution of the State of Alaska, is amended to read:

6 Section 17. Budget Reserve Fund. (a) There is established as a separate fund
7 in the State treasury the budget reserve fund consisting of two separate accounts [
8 EXCEPT FOR MONEY DEPOSITED INTO THE PERMANENT FUND UNDER
9 SECTION 15 OF THIS ARTICLE, ALL MONEY RECEIVED BY THE STATE
10 AFTER JULY 1, 1990, AS A RESULT OF THE TERMINATION, THROUGH
11 SETTLEMENT OR OTHERWISE, OF AN ADMINISTRATIVE PROCEEDING OR
12 OF LITIGATION IN A STATE OR FEDERAL COURT INVOLVING MINERAL
13 LEASE BONUSES, RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS,
14 FEDERAL MINERAL REVENUE SHARING PAYMENTS OR BONUSES, OR
15 INVOLVING TAXES IMPOSED ON MINERAL INCOME, PRODUCTION, OR

1 PROPERTY, SHALL BE DEPOSITED IN THE BUDGET RESERVE FUND].
2 Money in the budget reserve fund shall be invested so as to yield competitive market
3 rates to each of the accounts in the fund. Income of each account in the fund shall be
4 retained in the account [FUND]. Section 7 of this article does not apply to deposits
5 made to the fund under (b) or (g) of this section [SUBSECTION]. Money may be
6 appropriated from the fund only as authorized under [(b) OR] (c) or (d) of this section
7 and may be transferred from the fund only as authorized under (h) of this
8 section.

9 (b) Except for money deposited into the permanent fund under Section 15
10 of this article, all money received by the State after July 1, 1990, as a result of the
11 termination, through settlement or otherwise, of an administrative proceeding or
12 of litigation in a State or federal court involving mineral lease bonuses, rentals,
13 royalties, royalty sale proceeds, federal mineral revenue sharing payments or
14 bonuses, or involving taxes imposed on mineral income, production, or property,
15 shall be deposited in a separate account in the budget reserve fund.

16 (c) If the amount available for appropriation for a fiscal year is less than the
17 amount appropriated for the previous fiscal year, an appropriation may be made from
18 the account established in (b) of this section [BUDGET RESERVE FUND].
19 However, the amount appropriated from the account [FUND] under this subsection
20 may not exceed the amount necessary, when added to other funds available for
21 appropriation, to provide for total appropriations equal to the amount of appropriations
22 made in the previous calendar year for the previous fiscal year.

23 (d) [(c)] An appropriation from the account established in (b) of this section
24 [BUDGET RESERVE FUND] may be made for any public purpose upon affirmative
25 vote of three-fourths of the members of each house of the legislature.

26 (e) [(d)] If an appropriation is made from the account established in (b) of
27 this section [BUDGET RESERVE FUND], until the amount appropriated is repaid,
28 the amount of money in the general fund available for appropriation at the end of each
29 succeeding fiscal year shall be deposited in the account established in (b) of this
30 section [BUDGET RESERVE FUND]. The legislature shall implement this
31 subsection by law.

1 * Sec. 2. Article IX, sec. 17(a), Constitution of the State of Alaska, as amended by sec. 1 of
2 this resolution is amended to read:

3 (a) There is established as a separate fund in the State treasury the budget
4 reserve fund [CONSISTING OF TWO SEPARATE ACCOUNTS]. Money in the
5 budget reserve fund shall be invested so as to yield competitive market rates to
6 [EACH OF THE ACCOUNTS IN] the fund. Income of [EACH ACCOUNT IN] the
7 fund shall be retained in the fund [ACCOUNT. SECTION 7 OF THIS ARTICLE
8 DOES NOT APPLY TO DEPOSITS MADE TO THE FUND UNDER (b) OR (g) OF
9 THIS SECTION]. Money may not be appropriated from the fund [ONLY AS
10 AUTHORIZED UNDER (c) OR (d) OF THIS SECTION] and may be transferred
11 from the fund only as authorized under (h) of this section.

12 * Sec. 3. Article IX, sec. 17, Constitution of the State of Alaska, is amended by adding new
13 subsections to read:

14 (f) There is established a separate account in the budget reserve fund.
15 Appropriations of money may be made to the account at any time. Money
16 appropriated to the account shall be treated the same as money deposited to the
17 account under (g) of this section.

