

LEG. FINANCE - BILLS 1975 - 1976 454

HB 667 thru HB 669 454

"An Act authorizing a study of the causes and potential solutions of the high cost of living in Alaska."

COMMITTEE REPORT

2/25/76

HOUSE

Mr. Speaker:

Date 2/25/76

The Committee on FINANCE has had HB 667

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR FINANCE HB 667 AND THAT

FINANCE CS FOR HB 667 DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

FINANCE COMMITTEE LETTER OF INTENT ATTACHED FOR HB 667 & HB 668

HOUSE JOURNAL

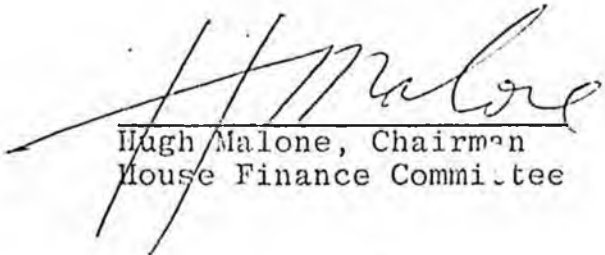
CSHB 667 Letter of Intent

CSHB 667 (Finance) and its companion appropriation of HB 668 provide for a study to examine the economic and related factors causing the high cost of living in Alaska compared to Outside and to evaluate the government actions which could reduce that cost.

It is the intent of the Committee that the study include the differences in the cost of living between areas of the state with a view to improving the equity of price adjustments made under the state pay system, the School Foundation Program, and municipal revenue sharing. In particular, the Committee intends the study to design a consumer price index(s) for remote communities such as Nome and Barrow and to estimate the cost of using the index on a regular basis.

It is our further intent that the study review the public construction index to be completed July 1, 1976 by the Department of Public Works and to comment on its use in adjusting capital and bond project amounts.

Additionally, the Committee intends that preference be given to Alaskan based economists, that all possible use be made of existing information from public and private sources and, finally, that travel and per diem for department employees connected with the study may be drawn from this appropriation.


Hugh Malone, Chairman
House Finance Committee

Original sponsor: Cowper

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 667 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing a study of the causes and potential
7 solutions of the high cost of living in Alaska; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The Department of Commerce and Economic Development shall
11 supervise a study of the causes of the high cost of living in Alaska relative
12 to Seattle and of potential action which could be taken by the state to
13 alleviate this problem. The study shall consist of three parts. Part one
14 shall examine those economic factors which contribute to the high cost of
15 living in Alaska. Each factor which contributes to the high cost of living
16 shall be identified, and the extent to which it contributes to high living
17 costs shall be determined. Part two shall examine those factors which are
18 not strictly economic but which may contribute to high living costs. These
19 factors may include, but are not limited to, expectations of wage earners,
20 management, investors, and consumers. Part three shall consist of identifi-
21 cation of various forms of action which could be taken by the state to
22 reduce the cost of living in Alaska. In addition, each form of government
23 action which could potentially reduce living costs in the state shall be
24 evaluated in terms of its effect upon the economic and social well-being of
25 the state. The study shall be completed by December 31, 1976 and presented
26 to the First Session of the Tenth Legislature. Copies of the study shall be
27 made available to the general public.

28 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

#

Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 657

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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15 living in Alaska. Each factor which contributes to the high cost of living
16 shall be identified, and the extent to which it contributes to high living
17 costs shall be determined. Part two shall examine those factors which are
18 not strictly economic, such as psychological and sociological phenomena,
19 which may contribute to high living costs. These factors may include, but
20 are not limited to, expectations of wage earners, management, investors, and
21 consumers. Part three shall consist of identification of various forms of
22 action which could be taken by the state to reduce the cost of living in
23 Alaska. In addition, each form of government action which could potentially
24 reduce living costs in the state shall be evaluated in terms of its effect
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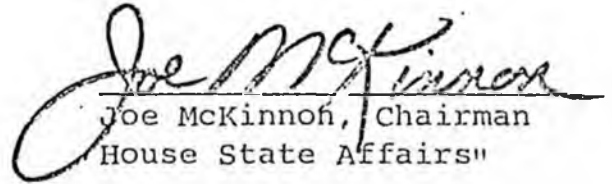
to Committee

"HOUSE STATE AFFAIRS COMMITTEE

LETTER OF INTENT

HOUSE BILL 667 and HOUSE BILL 668

The language specifying funding levels was deleted from the original bill in order to allow the contractor a certain degree of flexibility in allocating the use of funds. It is the intent of the committee, however, that the study should have equal emphasis placed on Parts one and two. Part three should receive minimal emphasis with the contractor offering only outlines of state action within which the legislature can design specific programs.


Joe McKinnoh, Chairman
House State Affairs"

HFC
file
copy

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 667 & SB 574
 Title: Study of the High Cost of Living in Alaska
 Requested by: State Affairs Committee Date: 2/23/76
 Return Date Requested: _____
 Agency: Commerce & Econ. Dev. Program: Economic Enterprise - Research and Analysis

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \$110,000

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	\$110,000					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	\$110,000					

B. FUNDING: (Thousands of dollars)

GENERAL FUND	\$110,000					
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The Department of Commerce & Economic Development will reach a written agreement with the authors of the bill and legislative committees as to the intent of the study. The study would be contracted out to a private firm or university group on a competitive bid basis. The Division of Economic Enterprise would negotiate the contract and terms, monitor and co-direct the study effort and give approval on final study report when acceptable as meeting the terms of the contract. The Division of Economic Enterprise will absorb the necessary costs internally for accomplishing the above. Contractual agreement will contain provisions for preparing and publishing the final study report.

IV. ATTACHMENTS

V. DATE: February 23, 1976 PREPARED BY: Richard H. Eakins

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

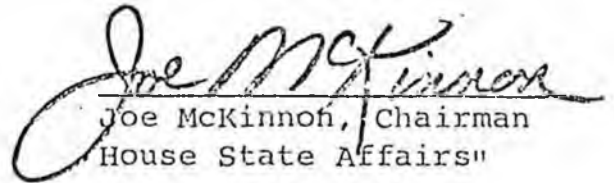
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Joe McKinnoh, Chairman
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HFC
file
copy

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 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/6/90
Date

COMMITTEE REPORT

4/12/76

SENATE

Mr. President:

Date _____

The Committee on Finance has had CSHB 667 (Finance) authorizing a study of the high cost of living in Alaska under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____	recommenas:
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

_____ Chairman

COMMITTEE REPORT

SENATE

3/17/76

****Finance****

Mr. President:

Date 4-9-76

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- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

- () "and" recommends it BE REFERRED TO THE _____ COMMITTEE *individual*

as follows

reports it back WITHOUT RECOMMENDATION

- () "other"

Members signing the Majority report:

<u><i>J. Keefe</i></u>	<u>Do - pass</u>	_____
<u><i>[Signature]</i></u>	<u>[Signature]</u>	_____
<u><i>Collita</i></u>	<u>no rec.</u>	_____
_____	_____	_____

Members NOT concurring in the Majority report:

<u><i>3</i></u>	recommends: DO NOT PASS
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

J. Keefe Chairman

Original sponsor: Cowper

Offered: 3/11/76
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 667 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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25 the state. The study shall be completed by December 31, 1976 and presented
26 to the First Session of the Tenth Legislature. Copies of the study shall be
27 made available to the general public.

