

LEG. FINANCE - BILLS 1985 - 1986 2293  
HB 9 - HB 15 2293

# COMMITTEE REPORT

## HOUSE

(11)

FURTHER:

3/22/85

Date:

4-23-85

The Committee on FINANCE has had HB 9

"An Act relating to payments to the Alaska permanent fund required by the Constitution of the State of Alaska; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 9 (SN)  same title  new title
- and recommends no recommendation
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Mike Donahoe  
Fred Farnsworth  
Mark  
Sealant  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Richard Johnson No Rec.  
Pat Uhley (do not  
PASS)  
Albert P. Adams No Rec  
John P. [unclear] No Rec  
Albert P. Adams

CHAIRMAN

Offered: 3/22/85  
Referred: Finance

Original sponsors: Szymanski, Clocksin,  
Pourchot and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 9 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent  
7 fund required by the Constitution of the State of  
8 Alaska; and providing for an effective date."

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

10 \* Section 1. PURPOSE. It is the purpose of this Act to maximize the  
11 constitutionally required payments of state oil and gas revenue to the  
12 Alaska permanent fund in order to increase the principal of the fund to the  
13 point that there will be enough interest from the fund to pay a significant  
14 portion of the expense of state government when oil and gas revenue de-  
15 clines. In this manner state oil and gas revenue can be better allocated  
16 to achieve both short-term and long-term benefits for the state, while  
17 still protecting the principal of the permanent fund.

18 \* Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is  
20 established as a separate fund the Alaska permanent fund. The Alaska  
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,  
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
24 (g), and federal mineral revenue sharing payments and bonuses received  
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated  
27 by law to the Alaska permanent fund.

28 \* Sec. 3. This Act takes effect July 1, 1986.

29

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 4/22/84

**REQUEST**

Bill/Resolution No: CSHB 9 (St. Affs)  
 Title: Relating to payments to the  
Alaska Permanent Fund  
 Sponsor: State Affairs Committee  
 Requestor: House Finance Committee  
 Date of Request: April 22, 1985

**FISCAL DETAIL**

Agency Affected: Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	(294.0)	(275.3)	(249.2)	(238.0)
DIVIDEND FUNDS	-	-	1.3	5.4	12.5	22.4
PF-PRINCIPAL	-	-	296.5	293.1	285.7	290.4
PF-UIA	-	-	(1.5)	7.8	11.4	14.8

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Robert Elliott  
 Division: Revenue - Research Section

Phone: 465-2173  
 Date: 4/23/85

Approved by Commissioner: [Signature]  
 Agency: [Signature]

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE, CSHB 9  
 (State Affairs)  
 Attachment

Analysis for CSHB 9 (State Affairs)

If all Permanent Fund contributions were increased to 50% as proposed in this bill, the Permanent Fund principal would receive the estimated additional contributions as shown in Table 1. However, these additional contributions to the Permanent Fund would require a reduction by an equal amount from those specific mineral revenues currently received by the General Fund. The following table shows a breakdown by fiscal year of the proposed increased contribution rate.

TABLE 1  
 (Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Contributions</u>	-	<u>Existing 25% &amp; 50% Rate Perm. Fund Contributions</u>	= <u>Difference</u>
1987	567.65		283.83	283.82
1988	538.07		273.67	264.40
1989	506.41		267.07	239.34
1990	484.62		256.03	228.59

The above difference represents both the amount of additional contributions to the Permanent Fund, and the amount of loss the General Fund would experience in offsetting those additional Permanent Fund contributions. Estimates were based on the March 1985 revenue projections (30% case), and included the \$200 million Permanent Fund appropriation deposited in December 1984. Furthermore, revenue estimates from proposed bonus sales were not included in the above analysis, since bonus bids are impossible to anticipate prior to sales.

Since the General Fund balance would be lower during the year due to less mineral revenues, the investment earnings on the General Fund would subsequently decrease as well. Table 2 shows the decrease in General Fund investment earnings.

TABLE 2  
(Millions of Dollars)

<u>FY</u>	<u>Existing 25% &amp; 50% Rate Gen. Fund Invest. Earnings</u>	-	<u>Proposed 50% Rate Gen. Fund Invest. Earnings</u>	= <u>Difference</u>
1987	195.0		184.8	10.2
1988	178.8		167.9	10.9
1989	171.0		161.1	9.9
1990	163.2		153.8	9.4

Thus, the total estimated loss of revenues the General Fund would experience would be the sum of the difference in Table 1 (mineral revenues plus the difference in Table 2 (investment earnings) as shown below in Table 3.

TABLE 3  
(Millions of Dollars)

<u>FY</u>	<u>General Fund Mineral Revenues</u>	+	<u>General Fund Investment Earnings</u>	<u>Total Loss To General Fund</u>
1987	283.8		10.2	294.0
1988	264.4		10.9	275.3
1989	239.3		9.9	249.2
1990	228.6		9.4	238.0

The total gain by the Permanent Fund principal would not only include those additional mineral revenues as shown in Table 1, but would also include additional inflation proofing since the Permanent Fund principal balance would be increased. Table 4 shows the additional inflation proofing needed to protect the additional Permanent Fund principal.

TABLE 4  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Inflation Proofing</u>	-	<u>Existing 25% &amp; 50% Rate Inflation Proofing</u>	= <u>Difference</u>
1987	305.98		293.27	12.71
1988	392.52		363.83	28.69
1989	480.08		433.66	46.42
1990	534.11		472.28	61.83

Thus, the total estimated gain the Permanent Fund principal would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 4 (inflation proofing) as shown in Table 5.

TABLE 5  
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Mineral Revenues</u>	+	<u>Permanent Fund Inflation Proofing</u>	=	<u>Total Gain to Permanent Fund Principal</u>
1987	283.8		12.7		296.5
1988	264.4		28.7		293.1
1989	239.3		46.4		285.7
1990	228.6		61.8		290.4

The estimated figures for the dividend fund represent those additional earnings which would be transferred from the Permanent Fund's distributable earnings to the dividend fund each year. Table 6 illustrates the fiscal impact to the dividend fund.

TABLE 6  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Dividend Fund</u>	-	<u>Existing 25% &amp; 50% Rate Dividend Fund</u>	=	<u>Total Gain to Dividend Fund</u>
1987	291.05		289.80		1.25
1988	325.83		320.39		5.44
1989	364.74		352.26		12.48
1990	404.65		382.27		22.38

Since there is an additional amount of Permanent Fund principal, there will be additional Permanent Fund investment earnings. These are shown below in Table 7.

