

SJR


24

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax



MEMORANDUM

Date: February 3, 2010
To: Senator Linda Menard, Chair
Senate State Affairs Committee
From: Senator Hollis French 
RE: SJR 24 Hearing Request



I respectfully request a hearing on SJR 24, "Constitutional Amendment: Guarantee Permanent Fund" at your earliest convenience.

I have attached a sponsor statement, a copy of the bill, a sectional analysis, and some backup material. I will get any letters of support and a list of potential testifiers to you by the end of the week (per Sarah's request).

If you have any questions about this legislation, please contact Kristen Peterson in my office at 465-3892.

I appreciate your consideration.

Alaska State Legislature



Senator Hollis French

SJR 24 – CONSTITUTIONAL AMENDMENT: GUARANTEE PERMANENT FUND

Sponsor Statement

The Permanent Fund Dividend should be permanent. The dividend represents the people's direct share of our commonly owned natural resource wealth. Protecting the dividend from encroachment fulfills the constitution's mandate that our natural resources be managed for the maximum benefit of all Alaskans. SJR 24 is intended to keep that constitutional promise.

Looking back at the debate that took place as our constitution was written helps place the policy goals of SJR 24 in a historical context. E.L. "Bob" Bartlett, Alaska's delegate to Congress at the time of the constitutional convention, believed that our mineral wealth, which he called "the people's wealth", should be used for two distinct purposes: "the support of Alaska governmental services" and "the use of all the people in Alaska." His vision, which predated the Prudhoe Bay oil discovery by thirteen years, and the creation of the Permanent Fund by twenty-one years, captures the current usage of our state's oil wealth to support state government and to pay an individual dividend to each Alaskan. Protecting the dividend preserves the fundamental idea that some portion of our natural resource wealth should spread equally across the state to each citizen.

Every year in Juneau, the budget consumes the vast majority of our oil wealth. Since 1977, the state has taken in approximately \$102 billion in oil revenue. Since 1982, when the first dividends were issued, the state has paid out approximately \$17 billion in dividends. Therefore, less than 17% of our commonly owned wealth is distributed equally. The political system directs the vast majority of the state's oil wealth to the various needs of state government as fairly as it can, but inevitably the budget tug-of-war produces winners and losers. Budget battles can be fierce, and there are almost always regional and departmental imbalances in how the state budget is allocated. The dividend stands in stark contrast to this political process. The dividend goes equally to all, regardless of which political party is in power. What could be more fair?

Protecting the dividend in the constitution is not a new idea. Over the years a variety of public figures have advocated for this idea. In 2004, the delegates to the Conference of Alaskans, called by then-Governor Murkowski to develop a consensus on the role of the Permanent Fund in the state's future, adopted this idea as one of their four policy initiatives to put the state on firmer financial footing.

SJR 24 is intended to make certain that the dividend, a unique feature of a unique state, continues into the future. Please join me in supporting SJR 24.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 22, 2010

SUBJECT: Alaska permanent fund dividend; sectional summary (SJR 24)
(Work Order No. 26-LS0163\R)

TO: Senator Hollis French
Chair of the Senate Judiciary Committee
Attn: Kristen Peterson

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. This resolution shall be known as an amendment to guarantee the permanent fund dividend.

Sec. 2. Proposes an amendment to art. IX, sec. 15 of the state constitution to create the earnings reserve account as a separate account in the Alaska permanent fund and direct that income from the fund be deposited in the account.

Sec. 3. Adds a new subsection to art. IX, sec. 15 setting out the way in which net income of the fund and the amount available for distribution is annually computed, and directing that fifty percent of the amount available for distribution be used for a program of dividend payments to state residents. This is based on the current statute, AS 37.13.140. After the annual transfer from the earnings reserve account for dividends, money remaining in the account may be used for any public purpose.

Sec. 4. Adds two new sections to the state constitution. The first moves money from the statutory earnings reserve account to the earnings reserve account created by these proposed constitutional amendmenst on the effective date of the amendments. The second suspends these proposed amendments on the date of an initial determination by the IRS that the permanent fund is subject to federal taxation. The suspension is terminated on the date the amendments are repealed or one hundred eighty days after a final judgment that no portion of the fund would be subject to federal taxation as a result of the amendments. The amendments are repealed one hundred eighty days after a final judgement that all or some of the fund is subject to federal taxation. If these proposed amendments are repealed, the permanent fund provision will read as it did on January 1, 2010, prior to adoption of the amendments.

Sec. 5. The proposed amendments are to be placed before the voters at the next general election.