28 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

COMMITTEE COPY

-1-

CSHB 667(Finance)

engrossed

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

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FEDERAL FUNDS					
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C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

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V. DATE: February 23, 1976 PREPARED BY: Richard H. Eakins


Original: Legislative Finance
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 Prime Sponsor (First Legislator Named)

"HOUSE STATE AFFAIRS COMMITTEE

LETTER OF INTENT

HOUSE BILL 667 and HOUSE BILL 668

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Joe McKinnon, Chairman
"House State Affairs"

*keep w/ original
bill*

HOUSE JOURNAL

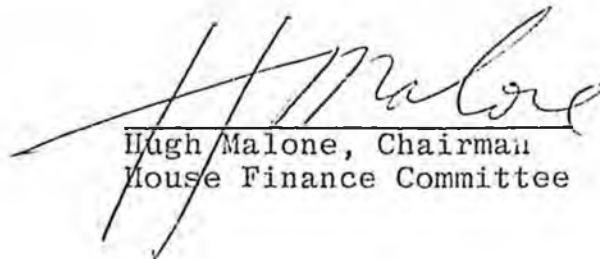
CSHB 667
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It is our further intent that the study review the public construction index to be completed July 1, 1976 by the Department of Public Works and to comment on its use in adjusting capital and bond project amounts.

Additionally, the Committee intends that preference be given to Alaskan based economists, that all possible use be made of existing information from public and private sources and, finally, that travel and per diem for department employees connected with the study may be drawn from this appropriation.


Hugh Malone, Chairman
House Finance Committee

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND Session

HOUSE BILL NO. 667

By CONPER

"An Act authorizing a study of the causes and potential solutions of the high cost of living in Alaska."

Cost of living causes & solutions

Introduced in the House .. 1/22..., 19.75

HISTORY IN THE HOUSE

19 75												
Jan	29	Read first time and referred to Committee on State Affairs and Finance										
Feb	26	Reported back with recommendation that State Affairs refer to Finance to pass - to Finance										
Mar	11	Finance refer to State Affairs new title - to pass. 2 Rules										
Mar	16	Read second time and C.S. (Finance) adopted										
Mar	16	Read third time and										
Mar	16	<table border="0"> <tr> <td>PASS 28</td> <td>Effective Date</td> </tr> <tr> <td>Yeas 34</td> <td>Yeas</td> </tr> <tr> <td>Nays 2</td> <td>Nays same</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused 4</td> <td>Excused</td> </tr> </table>	PASS 28	Effective Date	Yeas 34	Yeas	Nays 2	Nays same	Absent	Absent	Excused 4	Excused
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Excused	Excused											
Mar	16	Reported correctly engrossed										
"	16	Signed by Speaker										
"	16	Sent to Senate										
		<i>James C. ...</i> CHIEF CLERK OF THE HOUSE										

HISTORY IN THE SENATE

19 76												
3	17	Read first time and referred to Committee on Commerce, Finance										
4	12	Reported back with Commerce recommendation that 1 do pass, 1 do not pass, 2 no rec. To Finance										
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Nays	Nays											
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Excused	Excused											
		Reported correctly engrossed										
		Signed by President										
		Returned to House										
		SECRETARY OF THE SENATE										

HISTORY IN THE HOUSE

19	
	Received from Senate
	Reported correctly enrolled
	Sent to Governor
 By Governor
	Filed with Lt. Governor
	Chapter No.

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

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To Senate
Commerce

HOUSE JOURNAL

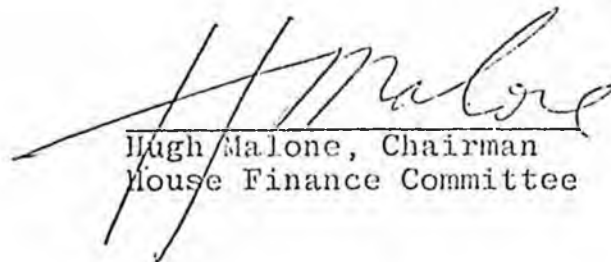
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To Senate
Commerce

HOUSE JOURNAL



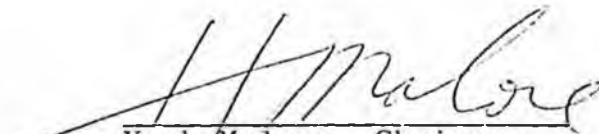
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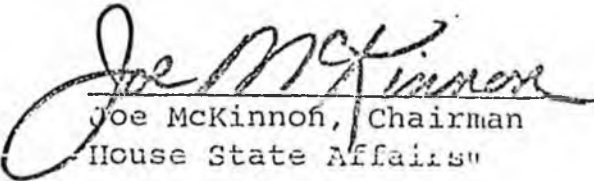

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"HOUSE STATE AFFAIRS COMMITTEE

LETTER OF INTENT

HOUSE BILL 667 and HOUSE BILL 668

The language specifying funding levels was deleted from the original bill in order to allow the contractor a certain degree of flexibility in allocating the use of funds. It is the intent of the committee, however, that the study should have equal emphasis placed on Parts one and two. Part three should receive minimal emphasis with the contractor offering only outlines of state action within which the legislature can design specific programs.


Joe McKinnon, Chairman
House State Affairs"

*keep w/ original
bill*

Original sponsor: Cowper

Offered: 3/11/76
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 667 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing a study of the causes and potential
7 solutions of the high cost of living in Alaska; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The Department of Commerce and Economic Development shall
11 supervise a study of the causes of the high cost of living in Alaska relative
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28 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

Original sponsor: Cowper

Offered: 3/11/76
Referred: Rules

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Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

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Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

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Introduced: 1/29/76
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 667

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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Introduced: 1/29/76
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1 IN THE HOUSE

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RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/6/90
Date

"An Act making a special appropriation to the Department of Commerce and Economic Development for a study of the high cost of living in Alaska; effective date."

COMMITTEE REPORT

2/26/76

HOUSE

Mr. Speaker:

Date 6 March 1976

The Committee on FINANCE has had HB 668

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH ^{STATE AFFAIRS} CS FOR HB 668 AND THAT

STATE AFFAIRS CS FOR HB 668 DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

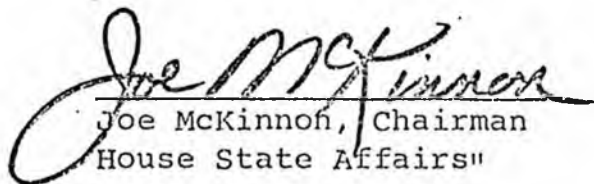
to Committee

"HOUSE STATE AFFAIRS COMMITTEE

LETTER OF INTENT

HOUSE BILL 667 and HOUSE BILL 668

The language specifying funding levels was deleted from the original bill in order to allow the contractor a certain degree of flexibility in allocating the use of funds. It is the intent of the committee, however, that the study should have equal emphasis placed on Parts one and two. Part three should receive minimal emphasis with the contractor offering only outlines of state action within which the legislature can design specific programs.


Joe McKinnon, Chairman
House State Affairs"

HP
file
copy

Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Commerce and Economic Development for a study of the
8 high cost of living in Alaska; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$110,000 is appropriated from the general fund to
12 the Department of Commerce and Economic Development for conducting a three-
13 part study of the high cost of living in Alaska.

14 * Sec. 2. The unexpended and unobligated portion of this appropriation
15 lapses into the general fund June 30, 1977.