TABLE 7  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Permanent Fund Investment Earnings</u>	-	<u>Existing 25% &amp; 50% Rate Permanent Fund Investment Earnings</u>	=	<u>Difference</u>
1987	654.37		641.86		12.51
1988	819.26		777.29		41.97
1989	919.04		848.73		70.31
1990	1022.18		923.20		98.98

The Undistributed Income Account (UIA) will then experience the following adjustments. Although the UIA will gain additional investment earnings, these will be offset by additional inflation proofing and dividend fund amounts. Table 8 depicts these adjustments made to the UIA.

TABLE 8  
(Millions of dollars)

<u>FY</u>	<u>Permanent Fund Investment Earnings</u>	<u>- Inflation Proofing</u>	<u>- Dividend Fund Transfer</u>	<u>= Total Adjustment To UIA</u>	<u>Balance UIA</u>
1987	12.51	12.71	1.25	(1.45)	934.47
1988	41.97	28.69	5.44	7.84	1035.38
1989	70.31	46.42	12.48	11.41	1109.60
1990	98.98	61.83	22.38	14.77	1193.02

This fiscal note is being revised to reflect new revenue estimates presented in early April, 1985.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

**REQUEST**

Bill/Resolution No: CSHB 9 (St Affs)  
 Title: Relating to payments to the Alaska Permanent Fund  
 Sponsor: State Affairs Committee  
 Requestor: House Finance Committee  
 Date of Request: March 23, 1985

**FISCAL DETAIL**

Agency Affected: Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Millions of Dollars)**

GENERAL FUND	-	-	(358.0)	(341.6)	(326.8)	(309.1)
DIVIDEND FUND	-	-	1.6	6.7	15.5	27.8
PF-PRINCIPAL	-	-	361.3	363.5	372.0	375.0
PF-UIA	-	-	(2.2)	9.2	13.6	18.5

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Robert Elliott  
 Division: Revenue - Research Section

Phone: 465-2173  
 Date: 4/8/85

Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Date: \_\_\_\_\_

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE, CSHB 9 (State Affairs)  
Attachment

Analysis for CSHB 9 (State Affairs)

If all Permanent Fund contributions were increased to 50% as proposed in this bill, the Permanent Fund principal would receive the estimated additional contributions as shown in Table 1. However, these additional contributions to the Permanent Fund would require a reduction by an equal amount from those specific mineral revenues currently received by the General Fund. The following table shows a breakdown by fiscal year of the proposed increased contribution rate.

TABLE 1  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Contributions -</u>	<u>Existing 25% &amp; 50% Rate Perm. Fund Contributions =</u>	<u>Difference</u>
1987	690.6	345.3	345.3
1988	684.6	356.6	328.0
1989	675.5	361.7	313.8
1990	650.7	353.8	296.9

The above difference represents both the amount of additional contributions to the Permanent Fund, and the amount of loss the General Fund would experience in offsetting those additional Permanent Fund contributions. Estimates were based on the January 1985 revenue projections (30% case), and included the \$200 million Permanent Fund appropriation deposited in December 1984. Furthermore, revenue estimates from proposed bonus sales were not included in the above analysis, since bonus bids are impossible to anticipate prior to sales.

Since the General Fund balance would be lower during the year due to less mineral revenues, the investment earnings on the General Fund would subsequently decrease as well. Table 2 shows the decrease in General Fund investment earnings.

TABLE 2  
(Millions of Dollars)

<u>FY</u>	<u>Existing 25% &amp; 50% Rate Gen. Fund Invest. Earnings -</u>	<u>Proposed 50% Rate Gen. Fund Invest. Earnings =</u>	<u>Difference</u>
1987	230.0	217.3	12.7
1988	222.7	209.2	13.5
1989	216.2	203.3	12.9
1990	206.3	194.1	12.2

Thus, the total estimated loss of revenues the General Fund would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 2 (investment earnings) as shown below in Table 3.

TABLE 3  
(Millions of Dollars)

<u>FY</u>	<u>General Fund Mineral Revenues</u>	+	<u>General Fund Investment Earnings</u>	=	<u>Total Loss To General Fund</u>
1987	345.3		12.7		358.0
1988	328.1		13.5		341.6
1989	313.9		12.9		326.8
1990	296.9		12.2		309.1

The total gain by the Permanent Fund principal would not only include those additional mineral revenues as shown in Table 1, but would also include additional inflation proofing since the Permanent Fund principal balance would be increased. Table 4 shows the additional inflation proofing needed to protect the additional Permanent Fund principal.

TABLE 4  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Inflation Proofing</u>	-	<u>Existing 25% &amp; 50% Rate Inflation Proofing</u>	=	<u>Difference</u>
1987	326.7		310.7		16.0
1988	413.9		378.4		35.5
1989	511.1		452.9		58.2
1990	576.2		498.1		78.1

Thus, the total estimated gain the Permanent Fund principal would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 4 (inflation proofing) as shown in Table 5.

TABLE 5  
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Mineral Revenues</u>	+	<u>Permanent Fund Inflation Proofing</u>	=	<u>Total Gain to Permanent Fund Principal</u>
1987	345.3		16.0		361.3
1988	328.0		35.5		363.5
1989	313.8		58.2		372.0
1990	296.9		78.1		375.0

The estimated figures for the dividend fund represent those additional earnings which would be transferred from the Permanent Fund's distributable earnings to the dividend fund each year. Table 6 illustrates the fiscal impact to the dividend fund.

TABLE 6  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Dividend Fund</u>	-	<u>Existing 25% &amp; 50% Rate Dividend Fund</u>	=	<u>Total Gain to Dividend Fund</u>
1987	287.4		285.8		1.6
1988	324.3		317.6		6.7
1989	367.2		351.7		15.5
1990	413.0		385.2		27.8

Since there is an additional amount of Permanent Fund principal, there will be additional Permanent Fund investment earnings. These are shown below in Table 7.

TABLE 7  
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Permanent Fund Investment Earnings</u>	-	<u>Existing 25% &amp; 50% Rate Permanent Fund Investment Earnings</u>	=	<u>Difference</u>
1987	666.0		650.6		15.4
1988	840.9		789.5		51.4
1989	958.4		871.1		87.3
1990	1081.7		957.3		124.4

The Undistributed Income Account (UIA) will then experience the following adjustments. Although the UIA will gain additional investment earnings, these will be offset by additional inflation proofing and dividend fund amounts. Table 8 depicts these adjustments made to the UIA.