TBC:plm
10-029.plm

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SJR24
 () Publish Date: / _____

Identifier (file name): SJR024-OOG-DOE-2-9-10 Dept. Affected: OOG
 Title Constitutional amendment relating to the Alaska permanent RDU Elections
 fund, establishing the earnings reserve account..... Component Elections
 Sponsor Senator French
 Requester Senate State Affairs Component Number 21

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual		1.5						
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	1.5	0.0	0.0	0.0	0.0	0.0

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		1.5						
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) 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 2010 general election ballot. The cost of providing information about the constitutional amendment in the Official Election Pamphlet, as required by AS 15.58 is \$1.5. 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 Fenumiai, Director
 Division Division of Elections
 Approved by: Linda Perez, Director
 Division of Administrative Services

Phone 465-4611
 Date/Time 2/9/10, 8:46am
 Date 2/9/2010

PFD needs to be put into constitution

John Havelock
comment

(01/16/10 02:24:57)

Actually, putting the Permanent Fund dividend (PFD) in the state constitution is a good idea.

After all, the Permanent Fund itself is in the constitution as is a "Budget Reserve Fund." Nobody seems to be complaining about proposals that a hefty percentage of the PF should go to K-12 education or higher education -- even though such dedications would back out regularly appropriated funds. Nor are there outraged complaints to proposals that would reinvest part of the fund against inflation, through the constitution.

So it's OK to fiddle with the fund for some purposes but not others.

One hears on the street that outsiders are flocking to the state to take advantage of the PFD (though there is no data to support this notion).

But this could be a problem if the fund grows and grows and the dividend with it.

A constitutional PFD could include a cap, probably with an inflation adjustment. Shouldn't all the people get a chance to vote on what that cap might be?

Why do we have things in the constitution? One reason is that we don't trust the Legislature, particularly when its self-interest is involved.

Many legislators would surely love to get their hands on PFD money so they could appropriate it according to the directions of their favorite lobbyists.

Yes, there might come a time when funds dedicated to the PFD should be available for legislative allocation. The fund was set up originally because of general recognition that too much money was coming in at once. At the same time, based on the fiscal ups and downs of state history, there was general acknowledgment that the fund could be a "rainy day" fund. The later-established and much smaller Budget Reserve Fund is a rainy day fund with criteria. But no rainy day criteria were set for the Permanent Fund. This is another item that the people should have a direct say on. When is it raining so hard that the dividend should be cut?

Former Gov. Wally Hickel has been right in regularly reminding us that Alaska is an "owner state." Who owns the resources of Alaska? Why, the people do. In general, people with money are not friends of the PFD because the sum is trivial to them personally, and without a PFD, there would be more money, serious money, for tax relief which is a special burden (but deserved for those on whom fortune has shined) of the wealthy. That's why the U.S. Constitution was amended to provide for a graduated income tax.

Most Alaska oil wealth already goes to tax relief. The Permanent Fund gets only 25 percent of royalties. Seventy-five percent of royalties and all oil tax revenues go to the Treasury. Cut or

abolish the dividend, and the money would then go only to taxpayers. And the most would go to the biggest taxpayers. This sets up a transfer of wealth from the poorest 90 percent to the richest 10 percent. The PFD needs constitutional protection.

It seems unlikely that the Legislature will propose to the people constitutional protection for the Permanent Fund dividend. But with a proposal for a constitutional convention on the ballot in 2012, there are sound reasons why the Permanent Fund and its dividend program should receive attention as the people decide whether parts of Alaska's constitution deserve a fresh look.

There are pros and cons to a constitutional convention. Conservatives are afraid that liberals will turn it into a socialist document and liberals are afraid that conservatives will turn it into a fascist document. But maybe the people can be trusted. When we are closer to the vote that the delegates in 1955-56 mandated -- "shall there be a constitutional convention?" -- the PFD question will have more urgency as it relates to how to answer that question.

In the meantime, since quite a fuss has been made over sticking the PFD in the constitution, this and other amendment proposals are ripe for discussion.

John Havelock is a former Alaska attorney general.

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SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 1/19/10

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/9/10

State Affairs Committee considered SENATE JOINT RESOLUTION NO. 24

SJR 24 CONST AM: GUARANTEE PERM FUND DIVIDEND

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund, establishing the earnings reserve account, and relating to the permanent fund dividend.

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____


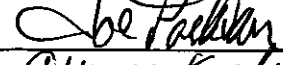
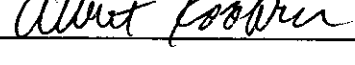

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Elections	02/09/10	X			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	French	X			
	PASKVAN			X	
	KOOVAK			X	
CHAIR: 	MENARD	X			

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STATE OF ALASKA
2010 LEGISLATIVE SESSION

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