16 * Sec. 3. This Act takes effect immediately upon the effective date of a
17 version of "An Act authorizing a study of the causes and potential solutions
18 of the high cost of living in Alaska."

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Introduced: 1/29/76
Referred: State Affairs
and Finance

1 IN THE HOUSE

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11 * Section 1. The sum of \$110,000 is appropriated from the general fund to
12 the Department of Commerce and Economic Development for conducting a three-
13 part study of the high cost of living in Alaska. The funding for each part
14 shall consist of:

- 15 (1) Part One - \$30,000,
16 (2) Part Two - \$70,000,
17 (3) Part Three - \$10,000.

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Signature of Camera Operator

2/6/90
Date

COMMITTEE REPORT

4/12/76

SENATE

Mr. President:

Date _____

The Committee on Finance has had CSHB 668 special appropriation to the Department of Commerce & Economic Development for under consideration. A Majority of the members of the Committee study of high cost of living in Alaska

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

COMMITTEE REPORT

SENATE

3/17/76

****Finance****

Mr. President:

Date 4-9-76

The Committee on Commerce has had Cs HB 668 spec. approp. to Dept. of Commerce for study of high cost of living in Alaska under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT CS FOR _____ DO PASS
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no follows

- reports it back ^{*individed*} WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

<u><i>Katzen</i></u>	<u><i>do pass</i></u>	_____
<u><i>W. Williams</i></u>	<u><i>no rec</i></u>	_____
<u><i>Colletta</i></u>	<u><i>no rec</i></u>	_____
_____	_____	_____

Members NOT concurring in the Majority report:

<u><i>3-16</i></u>	recommends: <i>Do Not Pass; such studies contribute to high cost of living in Alaska</i>
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

W. Williams Chairman

Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 668

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4 NINTH LEGISLATURE - SECOND SESSION

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HOUSE BILL 667 and HOUSE BILL 668

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Joe McKinnon, Chairman
House State Affairs"

keep w/ail

ALASKA STATE LEGISLATURE

NINTH.. Legislature SECOND. Session

HOUSE...BILL..... NO. ..668..

By ..CONPER.....

"An Act making a special appropriation to the Department of Commerce and Economic Development for a study of the high cost of living in Alaska; and providing for an effective date."

High cost of living, appropriation

Introduced in the House ...1/29.., 19.75

HISTORY IN THE HOUSE

19 76	Read first time and referred to Committee on										
Jan 29	State Affairs and Finance										
Feb 26	Reported back with recommendation that <i>State Affairs replace CS</i> <i>to pass. To Finance</i> <i>Finance replace CS</i> <i>to pass. To Rules</i>										
Mar 11	Read second time and										
Mar 16	<i>CS adopted</i>										
Mar 16	Read third time and										
Mar 16	<table border="0"> <tr> <td>PASS <i>ed</i></td> <td>Effective Date</td> </tr> <tr> <td>Yeas 33</td> <td>Yeas</td> </tr> <tr> <td>Nays 3</td> <td>Nays <i>None</i></td> </tr> <tr> <td>Absent —</td> <td>Absent</td> </tr> <tr> <td>Excused 2</td> <td>Excused</td> </tr> </table>	PASS <i>ed</i>	Effective Date	Yeas 33	Yeas	Nays 3	Nays <i>None</i>	Absent —	Absent	Excused 2	Excused
PASS <i>ed</i>	Effective Date										
Yeas 33	Yeas										
Nays 3	Nays <i>None</i>										
Absent —	Absent										
Excused 2	Excused										
	Reconsideration										
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Nays	Nays										
Absent	Absent										
Excused	Excused										
Mar 16	Reported correctly engrossed										
" 16	Signed by Speaker										
" 16	Sent to Senate										
	<i>Spencer Pastern</i>										
	CHIEF CLERK OF THE HOUSE										

HISTORY IN THE SENATE

19 76	Read first time and referred to Committee on										
3 17	<i>Com - Fin</i>										
4 12	Reported back with <i>Commerce</i> recommendation that <i>1 do pass, 2 no rec.</i> <i>TO FINANCE</i>										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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	Signed by President										
	Returned to House										
	SECRETARY OF THE SENATE										

HISTORY IN THE HOUSE

19	Received from Senate
	Reported correctly enrolled
	Sent to Governor
 By Governor
	Filed with Lt. Governor
	Chapter No-

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 667 SB 574
 Title: Study of the High Cost of Living in Alaska
 Requested by: State Affairs Committee Date: 2/23/76
 Return Date Requested:
 Agency: Commerce & Econ. Dev. Program: Economic Enterprise - Research and Analysis

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \$110,000

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	\$110,000					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	\$110,000					

B. FUNDING: (Thousands of dollars)

GENERAL FUND	\$110,000				
FEDERAL FUNDS					
OTHER					

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)
 The Department of Commerce & Economic Development will reach a written agreement with the authors of the bill and legislative committees as to the intent of the study. The study would be contracted out to a private firm or university group on a competitive bid basis. The Division of Economic Enterprise would negotiate the contract and terms, monitor and co-direct the study effort and give approval on final study report when acceptable as meeting the terms of the contract. The Division of Economic Enterprise will absorb the necessary costs internally for accomplishing the above. Contractual agreement will contain provisions for preparing and publishing the final study report.

IV. ATTACHMENTS

V. DATE: February 23, 1976 PREPARED BY: Richard H. Eakins

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

To Senate
Commerce

HOUSE JOURNAL

CSHB 667
Letter of Intent

CSHB 667 (Finance) and its companion appropriation of HB 668 provide for a study to examine the economic and related factors causing the high cost of living in Alaska compared to Outside and to evaluate the government actions which could reduce that cost.

It is the intent of the Committee that the study include the differences in the cost of living between areas of the state with a view to improving the equity of price adjustments made under the state pay system, the School Foundation Program, and municipal revenue sharing. In particular, the Committee intends the study to design a consumer price index(s) for remote communities such as Nome and Barrow and to estimate the cost of using the index on a regular basis.

It is our further intent that the study review the public construction index to be completed July 1, 1976 by the Department of Public Works and to comment on its use in adjusting capital and bond project amounts.

Additionally, the Committee intends that preference be given to Alaskan based economists, that all possible use be made of existing information from public and private sources and, finally, that travel and per diem for department employees connected with the study may be drawn from this appropriation.

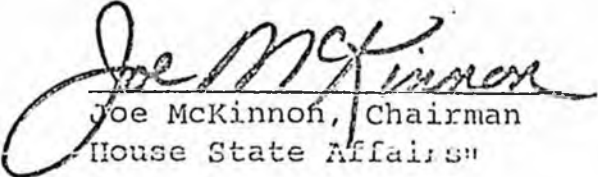
Hugh Malone, Chairman
House Finance Committee

"HOUSE STATE AFFAIRS COMMITTEE

LETTER OF INTENT

HOUSE BILL 667 and HOUSE BILL 668

The language specifying funding levels was deleted from the original bill in order to allow the contractor a certain degree of flexibility in allocating the use of funds. It is the intent of the committee, however, that the study should have equal emphasis placed on Parts one and two. Part three should receive minimal emphasis with the contractor offering only outlines of state action within which the legislature can design specific programs.


Joe McKinnon, Chairman
House State Affairs"

*keep w/ original
bill*

Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 668

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department
7 of Commerce and Economic Development for a study of the
8 high cost of living in Alaska; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$110,000 is appropriated from the general fund to
12 the Department of Commerce and Economic Development for conducting a three-
13 part study of the high cost of living in Alaska.