TABLE 8  
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Investment Earnings</u>	-	<u>Inflation Proofing</u>	-	<u>Dividend Fund Transfer</u>	=	<u>Total Adjustment To UIA</u>	<u>Balance UIA</u>
1987	15.4		16.0		1.6		(2.2)	864.4
1988	51.4		35.5		6.7		9.2	967.1
1989	87.3		58.2		15.5		13.6	1047.3
1990	124.4		78.1		27.8		18.5	1139.7

\*At times, the Department of Revenue and the Alaska Permanent Fund Corporation may differ as to the estimated fiscal impacts of legislation. Differences arise because each employs a different set of investment assumptions. Consequently, projections depicting net income, inflation proofing amounts and dividend transfers may likely vary.

Furthermore, while the Department of Revenue is strictly concerned with accurately forecasting total revenues, the Permanent Fund Corporation, with its trust fund management responsibilities, has established its assumptions to measure investment returns in accordance with standards developed for fiduciaries. Therefore, the Permanent Fund Corporation's assumptions will frequently and appropriately yield more conservative investment results.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: CS HB 9 (SA)  
 Title: Payments to the Alaska  
Permanent Fund  
 Sponsor: House State Affairs  
 Requestor: House Finance  
 Date of Request: March 25, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected:  
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB  
 Division: Treasury

Phone: 465-2350  
 Date: March 26, 1985

Approved by Commissioner: \_\_\_\_\_  
 Agency: Department of Revenue

Date: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

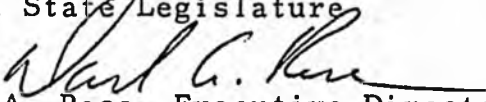


**Alaska Permanent Fund Corporation**  
Pouch 4-1000 Juneau, Alaska 99802  
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: April 22, 1985

TO: The Honorable Mike Szymanski  
Alaska State Legislature

FROM:   
David A. Rose, Executive Director  
Alaska Permanent Fund Corporation

SUBJECT: Effect of Increasing the Dedication Rate of State Revenues  
to the Alaska Permanent Fund per House Bill No. 9

For your information, I have prepared the following schedules which set forth different levels of dedicated State Revenues and depict associated impact on earnings, dividends, etc.

These schedules are based on the March revenue estimates, and replace earlier ones sent to you on January 18, 1985.

SHEET NUMBER 1. Revenues and impact associated with using the current statute (25% Pre 1980 and 50% Post 1979) dedication and 30% revenue case.

SHEET NUMBER 2. Revenues and impact associated with increasing the current statute dedication to a 50% contribution rate, per House Bill No. 9 using the 30% revenue case.

The Hon. Mike Szymanski  
April 22, 1985  
Page 2

One way to compare this bill with the status quo is to compare the respective ending principal balances and net income in the year 2000:

	<u>Status Quo</u>	<u>House Bill No. 9</u>	<u>Difference</u>
Ending Balance:	\$19.6 billion	\$24.8 billion	\$5.2 billion
Net Income:	\$ 1.75 billion	\$ 2.21 billion	\$460.0 million

SHEET NUMBER 3. This schedule shows the annual increase in dedicated State revenues over the status quo, per House Bill No. 9. (See column labeled "50% Incr.")

Please note the diminishing effect, over time, of the increase in the contribution rate. This is due to the accelerating decline in production of Prudhoe Bay oil in the 1990s.

DAR/af

cc: Rep. Don Clocksin  
Rep. Pat Pourchot  
Rep. Mike Navarre

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/16/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)							
Beginning FY Balance	Appro- priations	Dedicated		Inflation Adjusted		Net Income	Distributions			Reserves		Total Assets	FY
		State Revenues*	Inflation Proofing	Ending Balance	Ending Shortfall		Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4		54.4		1.8			1.3	.5		55.0	78
79	54.4	84.1		138.5		8.0			6.6	1.4		140.5	79
80	138.5	344.4	.3	483.2		32.4	11.8	.3	11.8	8.5		502.9	80
81	483.2	900.0	.2	1,768.5		149.9	27.5	.2	27.5	36.0	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		368.4	71.1		71.1	41.1	185.1	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		471.1	107.9	231.2	109.5	( 87.5)	110.0	4,593.0	83
84	4,021.2	300.0	366.2	4,838.3		529.5	175.0	150.9			203.6	5,530.8	84
85	4,838.3	300.0	358.3	5,730.8		550.9	217.0	234.2			199.7	6,704.9	85
86	5,730.8		307.6	6,400.7		625.9	264.6	352.3			( 1.0)	7,421.4	86
87	6,400.7		283.8	7,085.6		687.8	296.5	401.1			( 9.8)	8,128.4	87
88	7,085.6		273.7	7,800.9		751.0	324.5	441.6			( 15.1)	9,615.9	88
89	7,800.9		267.1	8,552.1		816.7	353.2	484.1			( 20.5)	11,220.4	89
90	8,552.1		256.1	9,336.7		895.0	376.6	528.5			( 20.1)	12,078.0	90
91	9,336.7		237.1	10,148.2		956.1	409.7	574.4			( 28.0)	13,896.8	91
92	10,148.2		237.3	11,008.6		1,030.0	443.9	623.1			( 37.0)	15,858.7	92
93	11,008.6		229.5	11,912.4		1,107.2	479.5	674.3			( 46.6)	18,019.8	93
94	11,912.4		218.0	12,858.2		1,187.5	516.6	727.8			( 56.5)	20,386.5	94
95	12,858.2		207.8	13,850.0		1,270.7	555.2	784.0			( 68.5)	21,741.2	95
96	13,850.0		202.5	14,895.7		1,357.5	595.3	843.2			( 81.0)	23,486.5	96
97	14,895.7		199.6	16,001.0		1,448.3	637.1	905.7			( 94.5)	25,863.5	97
98	16,001.0		197.4	17,170.3		1,543.4	680.7	971.9			( 109.2)	28,863.5	98
99	17,170.3		195.0	18,407.2		1,643.2	726.3	1,041.9			( 125.0)	31,973.3	99
0	18,407.2		187.8	19,612.5	98.2	1,747.7	774.0	1,017.5			( 43.8)	35,741.2	0
1	19,612.5		267.8	20,916.8	156.3	1,860.9	824.4	1,036.5				39,614.2	1

\* Source: Alaska Department of Revenue

\*\* Chapter 81, SSA 1982, Sec. 15(b)

SHEET NUMBER ONE

ASSUMPTIONS: 30% CASE FORECAST - 3rd Qtr FY95

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.75% Return FY85
- 6% Average Inflation FY86-FY00
- 3% Average Return FY86-FY00