18 (g) Except for money deposited into the account established in (b) of this
19 section, all money received by the State after June 30, 2007, and before January 1,
20 2015, that is attributable to an oil and gas production tax levied at a rate that increases
21 as the taxable value of the oil or gas increases and that is in addition to the money
22 received by the state that is attributable to the nominal or base oil and gas production
23 tax rate shall be deposited into the account established under (f) of this section.

24 (h) On July 1 of each year, an amount equal to five percent of the average of
25 the fiscal year-end market values of the account established in (f) of this section shall
26 be transferred from the account to the general fund.

27 * Sec. 4. Article IX, sec. 17(f), Constitution of the State of Alaska, as enacted by sec. 3 of
28 this resolution, is amended to read:

29 (f) [THERE IS ESTABLISHED A SEPARATE ACCOUNT IN THE
30 BUDGET RESERVE FUND.] Appropriations of money may be made to the budget
31 reserve fund [ACCOUNT] at any time. [MONEY APPROPRIATED TO THE

1 ACCOUNT SHALL BE TREATED THE SAME AS MONEY DEPOSITED TO THE
2 ACCOUNT UNDER (g) OF THIS SECTION.]

3 * Sec. 5. Article IX, sec. 17(h), Constitution of the State of Alaska, as enacted by sec. 3 of
4 this resolution, is amended to read:

5 (h) On July 1 of each year, an amount equal to five percent of the average of
6 the fiscal year-end market values of the budget reserve fund [ACCOUNT
7 ESTABLISHED IN (f) OF THIS SECTION] shall be transferred from the budget
8 reserve fund [ACCOUNT] to the general fund.

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

11 **Section 30. Budget Reserve Fund; Transition.** The money in each of the
12 accounts of the budget reserve fund on December 31, 2014, shall be retained in the
13 budget reserve fund.

14 * Sec. 7. The amendments proposed by this resolution shall be placed before the voters of
15 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
16 State of Alaska, and the election laws of the state.

17 * Sec. 8. If adopted by the voters at the next general election,

18 (1) the amendments made in secs. 2, 4, and 5 of the resolution proposing 2008
19 amendments relating to the budget reserve fund (art. IX, sec. 17) take effect January 1, 2015;
20 and

21 (2) art. IX, secs. 17(b), (c), (d), (e), and (g), are repealed January 1, 2015.

FISCAL NOTE

Replaud 3/4/08

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSHJR 28(JUD)
(H) Publish Date: 2/8/08

Identifier (file name): HJR28-DOR-TRE-1-24-08 Dept. Affected: Revenue 04
Title Const. Am: Production Tax Revenue Fund RDU Taxation and Treasury
Component Taxation and Treasury
Sponsor Reps. Samuels, Hawker, Ramras
Requester House Judiciary Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	950.0		1,300.0	1,650.0	2,000.0	2,400.0	2,800.0	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	950.0	0.0	1,300.0	1,650.0	2,000.0	2,400.0	2,800.0	

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Constitutionally Dedicated Fund	950.0		1,300.0	1,650.0	2,000.0	2,400.0	2,800.0
TOTAL	950.0	0.0	1,300.0	1,650.0	2,000.0	2,400.0	2,800.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is a best estimate cost applicable to a constitutionally dedicated fund (called the "production tax revenue fund") that receives revenues from the progressive surcharge portion of the oil production tax (AS 43 55.011(g)) for management oversight, accounting, performance measurement, financial advisory and internal and external portfolio investment management services. For an investment portfolio with an asset allocation structured to accommodate a moderate risk/reward profile at a funding level of 950 million, an estimated cost of 10 basis points or 950 thousand would be a reasonable estimate. This would be an investment portfolio where the Commissioner of Revenue would be the fiduciary and a large emphasis would be placed on internal and passive investment management. As a comparison, the investment management cost of the State's retirement portfolios is 21 basis points annually. The permanent fund costs about 19 basis points a year to manage. Costs are directly related to the complexity of the types of asset classes of securities and the asset size of the portfolio. Cost increases are based on estimated future contributions only.

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