14 * Sec. 2. The unexpended and unobligated portion of this appropriation
15 lapses into the general fund June 30, 1977.

16 * Sec. 3. This Act takes effect immediately upon the effective date of a
17 version of "An Act authorizing a study of the causes and potential solutions
18 of the high cost of living in Alaska."

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Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

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4 NINTH LEGISLATURE - SECOND SESSION

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Original sponsor: Cowper

Offered: 2/26/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

CS FOR HOUSE BILL NO. 668

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - SECCND SESSION

5

A BILL

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Introduced: 1/29/76
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 668

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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- 15 (1) Part One - \$30,000,
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Introduced: 1/29/76
Referred: State Affairs
and Finance

1 IN THE HOUSE

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Introduced: 1/29/76
Referred: State Affairs
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Introduced: 1/29/76
Referred: State Affairs
and Finance

1 IN THE HOUSE

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RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/6/90
Date

"An Act making a continuing appropriation for the payment of debt service on general obligation bonds of the state, bond anticipation notes, and revenue anticipation notes; and providing for an effective date."

COMMITTEE REPORT

1/29/76

HOUSE

Mr. Speaker:

Date April 1 1976

The Committee on FINANCE has had HB 669

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 669 AND THAT

CS FOR HB 669 DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

_____ Chairman

Original sponsor: Rules Committee by
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 669

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a continuing appropriation for the pay-
7 ment of debt service on general obligation bonds of the
8 state, bond anticipation notes, and revenue antici-
9 pation notes; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 37.15 is amended by adding a new section to read:

12 ARTICLE 4. MISCELLANEOUS PROVISIONS.

13 Sec. 37.15.600. ANNUAL APPROPRIATION. (a) There is appropriated
14 each fiscal year from the general fund the amount necessary for the
15 payment of the principal of and interest on all general obligation bonds
16 of the state authorized before or after the effective date of this sec-
17 tion in accordance with art. IX, sec. 8 of the Alaska Constitution, as
18 the principal and interest becomes due and payable.

19 (b) There is appropriated each fiscal year from the general fund
20 the amount necessary for the payment of interest on bond anticipation
21 notes issued (under AS 43.08) in anticipation of general obligation bonds
22 of the state. *added*

23 *see delib*
24 (c) The bond committee shall submit a report to the legislature by
25 the third Monday of each January setting out in detail the amount appro-
26 priated from the general fund under this section for the previous fiscal
27 year, the amount anticipated in the current fiscal year, and an amount
28 forecast for the next fiscal year.

29 * Sec. 2. AS 43.08 is amended by adding a new section to read:

Sec. 43.08.035. ANNUAL APPROPRIATION. (a) There is appropriated

** Estimated - 1/2 year total revenue - a part of FY
so the amount (deducted) is
in - so this is borrowed from state*

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each fiscal year from the general fund the amount necessary for the payment of interest on revenue anticipation notes.

(b) The commissioner shall submit a report to the legislature by the third Monday of each January setting out in detail the amount appropriated from the general fund under this section for the previous fiscal year, the amount anticipated during the current fiscal year, and an amount forecast for the next fiscal year.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-070(c).

Introduced: 1/29/76
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 669

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a continuing appropriation for the
7 payment of debt service on general obligation bonds
8 of the state, bond anticipation notes, and revenue
9 anticipation notes; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. AS 37.15 is amended by adding a new section to read:

13 ARTICLE 3. MISCELLANEOUS PROVISIONS.

14 Sec. 37.15.815. ANNUAL APPROPRIATION. (a) There is appropriated
15 each fiscal year from the general fund the sum of money necessary for
16 the payment of the principal of and interest on all general obligation
17 bonds of the state authorized before or after the effective date of
18 this section in accordance with art. IX, sec. 8 of the Alaska Constitu-
19 tion, as the principal and interest become due and payable.

20 (b) There is appropriated each fiscal year from the general fund
21 the sum of money necessary for the payment of interest on bond antici-
22 pation notes issued in anticipation of general obligation bonds *for the state*
23 on revenue anticipation notes. *issued pursuant to AS 43.08.*

24 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

STATE OF ALASKA
DEPARTMENT OF REVENUE

TREASURY DIVISION

HB 669
JAY S. HAMMOND, Governor

POUCH SB—JUNEAU 99801

February 11, 1976

The Honorable Hugh Malone
Chairman, House Finance Committee
State Capitol
Juneau, Alaska 99811

Dear Mr. Malone:

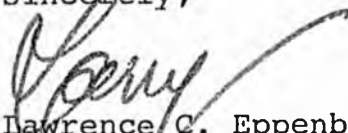
During testimony before your Committee last Friday you asked me to draft suggested sections that would provide a debt service report in HB 669 (an Act making a continuing appropriation for debt service).

I have attached a redraft of HB 669 that now includes reporting sections for General Obligation bonds and notes and separately for Revenue Anticipation Notes. This draft version of HB 669 also revises the sections' citations to the Alaska Code and makes similar housekeeping changes without substantive impact. All changes have been reviewed and approved by Commissioner of Revenue and the Attorney General's office.

I have also enclosed several copies of the state's current Official Statement issued as part of a February 17 bond sale and a summary of all State bond rating ceilings. I recall you asking a question about bond interest rate ceilings in other states.

I will be pleased to reappear and testify before your Committee regarding HB 669 or any other measure at your convenience.

Sincerely,


Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge
Enclosures

IN THE HOUSE

HOUSE BILL NO. 669

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making a continuing appropriation for the payment of debt service on general obligation bonds of the state, bond anticipation notes, and revenue anticipation notes; and providing for an effective date."

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

* Section 1. AS 37.15 is amended by adding a new section to read:

ARTICLE 4. MISCELLANEOUS PROVISIONS.

Sec. 37.15.600. ANNUAL APPROPRIATION. (a) There is appropriated each fiscal year from the general fund the amount necessary for the payment of the principal of and interest on all general obligation bonds of the state authorized before or after the effective date of this section in accordance with Art. IX, sec. 8 of the Alaska Constitution, as the principal and interest becomes due and payable.

(b) There is appropriated each fiscal year from the general fund the amount necessary for the payment of interest on bond anticipation notes issued in anticipation of general obligation bonds. *OF THE STATE*

(c) The bond committee shall submit a report to the legislature by the third Monday of each January setting out in detail the amount appropriated from the general fund under this section for the previous fiscal year, the amount anticipated in the current fiscal year, and an amount forecast for the next fiscal year.

* Section 2. AS 43.08 is amended by adding a new section to read:

Sec. 43.08.035. ANNUAL APPROPRIATION. (a) There is appropriated each fiscal year from the general fund the amount necessary for the payment of interest on revenue anticipation notes, *issued pursuant AS 43.08*

(b) The commissioner shall submit a report to the legislature by the third Monday of each January setting out in detail the amount appropriated from the general fund under this section for the previous fiscal year, the amount anticipated during the current fiscal year, and an amount forecasted for the next fiscal year.

* Section 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

FEB 13 1976

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH S - JUNEAU 99811

February 13, 1976

The Honorable Hugh Malone
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99811

Re: House Bill No. 669

Dear Mr. Malone:

House Bill No. 669, an Act making a continuing appropriation for the payment of debt service on general obligation bonds of the state, bond anticipation notes, and revenue anticipation notes was introduced in the House on January 29, 1976 by the Rules Committee by request of the Governor and was referred to the House Finance Committee.