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/21/85

-----PRINCIPAL: ACTUAL & PROJECTED-----										-----INCOME: ACTUAL & PROJECTED-----					
(in millions)										(in millions)					
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	Ending Balance	Inflation Adjusted Proofing Shortfall	Ending Balance	Net Income	Distributions		Reserves			Total Assets	FY	
								Dividends	State General Fund	Trans. Adj.**	Add (Delete)	Balance			
78		54.4		54.4		54.4	1.8		1.3	.5			55.0	79	
79	54.4	84.1		138.5		138.5	8.0		5.6	1.4			140.5	79	
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	11.8	8.5		502.9	80	
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		2,969.0	368.4	71.1		71.1	41.1	185.1	243.8	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5	( 87.5)	110.0	353.8	4,593.0	83
84	4,021.2	300.0	150.9	4,838.3		4,838.3	529.5	175.0	150.9			203.6	557.4	5,530.8	84
85	4,838.3	300.0	358.3	5,730.8		5,730.8	650.9	217.0	234.2			199.7	757.1	6,704.9	85
86	5,730.8		615.1	6,726.7		6,726.7	640.4	266.0	380.8			( 6.4)	750.7	7,743.4	86
87	6,726.7		567.7	7,732.1		7,732.1	731.4	302.3	437.7			( 8.6)	742.1	8,776.5	87
88	7,732.1		538.1	8,766.4		8,766.4	824.0	337.6	496.2			( 9.8)	732.3	9,836.3	88
89	8,766.4		506.4	9,829.2		9,829.2	919.0	376.6	556.4			( 14.0)	718.3	10,924.1	89
90	9,829.2		484.7	10,932.7		10,932.7	1,016.8	413.2	618.8			( 15.2)	703.1	12,049.0	90
91	10,932.7		445.8	12,061.2		12,061.2	1,117.6	460.9	682.7			( 26.0)	677.1	13,199.2	91
92	12,061.2		444.1	13,255.6		13,255.6	1,221.4	509.9	750.3			( 38.8)	638.3	14,403.8	92
93	13,255.6		427.7	14,504.3		14,504.3	1,329.5	560.4	821.0			( 51.9)	586.4	15,651.1	93
94	14,504.3		409.8	15,808.9		15,808.9	1,441.5	612.7	894.8			( 66.0)	520.4	16,942.0	94
95	15,808.9		383.0	17,163.4		17,163.4	1,556.9	666.7	971.5			( 81.3)	439.1	18,269.2	95
96	17,163.4		368.6	18,583.9		18,583.9	1,676.2	722.6	1,051.9			( 98.3)	340.8	19,647.3	96
97	18,583.9		363.2	20,083.9		20,083.9	1,800.6	780.5	1,136.8			( 116.7)	224.1	21,088.5	97
98	20,083.9		357.4	21,667.8		21,667.8	1,930.7	840.6	1,226.5			( 136.4)	87.7	22,596.1	98
99	21,667.8		349.2	23,269.3	69.7	23,338.0	2,066.7	903.1	1,251.3			( 87.7)		24,171.4	99
0	23,268.3		334.5	24,843.1	175.9	25,019.0	2,208.6	968.3	1,240.3					25,811.4	0
1	24,843.1		312.3	25,475.0	199.7	26,664.7	2,355.9	1,036.3	1,319.6					27,511.3	1

\* Source: Alaska Department of Revenue

\*\* Chapter 91, SCA 1992, Sec. 15(b)

SHEET NUMBER TWO

ASSUMPTIONS: 30% CASE FORECAST - 3rd Qtr FY85

- 
- 5% Contribution Rate
- 4.26% Inflation FY85
- 10.76% Return FY85
- 6% Average Inflation FY85-FY90
- 9% Average Return FY86-FY90

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/22/85

-----PRINCIPAL: ACTUAL & PROJECTED-----										-----INCOME: ACTUAL & PROJECTED-----				
(in millions)										(in millions)				
Beginning FY Balance	Appropriations	Dedicated State Revenues *			Inflation Adjusted		Net Income	Distributions			Reserves		Total Assets	FY
		Status Quo	50% Incr.	Inflation Proofing	Ending Balance	Ending Proofing Shortfall		Inflation	General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4			54.4		1.8			1.3	.5		55.0	78
79	54.4	84.1			138.5		8.0			6.6	1.4		140.5	79
80	138.5	344.4		.3	483.2		32.4	11.8	.3	11.8	3.5		502.9	80
81	483.2	900.0	365.1	.2	1,768.5		149.9	27.5	.2	27.5	36.0	58.7	1,874.6	81
82	1,768.5	800.0	400.5		2,969.0		2,969.0	366.4	71.1	71.1	41.1	185.1	3,301.7	82
83	2,969.0	400.0	421.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	199.5 ( 87.5)	110.0	4,593.0	83
84	4,021.2	300.0	366.2	150.9	4,838.3		4,838.3	529.5	175.0	150.9		203.6	5,530.8	84
85	4,838.3	300.0	358.3	234.2	5,730.8		5,730.8	650.9	217.0	234.2		199.7	6,704.9	85
86	5,730.8		307.6	307.5	380.8	6,726.7	640.4	266.0	380.8			( 6.4)	7,743.4	86
87	6,726.7		283.8	283.9	437.7	7,732.1	731.4	302.3	437.7			( 8.6)	8,776.5	87
88	7,732.1		273.7	264.4	496.2	8,766.4	824.0	337.6	496.2			( 9.8)	9,836.3	88
89	8,766.4		267.1	239.3	556.4	9,829.2	919.0	376.6	556.4			( 14.0)	10,924.1	89
90	9,829.2		256.1	228.6	618.8	10,932.7	1,016.8	413.2	618.8			( 15.2)	12,049.0	90
91	10,932.7		237.1	208.7	682.7	12,061.2	1,117.6	460.9	682.7			( 26.0)	13,199.2	91
92	12,061.2		237.3	206.8	750.3	13,255.6	1,221.4	509.9	750.3			( 38.8)	14,403.8	92
93	13,255.6		229.5	198.2	821.0	14,504.3	1,329.5	560.4	821.0			( 51.9)	15,651.1	93
94	14,504.3		218.0	191.8	894.8	15,808.9	1,441.5	612.7	894.8			( 66.0)	16,942.0	94
95	15,808.9		207.8	175.2	971.5	17,163.4	1,556.9	666.7	971.5			( 81.3)	18,269.2	95
96	17,163.4		202.5	166.1	1,051.9	18,583.9	1,676.2	722.6	1,051.9			( 98.3)	19,647.3	96
97	18,583.9		199.6	163.6	1,136.8	20,083.9	1,800.6	780.5	1,136.8			( 116.7)	21,039.5	97
98	20,083.9		197.4	160.0	1,226.5	21,667.8	1,930.7	840.6	1,226.5			( 136.4)	22,596.1	98
99	21,667.8		195.0	154.2	1,251.3	23,269.3	2,066.7	933.1	1,251.3			( 87.7)	24,171.4	99
0	23,268.3		187.8	146.7	1,240.3	24,843.1	2,208.6	958.3	1,240.3				25,811.4	0
1	24,843.1		267.8	44.5	1,319.6	26,475.0	2,355.9	1,036.3	1,319.6				27,511.3	1