For the consideration of the House Finance Committee, I am enclosing a copy of a letter dated February 10, 1976 from Mr. C. Richard Walker, State Bond Counsel for the State Bond Committee of the firm of Orrick, Herrington, Rowley & Sutcliffe of San Francisco, California as concerns the need and importance of the provisions of House Bill No. 669 as well as the legal authority for the proposed legislation.

If you or any members of the House Finance Committee have any questions on the material submitted, please telephone the writer at 465-2397 and I will contact Mr. Walker in San Francisco for further information.

Very truly yours,



R. D. Stevenson
Special Assistant

Enclosure

cc: Langhorne A. Motley
Commissioner of Commerce
and Economic Development
Chairman, State Bond Committee

J. Sterling Gallagher
Commissioner of Revenue
Secretary, State Bond Committee

Andrew S. Warwick
Commissioner of Administration
Member, State Bond Committee

V. Kent Dawson
Director, Budget & Management Division
Department of Administration

C. Richard Walker
Orrick, Herrington, Rowley & Sutcliffe
Counselors and Attorneys at Law
Eleventh Floor
600 Montgomery Street
San Francisco, CA 94111

Eric E. Wohlforth
Wohlforth & Flint
Attorneys at Law
645 G Street
Anchorage, AK 99501

Lawrence C. Eppenbach
Deputy Commissioner, Treasury
Department of Revenue

GEORGE HERRINGTON
ERIC SUTCLIFFE
NATHAN D. ROWLEY
WALTER G. OLSON
WILLIAM D. W'KEE
SIDNEY E. ROBERTS
JAMES H. BEHNLEY
C. RICHARD WALNER
JAMES F. CRAFTS, JR.
ANDREW DOWNEY ORRICK
JAMES F. HATHES
RICHARD C. SALLADIN
RICHARD J. LUCAS
CARLO S. FOWLER
DONALD A. SLICHTER
PAUL A. WEBBER

JAMES R. MADISON
DILLMAN C. RINSELL, JR.
WILLIAM L. HOISINGTON
THOMAS R. SHEARER, JR.
CAMERON W. WOLFE, JR.
JOSEPH J. HUGHES
RALPH C. WALKER
M. PETER LILLEVAND
WILLIAM E. DONOVAN
ROBERT J. GLOSTEIN
W. REECE BADER
PAUL J. SAX
MAYELLEN B. CATTANI
WILLIAM L. RILEY
THOMAS UNTERMAN

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW
ELEVENTH FLOOR
600 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE (415) 392-1122

CABLE "ORRICK"
TELEX 34-0073

February 10, 1976

Mr. R. D. Stevenson
Special Assistant
Department of Revenue
State of Alaska
Pouch S, Alaska Office Building
Juneau, Alaska 99811

Re: House Bill No. 669

Dear Mr. Stevenson:

In accordance with your letter of January 31, this is to state again the reasons why I believe it is important to the State of Alaska that House Bill No. 669 become law as soon as possible. Subsection (a) of AS §37.15.815, as proposed to be added by House Bill No. 669, makes a continuing appropriation for the payment of debt service on general obligation bonds of the State, including bonds heretofore authorized and those which may hereafter be authorized.

As a matter of history, prior to 1972 each bond authorization statute adopted by the Alaska Legislature provided for the establishment of a special redemption fund for the particular issue of bonds being authorized. Each such statute provided that there should be set aside to the credit of the special redemption fund such amounts of money as might be necessary to pay the debt service on the bonds being authorized, and that the fund should be used for no other purpose. This procedure resulted in the creation of a long list of special funds and in unnecessary and cumbersome accounting and other expense for the State.

In 1971, the Revisor of Statutes undertook to prepare a new basic form of bond authorization bill, eliminating unnecessary language in the form theretofore used. His work, in consultation with the office of the Attorney General and bond counsel, resulted in a "streamlined" form of bond authorization bill which was the form used for all of the 1972 bond authorization statutes and which is still in use. One aspect of this new form of bill is the complete elimination of the former provision for a special redemption fund; however, this provision was eliminated with the understanding that it would be replaced by some other form of concrete assurance to bondholders that funds would be set aside for

Mr. R. D. Stevenson
February 10, 1976
Page 2

the payment of debt service on their bonds, specifically, a continuing appropriation of the kind proposed by House Bill No. 669. Bills to this effect have been introduced in past legislative sessions, but no such bill has yet been adopted, leaving a gap in the statutory scheme for general obligation bonds of the State.

The establishment of a continuing appropriation for debt service, like that which would be provided by House Bill No. 669, is important to the State and to its bondholders. The present procedure, in which the payment of the general obligation debt of the State must depend upon annual appropriations, is impractical, serves no purpose, is dangerous to the credit of the State and is essentially intolerable.

First, it is very difficult, if not impossible, for the administration to make an accurate estimate of the debt service to become due in a future year, unless it is known in advance, as a matter of certainty, that no additional bonds will be issued before the end of that year. If additional bonds may be issued in the year for which the appropriation is to be made or during the time between the preparation of the budget and the commencement of that year, the amount of debt service which will become due thereon will depend upon the amount of additional bonds to be issued, the times at which those bonds are issued and the interest rates which they bear. It is impossible to predict all of these factors a year and a half in advance. Consequently, the annual appropriation will virtually always be too large or too small. If it is too small, it may be necessary to secure a supplemental appropriation, perhaps even at a special legislative session called for that purpose, in order to avoid a default on the debt of the State. To avoid calling a special legislative session to provide an appropriation for debt service on bonds to be issued, the State Bond Committee may be forced to delay needed borrowing or to offer bonds with undesirable terms. This has happened in the past.

Secondly, even if the appropriation proposed by the administration in a given year is, somehow, exactly the correct amount, it is entirely possible that the Legislature at that particular session will not make the appropriation, or will not make it as soon as necessary, because of a deadlock over some unrelated issue, or for some other reason.

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. R. D. Stevenson
February 10, 1976
Page 3

In other words, with the present appropriation system, the State may find it necessary to make undesirable and uneconomic changes in the time of issuance, amount or features of bonds being issued. More important, it could happen that bonds of the State could go into default, to the disappointment of bondholders and to the detriment of the credit of the State, because of a failure of the present system.

Even if the State were able to continue under the present system without any default and without extensive damage or serious inconvenience to its debt management policy, the mere fact that the present gap in the statutes exists--the fact that no permanent statute definitively implements the State's promise that its bonds are secured by its full faith and credit--may well harm the credit of the State, reduce the marketability of its bonds and increase the interest costs thereon. This is especially true now because of the crisis in New York, discussion in the financial press as to the enforceability and priority of general obligation bonds of New York City and the State of New York and the resulting general concern among investors and underwriters as to the practical effect of pledges of full faith and credit.

On the other hand, I can see no reason whatsoever for continuing the present system. The proposed continuing appropriation for general obligation bonds, of course, relates only to debt of the State heretofore or hereafter authorized by the Legislature and by a majority of the voters voting on the bond propositions at statewide elections, debt to the payment of which, under the Alaska Constitution and statutes, "the full faith, credit and resources" of the State are pledged. It is unthinkable that the Legislature or the administration should violate this pledge by failing to budget or appropriate the full amount necessary. Consequently, there is no purpose whatsoever in attempting to retain any power in the Legislature, through control of annual appropriations, to cause the debt of the State to go unpaid. Moreover, since the continuing appropriation in House Bill No. 669 is, by definition, exactly in the amount of debt service required, the Legislature will not be called upon annually to appropriate amounts which may exceed those which turn out to be required, a procedure which is virtually necessary to avoid deficits under the present system.

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. R. D. Stevenson
February 10, 1976
Page 4

Subsection (b) of AS §37.15.815, as proposed to be added by House Bill No. 669, provides a continuing appropriation for the payment of interest on bond anticipation notes issued in anticipation of general obligation bonds, and on revenue anticipation notes. Although provision for these notes is not as important as the basic provision of subsection (a) for general obligation bonds, nearly all of the reasons supporting adoption of subsection (a) apply also to subsection (b). Further, it is even less possible, at the time of preparation of the budget, to predict the amount of interest which may be payable on notes than it is to predict the debt service on general obligation bonds. It can seldom be determined more than a short time in advance whether the issuance of notes will be necessary or advantageous. Consequently, at the time the budget is prepared, it will almost never be known whether or not there will be any interest to pay on notes during the next fiscal year.

As to the legal authority for House Bill No. 669, the following points may be mentioned:

(a) As I understand the annual financial report of the State, Alaska now has many continuing appropriations in effect.

(b) I see nothing in the Alaska Constitution which would forbid a continuing appropriation of the kind suggested, and in my opinion House Bill No. 669 would be a valid, constitutional enactment.

(c) The procedure suggested is substantially like that followed by the State of California, except that in California a continuing appropriation is made as to each bond authorization at the time of authorization. E.g., Calif. Water Code §11922.5; see Calif. Government Code §16724(d). Continuing appropriations of this kind have been upheld by the Supreme Court of California. Cf. Riley v. Johnson, 219 Cal. 513 (1933); Riley v. Johnson, 6 Cal. 2d 529 (1936).

(d) The State of Hawaii also has adopted a continuing appropriation for the payment of debt service on bonds of the State, which is a single provision applying to all bonds, present and future, like that proposed by House Bill No. 669. Hawaii Rev. Stat. (1968) §39-11.

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. R. D. Stevenson
February 10, 1976
Page 5

(e) A continuing appropriation for other purposes was upheld in Shapley v. Frohmiller, 165 P. 2d 306 (Ariz., 1946).

I urge that House Bill No. 669 be adopted as soon as possible for the benefit of the present and future holders of bonds of the State, and thereby for the benefit of the State, which will undoubtedly be borrowing money in the future, and also for the direct benefit of the State. If you have any further question as to the foregoing, please let me know.

Sincerely yours,

C. Richard Walker

cc: Mr. John R. Messenger
Mr. Arthur H. Peterson
Mr. Eric E. Wohlforth

Introduced: 1/29/76
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 669

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND JESSION

5 A BILL

6 For an Act entitled: "An Act making a continuing appropriation for the
7 payment of debt service on general obligation bonds
8 of the state, bond anticipation notes, and revenue
9 anticipation notes; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. AS 37.15 is amended by adding a new section to read:

13 ARTICLE 3. MISCELLANEOUS PROVISIONS.

14 Sec. 37.15.815. ANNUAL APPROPRIATION. (a) There is appropriated
15 each fiscal year from the general fund the sum of money necessary for
16 the payment of the principal of and interest on all general obligation
17 bonds of the state authorized before or after the effective date of
18 this section in accordance with art. IX, sec. 8 of the Alaska Constitu-
19 tion, as the principal and interest become due and payable.

20 (b) There is appropriated each fiscal year from the general fund
21 the sum of money necessary for the payment of interest on bond antici-
22 pation notes issued in anticipation of general obligation bonds and
23 on revenue anticipation notes.

24 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

GEORGE HERRINGTON
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WILLIAM L. RILEY
THOMAS UNTERMAN

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW
ELEVENTH FLOOR
600 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE (415) 392-1122

CABLE "ORRICK"
TELEX 34-0873

March 1, 1976

HB 669

Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick

Gentlemen:

I have the following comments with respect to currently pending legislation, which I suggest for consideration and possible action by you and others receiving this letter:

House Bill No. 577

This bill raises the maximum effective interest rate on general obligation bonds from 7% to 8%. It might be advisable to add a provision that the bill takes effect immediately upon enactment, since the change it makes might be needed or useful at the time of the next sale of general obligation bonds.

House Bill No. 605

This bill would change the state income tax law to allow exemption of interest on state and local obligations only if they have been "issued by the State of Alaska, a political subdivision of the State of Alaska or a city or borough of the State of Alaska." The quoted language appears to be unduly restrictive, and would raise questions as to the exemption of interest on bonds of the Alaska Housing Finance Corporation, the Alaska State Development Corporation, the Alaska Municipal Bond Bank Authority, the Alaska State Housing Authority and the University of Alaska Heating Corporation. Bonds heretofore issued (or presently expected to be issued) by each of these entities have been tax-free for state as well as federal income tax purposes. None of them is a "political subdivision" in any ordinary sense of the term.

House Bill No. 669

This is the bill providing for a continuing appropriation for debt service. I think that §37.15.815(b), as added by this bill, would be clearer and in better form

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick
March 1, 1976
Page 2

if the words "of the state" were added after the words "general obligation bonds" and the words "issued pursuant to AS 43.08" were added after the words "revenue anticipation notes."

The following comments relate to various bills providing for the issuance of general obligation bonds of the State:

Committee Substitute for House Bill No. 617

This bill provides for the issuance of \$24,014,000 in general obligation bonds for the University of Alaska, but the list of projects in section 2 of the bill adds up to \$23,982,000, rather than \$24,014,000.

House Bill No. 748

The purpose of the appropriation in the second sentence of section 2 of this bill is not stated and is left to implication. I think that purpose should be stated, at least to the extent of adding "to be used for the purpose described in sec. 1 of this Act" at the end of that sentence.

House Bill No. 806

The statement of purpose in the first sentence of section 1 of this bill should be changed to conform with the language in the proposition in section 4 and the language in the title of the proposed act.

Senate Bill No. 557

The amount of the appropriation in section 3 of this bill is not in accordance with the usual formula, and probably should be changed to \$42,000.

"Capital Improvements"

Article IX, Section 8, of the Constitution allows the issuance of general obligation bonds only "for capital

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick
March 1, 1976
Page 3

improvements." Four of the bond authorization bills describe projects or purposes which may not be "capital improvements" within this constitutional provision. Both Senate Bill No. 557 and House Bill No. 548 provide for bonds to pay the cost of constructing "and maintaining" local service roads and trails. Committee Substitute for House Bill No. 620, in item (6) of section 2, provides for bonds for "roof repairs." House Bill No. 622, in item (3) of section 2, provides for bonds for "runway repair." Extraordinary maintenance and repairs may be capital improvements, but most maintenance and repairs are not capital improvements.