\* Source: Alaska Department of Revenue

\*\* Chapter 81, SCA 1992, Sec. 15(b)

SHEET NUMBER THREE

ASSUMPTIONS: 50% CASE FORECAST - 3rd Qtr FY85

- 50% Contribution Rate
- 4.26% Inflation FY85
- 10.75% Return FY85
- 5% Average Inflation FY86-FY00
- 5% Average Return FY86-FY00

HOUSE BILL NO. 9



Official Business

# Alaska State Legislature

House of Representatives

Representative Mike Szymanski

Rep. Mike Szymanski  
801 W. Fireweed Lane, Suite 102  
Anchorage, Alaska 99503  
Phone 278-6731

SR-A-Box 1304B  
Anchorage, Alaska 99502  
Phone (907) 349-3373

While in Session:  
Pouch V  
State Capitol  
Juneau, Alaska 99811

## FRONT LOADING OF THE PERMANENT FUND: A FINANCIAL AGENDA FOR ALASKA

In 1976, the voters of Alaska voiced their concern over the inevitable decline in state oil revenues by supporting the creation of a state savings account, the Permanent Fund. The outcome of this vote required the state of Alaska to annually place at least 25% of our oil royalties (which is 11% of our oil revenues) into the Permanent Fund.

This session, legislation has been introduced (HB 9) to increase the percentage of direct contributions to the Permanent Fund from 25% to 50%. By so doing, we will strengthen the Fund to the point where the income which it generates will pay a significant portion of the State's future operating expenses.

Currently, Alaska has no overall financial plan to guide us in our savings and spending habits, for now or in the long run. The concept of front loading the Permanent Fund, as proposed in HB 9, would establish as our state financial policy that we save more; front loading would impose a budget restraint mechanism that would wean us from the lavish spending habits we have grown accustomed to during our oil rich years and require that we moderate our spending appetite.

The direct benefits of front loading the Permanent Fund are:

- 1) Front loading will create a steady stream of income and sustain Alaska's Prudhoe oil wealth for future generations. Many of the maintenance and operating costs for major capital projects we are funding today will not be felt for several years. If we do not start

planning for these future costs by saving significant portions of the money we have now, the financial outlook for being able to maintain and operate what we have created is not very promising.

Even with the development of known mineral reserves in Alaska, as well as with the re-institution of the state income tax, we will be unable to fund Alaska's future basic needs such as education, public safety, roads, and health care. And the discovery of new oil fields in Alaska could only temporarily postpone the impending revenue decline. Furthermore, many of the known reserves are not on state land and therefore the revenues generated from the production of those reserves would not be as lucrative for Alaska.

2) Increased contributions to the Permanent Fund will discipline our spending habits and will serve as an impetus for the legislature to look at all capital projects more realistically than has been done in the past, hopefully even encouraging cost benefit analysis before funding them.

The consensus of many economists is that the capital improvement projects we have funded during our oil rich years have not had an appreciable long term impact on economic development in the state of Alaska. Alaska's fisheries, lumber, mineral, and even petroleum industries are on the decline, and except for possibly tourism and construction, Alaska has had a decrease in activities that would strengthen and diversify our economy.

3) The increased contribution schedule will also have an immediate and direct benefit to all Alaskans because, by increasing the amount of money we have in the Permanent Fund, Alaskans will see larger Permanent Fund dividends now, while preserving the opportunity for alternative uses of Permanent Fund earnings in the future.

4) The voters of Alaska have said that we must impose a limit on our extravagant spending appetite, as indicated in their 1980 support

for the constitutional spending limit. However, the "spending limit" is not curbing that appetite. Front loading will impose a workable budget restraint mechanism.

5) In real terms, and based on figures from the Permanent Fund Corporation, it appears that, in 1986, a 50% contribution will yield an additional \$359.8 million over a 25% contribution and in the long term, by the year 2000, there would be an additional \$7 billion in total assets with a 50% contribution as opposed to a 25% contribution.

In short, we have financially overextended ourselves in our oil rich years. The crux of the issue is whether we choose to set aside revenues we have available today in the Permanent Fund or whether we maintain the level of capital expenditures we have grown accustomed to, with high maintenance costs in the future. Any prudent businessman or investor will agree that a strong investment and savings policy is wiser than spending at a maximum level without implementing any mechanism to foot the bills to come in leaner years.

Front loading will establish an overall financial plan for the state of Alaska that will sustain our oil wealth and contribute to our future economic stability. We can fortify our economy now so that future generations can inherit more than a large debt retirement program.

Front loading is a significant alternative that should become a component of our public policy in preparation for Alaska's oil revenue decline. We can practice fiscal responsibility by adhering to the financial agenda proposed through front loading.

## OUR POST OIL FUTURE: THERE IS STILL TIME

We all know the lush revenues from Prudhoe Bay will be over in the early 90's. We do not know how much of this revenue will be made up by other finds, but probably the largest part will not. It will depend upon whether the finds are commercial and where they are; the state gets lesser royalties off Federal lands, none from Native holdings, and neither royalties nor taxes beyond the three mile limit. Further, the mineral and other developments expected in this period will be subject to powerful and erratic forces, political as well as economic, which are mostly beyond the state's control. We have no evidence these developments will come with the scale and speed that are required. In theory, the private economy could be expanded through government incentives, controls, and direct spending. But this effort would be so against the grain for Alaskans and would be huge, complex, and fast that it has little chance of being attempted. Judging by experience in other parts of the world, the chances of succeeding are even lower. In short, the state government, and the economy it drives, are headed for a contraction. It only remains to see how severe and how soon. Along the way, personal and business taxation will rise at the same time public services are being lowered.

Many will argue that we have already done all we can to meet this situation: the Permanent Fund of 1976 for savings and the 1982 spending limit, both placed in the constitution. However, the Permanent Fund is not going to be large enough to bear much of the costs of future operating budgets, despite the extra sums that have been put aside in recent years. The spending limit has no effect unless revenues go back to record levels and it has no effect then if two-third votes can be found in the legislature and if the voters concur in the proposals. . Yet the Permanent Fund and the spending limit can be made effective by a single, if painful action. We can decide on the budgets for regular, day to day expenses of the state and keep to a schedule of deposits for the Permanent Fund that will insure the income will be there when needed. A decision can be made later on the whether dividends are to be

ended and the money used for the budget or whether the dividends will, in effect, pay the average family's state taxes.

This is an approach that is under our control. It presses us to reconcile our spending and borrowing costs to our income from savings and other sources, instead of letting events do it the very hard way. And we know how to make the earnings we need safely. The Permanent Fund has been showing good, consistent returns, has been managed in an independent manner and, so far, kept free of social and political goals.

Now, some will insist that "vital" capital projects will be lost by these heavy deposits into the Permanent Fund. Firstly, given the billions that have been spent by the state (and localities) in more urban areas, this argument lacks conviction. Rural Alaska, which has little tax base or bonding capacity (apart from the North Slope Borough), is another matter. Most of the built-up points can afford most any project which people wanted enough to pay for. Secondly, even if there were lists of essential projects in all parts of Alaska, it does not follow that we ought to buy them if we have the cash. We can buy more public works than our post-oil tax base will allow us to operate and maintain, let alone replace, in this harsh climate. The fact is that after the easy times we could be forced to restrict the use of these facilities, or abandon them.

Others may not care to argue the merits of many capital projects or how long they could be kept in use, but they are concerned about the loss of jobs. As we know, part of the labor force never had any intention of staying long-term. As for the rest, the choice is making extra jobs, chiefly for new-comers, or stretching out the last big oil money to provide stable jobs and family income. One is a choice for a few years, one for many, many decades. And we must not forget that larger deposits into the Permanent Fund will mean higher dividends. With the bloom off the construction rose, they are not likely to have much effect on bringing new people.

This proposal has been described as turning the Permanent Fund into the "second Prudhoe Bay". It will not be as large, of course, we started too late for that. But any dollar, once in the Fund, is unaffected by "gluts" or any other fall in prices. The schedule of deposits can be made without counting on new fields producing by a certain date, or being discovered. We have the money and time we need to give Alaska a great part of the economic stability that has always eluded her. This is a moment that never came to another state and is an opportunity we should hesitate to address.

## OPINION

# Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Gerald E. Grilly  
Publisher

Howard Weaver  
Managing Editor

Steve Lindbeck  
Editorial Page Editor

Katherine Fanning, Editor and Publisher 1971 to 1983

Lawrence Fanning, Editor and Publisher 1967 to 1971

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## Put 'frontloading' at top of agenda

A single overwhelming priority recommends itself as the 14th Alaska Legislature opens up shop today in Juneau: "front-loading" the Alaska Permanent Fund. And as legislators prepare for their labors this year, there is new encouragement in the wind for front-loading as a means of prudent fiscal management for state government.

With about 85 percent of state revenues deriving from petroleum taxes or royalties, Alaska's fiscal and economic fortunes are heavily dependent on world oil prices. State revenues soared when oil prices skyrocketed — and Prudhoe Bay production reached full steam — in the late 1970s and early 1980s. But both prices and revenues peaked in early 1981; they've been gradually coming down ever since.

Now state revenue forecasters, with a nervous eye on crumbling world oil markets, are worried about a larger-than-expected \$4 per barrel price drop in 1985 — which would translate into a roughly \$600 million per year revenue decline for the state. For some years now, anyone who's been paying attention has known that oil revenues one day would drop sharply — but if the latest fears bear out, that day will come sooner than anyone had expected.

That does not mean Alaska is, or soon will be, short of money. It does emphasize that Alaska has relatively little time left to salt away a significant chunk of today's high income against future needs. The Alaska Permanent Fund is an established, successful vehicle to accomplish that, but it needs bigger financial injections now, at the front end, to grow large enough to provide significant income later, after oil revenues sag.

That's what front-loading is all about: investing enough of today's largesse to make a difference in future income — and thus forestalling massive tax hikes, state employee layoffs, service cuts and economic disruption.

By now Alaskans have seen a number of downward lurches in oil prices, and hence state revenues, over the past several years. New predictions of revenue decline are no surprise. What the state needs to cope with the long-term revenue decline is a determined effort — and the sooner, the better — to build the permanent fund large enough to cushion the state's future shock. That puts front-loading at the top of this year's legislative agenda.

Anch Daily News Mar 7 '85

# Build permanent fund while we can

"Front-loading" the Alaska Permanent Fund enjoyed a brief day in the sun last fall, when campaigning legislative candidates often spoke of it favorably as a common-sense way of managing Alaska's oil wealth. But revenue estimates are way down, and legislative spending appetites aren't — so "front-loading" is back on the rear burner.

In its best and broadest sense, "front-loading" means devoting to the permanent fund a larger portion of state revenues today — while the state is well-off — as an investment in an income-producing fund for tomorrow. It doesn't mean sticking away whatever loose change is lying around after everybody's desires have been satiated; it means deliberately making the permanent fund a priority in times of prosperity so that it can spin off significant income to support the state and help keep taxes down when revenues really decline.

House Majority Leader Don Clocksin, D-Anchorage, describes the ideal agenda for front-loading the permanent fund this way: 1) the contribution rate for state oil revenues would be doubled, taking effect in about three years; 2) the so-called "undistributed income accounts" of the fund would be made a part of its principle, and thus placed safely out of the clutches of the legislature; and 3) the governor would be granted authority for major injections into the fund at his discretion over the next few years.

But revenues are coming up short of projections nowadays, and the long-term oil price and revenue picture is for gradual decline. Where legislators appropriated \$3.6 billion in spending measures for fiscal 1985, they now calculate only \$2.9 billion is available for fiscal 1986.

That's nearly \$6,000 for every single person in Alaska, but apparently not enough to front-load the permanent fund and still keep everyone happy in Juneau. The budget architecture worked out in a series of secret meetings between legislative leaders and the governor calls for just under \$2 billion in operating funds, a quarter-billion in capital projects, another quarter-billion "continuing appropriation" for (Susitna) hydroelectric power dreams, and not a nickel for the permanent fund. The fund's defenders in the legislature are hoping mainly to get the undistributed income money salted away safely before the legislature comes raiding.

The "realists" would say that's the best that can be expected in a year of lowered revenue and tightened belts, and maybe they're right. But a different kind of realism would recognize that some day those revenues are coming down a lot farther than this — and the prudent thing to do now is to prepare another income stream to take their place.

All those candidates who spoke sensibly about front-loading during the campaign season would do well to remember it now that they're in the legislature — and in a position to do something about it.