Principal Amount of Bonds

As you know, general obligation bonds of the State and nearly all other state and local government bonds are issued in the denomination of \$5,000, the standard unit. However, House Bill No. 614, Sponsor Substitute for House Bill No. 615, Committee Substitute for House Bill No. 617, Committee Substitute for House Bill No. 620 and House Bill No. 623 provide, respectively, for bond issues in the aggregate principal amounts of \$3,807,200, \$44,455,100, \$24,014,000, \$10,076,300 and \$50,360,200. Using House Bill No. 623 as an example, this would result in issuing less than the total amount of bonds authorized or in issuing one odd bond in the denomination of \$200 along with 10,072 bonds in the usual denomination of \$5,000. Issuing a bond in an odd denomination requires extra time, expense and confusion in connection with the preparation of the resolution, notice of sale, official statement and other documents relating to the bonds, the printing of the one odd bond with all of its special coupons, and all of the selling, accounting, paying and other activities with relation to the bonds. On the other hand, it would be highly unusual to find an estimate of expenditures, used in connection with determining the principal amount of a fifty-million dollar bond issue, that was within \$5,000 of being a perfectly precise estimate. Consequently, it would certainly be advisable to round off the principal amounts of each of these proposed bond issues to the nearest \$5,000.

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick
March 1, 1976
Page 4

AS §24.30.037

As you know, this statute requires each bill authorizing the issuance of general obligation bonds to include "a brief description of each capital improvement project, its location, and, in dollars, that portion of the total bond issue to be allocated to the project." AS §§15.57.010 and 15.15.040(b) require the Lieutenant Governor to distribute similar statements to the voters.

Senate Bill No. 557 and House Bills Nos. 548, 609, 610 and 806 completely ignore these statutes and provide no description of each project, its location or its allocated amount.

Senate Bills Nos. 580 and 582 (in section 3(14) and section 4(16)) do not conform with AS §24.30.037, but do recognize the existence of that statute by stating that "notwithstanding the provisions of AS 24.30.037" the proceeds of the bonds shall be allocated by the Governor or another executive for miscellaneous projects.

House Bills Nos. 611, 613, 616, 618, 622, 623 and 787, Sponsor Substitute for House Bill No. 615 and Committee Substitute for House Bill No. 620 attempt to satisfy the requirements of AS §24.30.037, at least in part, but do not entirely conform with those requirements. E.g., House Bill No. 613, section 2, items (4) and (21); House Bill No. 616, section 2, item (1); House Bill No. 618, section 2, item (1); House Bill No. 623, section 2, items (1) and (2).

I understand, and have previously pointed out, that AS §24.30.037 is an undesirable and impractical statute. However, a rather general failure to conform with this statute creates problems and further indicates the need to repeal or amend AS §24.30.037.

Typographical Errors

In Senate Bill No. 587, the fund provided for by section 2 should be referred to by the same name in both.

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick
March 1, 1976
Page 5

instances where it is mentioned. In House Bill No. 623,
a dollar sign should be added in section 2 at line 24, and
"Services" should be changed to "Service" in the proposi-
tion heading in section 5.

Sincerely yours,

C. Richard Watson

cc: Mr. John R. Messenger
Mr. Arthur H. Peterson
Mr. R. D. Stevenson
Mr. Eric E. Wohlforth

Introduced: 1/29/76
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 669

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a continuing appropriation for the
7 payment of debt service on general obligation bonds
8 of the state, bond anticipation notes, and revenue
9 anticipation notes; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. AS 37.15 is amended by adding a new section to read:

13 ARTICLE 3. MISCELLANEOUS PROVISIONS.

14 Sec. 37.15.815. ANNUAL APPROPRIATION. (a) There is appropriated
15 each fiscal year from the general fund the sum of money necessary for
16 the payment of the principal of and interest on all general obligation
17 bonds of the state authorized before or after the effective date of
18 this section in accordance with art. IX, sec. 8 of the Alaska Constitu-
19 tion, as the principal and interest become due and payable.

20 (b) There is appropriated each fiscal year from the general fund
21 the sum of money necessary for the payment of interest on bond antici-
22 pation notes issued in anticipation of general obligation bonds and
23 on revenue anticipation notes.

24 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

Introduced: 5/6/75
Referred: Finance

1 IN THE HOUSE

BY HAUGEN

2 HOUSE BILL NO. 482

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a continuing appropriation for the
7 payment of debt service on general obligation bonds
8 of the state; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.15 is amended by adding a new section to read:

11 Sec. 37.15.215. ANNUAL APPROPRIATION. There is appropriated
12 each fiscal year from the general fund the sum of money necessary for
13 the payment of the principal of and interest on all general obligation
14 bonds of the state authorized before or after the effective date of
15 this section in accordance with art. IX, sec. 8 of the Alaska Con-
16 stitution, as the principal and interest become due and payable.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

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HB 669

January 29, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to provide for a continuing appropriation each fiscal year from the general fund for the payment of principal and interest on all general obligation bonds of the state. To this extent, the proposed bill is identical to HB 482 introduced last session. The present bill, in addition, provides for an appropriation each fiscal year from the general fund money for payment of interest on bond anticipation notes issued in anticipation of general obligation bonds and on revenue anticipation notes of the state.

The inclusion of a continuing appropriation for payment of principal and interest on general obligation bonds is made on the advice of State bond counsel, Mr. C. Richard Walker of San Francisco. Mr. Walker has stated that the language contained in the proposed bill should be enacted into law in order that bondholders would be secure and the state in a better position if the necessary appropriation is made, once and for all, before the bonds are issued. After the sale held on May 6, 1975 at which time \$42,000,000 of the State of Alaska general obligation bonds were sold, there remained \$177,360,000 of State of Alaska general obligation bonds which had been authorized but were unissued. Passage of the proposed bill, in the opinion of the state bond counsel, would enhance future sales of authorized but still unissued state general obligation bonds by giving more credibility to the security of the bonds.

By extending the bill to also cover interest on bond anticipation notes issued in anticipation of general obligation bonds, the state may, during a period when state general obligation bonds are not as attractive as other investment, sell short-term notes instead. The

interest on those notes would automatically be paid from the general fund. The inclusion of bond anticipation notes in the proposed bill would improve the marketability of these notes and reduce or eliminate possible problems arising from incorrect estimates of debt services to become due in a particular year.

By extending the bill to cover interest on revenue anticipation notes, interest on these notes would automatically be paid from the general fund when issued by the commissioner of revenue.

Sincerely,

Jay S. Hammond
Governor



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James O. Smith
Signature of Camera Operator

2/6/90
Date

GEORGE HERRINGTON
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WILLIAM L. RILEY
THOMAS UNTERMAN

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW

ELEVENTH FLOOR
600 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE (415) 392-1122

CABLE "ORRICK"
TELEX 34-0973

April 13, 1976

Mr. R. D. Stevenson
Special Assistant
Department of Revenue
State of Alaska
Pouch SA, Alaska Office Building
Juneau, Alaska 99811

Dear Bob:

Thank you for the copies of bills you have recently sent me:

House Bill No. 577 Amended by the Senate (Chapter 29)

We may not need this increase in the maximum interest rate on general obligation bonds, but I am glad to see it accomplished.

Committee Substitute for House Bill No. 669

I am very glad to see that some action is being taken on this bill providing for a continuing appropriation for debt service. The committee substitute is probably an improvement over the original bill, but I suggest that the following changes be made in the committee substitute:

Line 18 - change "becomes" to "become", as in the original bill.

Line 21 - delete "under AS 43.08." Bond anticipation notes are not issued "under AS 43.08."

Line 23 - insert "state" before "bond committee."

Line 2, page 2 - insert "issued under this chapter" after "revenue anticipation notes".

House Bill No. 893

My comments on this bill are enclosed, in accordance with your letter of April 6.