## Are there

NEW YORK -- The liquor business seems to be in trouble these days. The American emphasis on health, the crackdown on drunk driving have helped reduce per capita consumption of hard liquor in the United States from 2 gallons in 1970 to 1.84 gallons in 1983.

Those statistics would seem to be pretty good news unless you happen to be in the whiskey business. Jose E. Seagram & Sons Inc. is the whiskey business (and vodka, gin and rum business in a very big way), and owners have decided to spend at least \$100 million this spring touting the rest of that we're being unfair to hard stuff. The Wall Street Journal reported last week that Seagram's "will end long-standing aversion to controversy and instead fight to upgrade the image of liquor with consumers and politicians."

## Circus air

WASHINGTON -- Politicians at a high-level meeting last week preparing renewed arms talks were stunned by word that at least 28 members of Congress, their wives and staffs were flying to Geneva at Uncle Sam's expense to attend the opening of the U.S.-Soviet nuclear games.

When protests were voiced by the principal arms negotiator — ex-Sen. John Tower — he shrugged his shoulders in a don't-blame-me posture. Whoever should be blamed, Secretary of State George Shultz is furious. Three F-15 Force planes are set to leave Washington March 10 carrying a party that, at this writing, totals more than 40 and is going up.

Taxpayer expense will exceed \$150,000 for transportation alone. But more than \$1 million dollars is at stake. It is turned into a damned circus, a senior administration official told me. Attending in the

Introduced: 1/14/85  
Referred: State Affairs and  
Finance

BY SZYMANSKI, CLOCKSIN,  
POURCHOT AND NAVARRE

1 IN THE HOUSE

2 HOUSE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent  
7 fund required by the Constitution of the State of  
8 Alaska; and providing for an effective date."

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

10 \* Section 1. PURPOSE. It is the purpose of this Act to maximize the  
11 constitutionally required payments of state oil and gas revenue to the  
12 Alaska permanent fund in order to increase the principal of the fund to the  
13 point that there will be enough interest from the fund to pay a significant  
14 portion of the expense of state government when oil and gas revenue de-  
15 clines. In this manner state oil and gas revenue can be better allocated  
16 to achieve both short-term and long-term benefits for the state, while  
17 still protecting the principal of the permanent fund.

18 \* Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is  
20 established as a separate fund the Alaska permanent fund. The Alaska  
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,  
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
24 (g), and federal mineral revenue sharing payments and bonuses received  
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated  
27 by law to the Alaska permanent fund.

28 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

Offered: 3/22/85  
Referred: Finance

Original sponsors: Szymanski, Clocksin,  
Pourchot and Navarre

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 9 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent  
7 fund required by the Constitution of the State of  
8 Alaska; and providing for an effective date."

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

10 \* Section 1. PURPOSE. It is the purpose of this Act to maximize the  
11 constitutionally required payments of state oil and gas revenue to the  
12 Alaska permanent fund in order to increase the principal of the fund to the  
13 point that there will be enough interest from the fund to pay a significant  
14 portion of the expense of state government when oil and gas revenue de-  
15 clines. In this manner state oil and gas revenue can be better allocated  
16 to achieve both short-term and long-term benefits for the state, while  
17 still protecting the principal of the permanent fund.

18 \* Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is  
20 established as a separate fund the Alaska permanent fund. The Alaska  
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,  
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and  
24 (g), and federal mineral revenue sharing payments and bonuses received  
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated  
27 by law to the Alaska permanent fund.

28 \* Sec. 3. This Act takes effect July 1, 1986.

29



COMMITTEE REPORT

43

HOUSE

(7)

1/14/85

FURTHER: Finance

Date: \_\_\_\_\_

The Committee on State Affairs has had HB 10

"An Act relating to the supplemental employee benefits program; and providing for an effective date."

under consideration and recommends:

- do pass [ ] do not pass
- [ ] do pass with attached amendments(s)
- [ ] replace with CS for \_\_\_\_\_  same title [ ] new title
- and recommends Do pass
- [ ] AND attaches a "Letter of Intent" [  ] ~~no~~ Fiscal Note Sup 40
- [ ] reports it back without recommendation  ~~no~~ Fiscal Note Attached
- [ ] referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

NAVARE Mike Navare

MMILLER MM Miller

COLLINS Collins

CATO Bette Cato

BOUCHER B.A. Boucher

HURLEY Katie Hurley - do pass with amendment

JENKINS Reggie Jenkins No Rec.

Katie Hurley  
CHAIRMAN

Introduced: 1/14/85  
Referred: State Affairs and Finance

1 IN THE HOUSE

BY M.M.MILLER AND DUNCAN

2 HOUSE BILL NO. 10

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the supplemental employee bene-  
7 fits program; and providing for an effective date."

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

9 \* Section 1. AS 39.30.150 is amended by adding a new subsection to  
10 read:

11 (d) An employee of a participating employer may authorize the  
12 employer to make additional voluntary wage reductions as permitted by  
13 the terms of the State of Alaska Supplemental Annuity Plan. The  
14 employer shall contribute the amount of the voluntary wage reduction  
15 to the benefit program. The contribution shall be paid into the  
16 employee's special account established under this section.

17 \* Sec. 2. The plan administrator of the State of Alaska Supplemental  
18 Annuity Plan may submit amendments to the plan implementing this Act to the  
19 Internal Revenue Service. On receipt of approval from the Internal Revenue  
20 Service, the administrator shall implement this Act.

21 \* Sec. 3. AS 39.30.150(d), enacted by sec. 1 of this Act, takes effect  
22 upon receipt of a favorable ruling by the Internal Revenue Service approv-  
23 ing amendments to the State of Alaska Supplemental Annuity Plan converting  
24 the plan to a qualified plan that permits additional tax-deferred voluntary  
25 wage reductions.  
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28  
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CE  
SEP 40

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 2

REQUEST Page 1 of 2  
Bill/Resolution No.: HB10  
Title: An Act Relating to the  
Supplemental Benefits System  
Sponsor: M. M. Miller and Duncan  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL  
Agency Affected: Administration  
Program Category Affected: \_\_\_\_\_  
Supplemental Benefits System  
BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual	-0-	150.0	-0-	-0-	-0-	-0-
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	150.0	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	150.0	-0-	-0-	-0-	-0-
TOTAL	-0-	150.0	-0-	-0-	-0-	-0-

POSITIONS:

	-0-	-0-	-0-	-0-	-0-	-0-
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys *J.K. Humphreys JR* Phone: 465-4470  
Division: Retirement & Benefits Date: 1/17/85

Approved by Commissioner: Lisa Rudd *LRR* Date: 1/21/85  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

House Bill 10

Fiscal Note Analysis

Prepared by Division of Retirement & Benefits

Department of Administration

1/17/85

IV Analysis: This bill would allow the Administrator of the State Supplemental Benefits System (SBS) to amend the State of Alaska Supplemental Annuity Plan to allow additional voluntary employee contributions to the SBS. The amendment would be submitted to the Internal Revenue Service (IRS) to retain the Plan's qualified status. Additional contributions would allow SBS participants to defer up to approximately 18% of their compensation to the SBS.