Sincerely yours,

C. Orrick

cc: Mr. Langhorne A. Motley
Mr. J. Sterling Gallagher
Mr. Andrew S. Warwick
Mr. Eric E. Wohlforth
Mr. John R. Messenger
Mr. Arthur H. Peterson

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW
ELEVENTH FLOOR
600 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE (415) 392-1122

CABLE "ORRICK"
TELETYPE 34-0573

GEORGE HERRINGTON
ERIC SUTCLIFFE
NATHAN D. ROWLEY
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W. REECE BADER
PAUL J. SAK
MARYELLEN B. CATTANI
WILLIAM L. RILEY
THOMAS UNTERMAN

February 10, 1976

Mr. R. D. Stevenson
Special Assistant
Department of Revenue
State of Alaska
Pouch S, Alaska Office Building
Juneau, Alaska 99811

Re: House Bill No. 669

Dear Mr. Stevenson:

In accordance with your letter of January 31, this is to state again the reasons why I believe it is important to the State of Alaska that House Bill No. 669 become law as soon as possible. Subsection (a) of AS §37.15.815, as proposed to be added by House Bill No. 669, makes a continuing appropriation for the payment of debt service on general obligation bonds of the State, including bonds heretofore authorized and those which may hereafter be authorized.

As a matter of history, prior to 1972 each bond authorization statute adopted by the Alaska Legislature provided for the establishment of a special redemption fund for the particular issue of bonds being authorized. Each such statute provided that there should be set aside to the credit of the special redemption fund such amounts of money as might be necessary to pay the debt service on the bonds being authorized, and that the fund should be used for no other purpose. This procedure resulted in the creation of a long list of special funds and in unnecessary and cumbersome accounting and other expense for the State.

In 1971, the Revisor of Statutes undertook to prepare a new basic form of bond authorization bill, eliminating unnecessary language in the form theretofore used. His work, in consultation with the office of the Attorney General and bond counsel, resulted in a "streamlined" form of bond authorization bill which was the form used for all of the 1972 bond authorization statutes and which is still in use. One aspect of this new form of bill is the complete elimination of the former provision for a special redemption fund; however, this provision was eliminated with the understanding that it would be replaced by some other form of concrete assurance to bondholders that funds would be set aside for

Mr. R. D. Stevenson
February 10, 1976
Page 2

the payment of debt service on their bonds, specifically, a continuing appropriation of the kind proposed by House Bill No. 669. Bills to this effect have been introduced in past legislative sessions, but no such bill has yet been adopted, leaving a gap in the statutory scheme for general obligation bonds of the State.

The establishment of a continuing appropriation for debt service, like that which would be provided by House Bill No. 669, is important to the State and to its bondholders. The present procedure, in which the payment of the general obligation debt of the State must depend upon annual appropriations, is impractical, serves no purpose, is dangerous to the credit of the State and is essentially intolerable.

First, it is very difficult, if not impossible, for the administration to make an accurate estimate of the debt service to become due in a future year, unless it is known in advance, as a matter of certainty, that no additional bonds will be issued before the end of that year. If additional bonds may be issued in the year for which the appropriation is to be made or during the time between the preparation of the budget and the commencement of that year, the amount of debt service which will become due thereon will depend upon the amount of additional bonds to be issued, the times at which those bonds are issued and the interest rates which they bear. It is impossible to predict all of these factors a year and a half in advance. Consequently, the annual appropriation will virtually always be too large or too small. If it is too small, it may be necessary to secure a supplemental appropriation, perhaps even at a special legislative session called for that purpose, in order to avoid a default on the debt of the State. To avoid calling a special legislative session to provide an appropriation for debt service on bonds to be issued, the State Bond Committee may be forced to delay needed borrowing or to offer bonds with undesirable terms. This has happened in the past.

Secondly, even if the appropriation proposed by the administration in a given year is, somehow, exactly the correct amount, it is entirely possible that the Legislature at that particular session will not make the appropriation, or will not make it as soon as necessary, because of a deadlock over some unrelated issue, or for some other reason.

Mr. R. D. Stevenson
February 10, 1976
Page 3

In other words, with the present appropriation system, the State may find it necessary to make undesirable and uneconomic changes in the time of issuance, amount or features of bonds being issued. More important, it could happen that bonds of the State could go into default, to the disappointment of bondholders and to the detriment of the credit of the State, because of a failure of the present system.

Even if the State were able to continue under the present system without any default and without extensive damage or serious inconvenience to its debt management policy, the mere fact that the present gap in the statutes exists--the fact that no permanent statute definitively implements the State's promise that its bonds are secured by its full faith and credit--may well harm the credit of the State, reduce the marketability of its bonds and increase the interest costs thereon. This is especially true now because of the crisis in New York, discussion in the financial press as to the enforceability and priority of general obligation bonds of New York City and the State of New York and the resulting general concern among investors and underwriters as to the practical effect of pledges of full faith and credit.

On the other hand, I can see no reason whatsoever for continuing the present system. The proposed continuing appropriation for general obligation bonds, of course, relates only to debt of the State heretofore or hereafter authorized by the Legislature and by a majority of the voters voting on the bond propositions at statewide elections, debt to the payment of which, under the Alaska Constitution and statutes, "the full faith, credit and resources" of the State are pledged. It is unthinkable that the Legislature or the administration should violate this pledge by failing to budget or appropriate the full amount necessary. Consequently, there is no purpose whatsoever in attempting to retain any power in the Legislature, through control of annual appropriations, to cause the debt of the State to go unpaid. Moreover, since the continuing appropriation in House Bill No. 669 is, by definition, exactly in the amount of debt service required, the Legislature will not be called upon annually to appropriate amounts which may exceed those which turn out to be required, a procedure which is virtually necessary to avoid deficits under the present system.

Mr. R. D. Stevenson
February 10, 1976
Page 4

Subsection (b) of AS §37.15.815, as proposed to be added by House Bill No. 669, provides a continuing appropriation for the payment of interest on bond anticipation notes issued in anticipation of general obligation bonds, and on revenue anticipation notes. Although provision for these notes is not as important as the basic provision of subsection (a) for general obligation bonds, nearly all of the reasons supporting adoption of subsection (a) apply also to subsection (b). Further, it is even less possible, at the time of preparation of the budget, to predict the amount of interest which may be payable on notes than it is to predict the debt service on general obligation bonds. It can seldom be determined more than a short time in advance whether the issuance of notes will be necessary or advantageous. Consequently, at the time the budget is prepared, it will almost never be known whether or not there will be any interest to pay on notes during the next fiscal year.

As to the legal authority for House Bill No. 669, the following points may be mentioned:

(a) As I understand the annual financial report of the State, Alaska now has many continuing appropriations in effect.

(b) I see nothing in the Alaska Constitution which would forbid a continuing appropriation of the kind suggested, and in my opinion House Bill No. 669 would be a valid, constitutional enactment.

(c) The procedure suggested is substantially like that followed by the State of California, except that in California a continuing appropriation is made as to each bond authorization at the time of authorization. E.g., Calif. Water Code §11922.5; see Calif. Government Code §16724(d). Continuing appropriations of this kind have been upheld by the Supreme Court of California. Cf. Riley v. Johnson, 219 Cal. 513 (1933); Riley v. Johnson, 6 Cal. 2d 529 (1936).

(d) The State of Hawaii also has adopted a continuing appropriation for the payment of debt service on bonds of the State, which is a single provision applying to all bonds, present and future, like that proposed by House Bill No. 669. Hawaii Rev. Stat. (1968) §39-11.