The total estimated cost consists of \$125,000 for changes in the data processing systems of the Divisions of Finance and Retirement & Benefits and \$25,000 for consulting services, educational materials and for booklet and form revision. These expenses would be connected with establishing and qualifying the new Plan in accordance with federal law.

**ALASKA STATE LEGISLATURE**

14th Legislature FIRST Session

HOUSE BILL NO. 10  
By M.M.MILLER and DUNCAN

"An Act relating to the supplemental employee benefits program; and providing for an effective date."

Supplemental Employee Benefits Program

Introduced in the House 1/14, 1985

**HISTORY IN THE HOUSE**

1985

Jan. 14

Read first time and referred to Committee on STATE AFFAIRS AND FINANCE  
Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

**Reconsideration**

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

**HISTORY IN THE SENATE**

19

Read first time and referred to Committee on  
Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

**Reconsideration**

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

**HISTORY IN THE HOUSE**

19

Received from Senate  
Concurred in Senate amendment thus adopting:  
VOTE  
Failed to concur in Senate amendment; asked Senate to recede  
VOTE  
Senate receded from amendment  
VOTE  
Senate failed to recede from amendment  
VOTE  
CC appointed by House  
CC appointed by Senate  
CC adopted by House  
VOTE  
CC adopted by Senate  
VOTE

To enrolling  
Reported correctly enrolled  
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

Introduced: 1/14/85  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY M.M.MILLER AND DUNCAN

2

HOUSE BILL NO. 10

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the supplemental employee bene-  
7 fits program; and providing for an effective date."

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

9 \* Section 1. AS 39.30.150 is amended by adding a new subsection to  
10 read:

11 (d) An employee of a participating employer may authorize the  
12 employer to make additional voluntary wage reductions as permitted by  
13 the terms of the State of Alaska Supplemental Annuity Plan. The  
14 employer shall contribute the amount of the voluntary wage reduction  
15 to the benefit program. The contribution shall be paid into the  
16 employee's special account established under this section.

17 \* Sec. 2. The plan administrator of the State of Alaska Supplemental  
18 Annuity Plan may submit amendments to the plan implementing this Act to the  
19 Internal Revenue Service. On receipt of approval from the Internal Revenue  
20 Service, the administrator shall implement this Act.

21 \* Sec. 3. AS 39.30.150(d), enacted by sec. 1 of this Act, takes effect  
22 upon receipt of a favorable ruling by the Internal Revenue Service approv-  
23 ing amendments to the State of Alaska Supplemental Annuity Plan converting  
24 the plan to a qualified plan that permits additional tax-deferred voluntary  
25 wage reductions.



**STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE**

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No. SHB14 (FIN)  
 Title: Veterans Burial Allowance  
Alaska Territorial Guard  
 Sponsor: Fuller and Wallis  
 Requestor: Military & Vets Affairs  
 Date of Request: 16 January 1985

**FISCAL DETAIL**

Agency Affected: Military & Veterans Affairs  
 Program Category Affected: Public Protection  
 BRU, Program or Subprogram(s) Affected:  
Veterans Affairs (Veterans Benefits)

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		3.0	3.0	3.0		
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		3.0	3.0	3.0		

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND		3.0	3.0	3.0		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		3.0	3.0	3.0		

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Amend Chapter 98 SLA 82 to add members of the Alaska Territorial Guard as those eligible to receive a State Burial Allowance of \$750. It is estimated that this bill would affect four families annually.

Prepared By: Richard L. Rountree, Director  
 Division: Administrative & Support Services

Phone: 465-4600  
 Date: 16 January 1985

Approved by Commissioner: MG Edward G. Pagano  
 Agency: Dept. of Military & Veterans Affairs

Date: 16 January 1985

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

Original sponsors: Fuller and Wallis

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 14 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making members of the Alaska Territorial  
7 Guard eligible for a death gratuity; and providing  
8 for an effective date."

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

10 \* Section 1. AS 26.10.080(d)(2) is amended to read:

11 (2) "veteran" means

12 (A) a person who served in a branch of the armed  
13 services of the United States

14 (i) who at the time of entry into the service was  
15 a resident of the territory or state, who had been a resi-  
16 dent for not less than one year immediately before entry  
17 into the service, and who returned to the territory or state  
18 within one year after discharge as a resident with the  
19 intention of remaining in the territory or state; or

20 (ii) who was a resident of the state for not less  
21 than one year immediately preceding the time of death; or

22 (B) a person who served in the Alaska Territorial  
23 Guard, the Alaska Army National Guard, the Alaska Air National  
24 Guard, or the Alaska Naval Militia, or who served in a reserve  
25 unit of the United States armed forces in Alaska if the reserve  
26 unit required a minimum of one weekend of duty each month and 15  
27 consecutive days of active duty training each year for not less  
28 than three years.

29 \* Sec. 2. This Act takes effect immediately in accordance with

1 AS 01.10.070(c).

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HB 14: VETERANS BURIAL ALLOWANCE, ALASKA TERRITORIAL GUARD

SUBJECT OF PROPOSED BILL: Amend SLA 1982 Chapter 98 to add members of the Alaska Territorial Guard as those eligible to receive the Veterans Burial Allowance of \$750.00.

THIS BILL CORRECTS WHAT APPEARS TO HAVE BEEN AN OVERSIGHT IN THE STATUTES. UNDER PRESENT LAW, VETERANS WHO ARE ELIGIBLE FOR A BURIAL ALLOWANCE ARE THOSE WHO SERVED IN THE U.S. ARMED FORCES, IN THE ALASKA ARMY NATIONAL GUARD, THE ALASKA AIR NATIONAL GUARD, THE ALASKA NAVAL MILITIA, OR IN A RESERVE UNIT OF THE U.S. ARMED FORCES IN ALASKA. ALASKA TERRITORIAL GUARDSMEN ARE OMITTED.

I WOULD SUSPECT THAT THE REASON FOR THE OMISSION WAS CONFUSION OVER THE IDENTITIES OF ALL THE VARIOUS MILITIAS IN THE STATE CREATED IN THE 1940'S. THE SEPTEMBER 14, 1984 ATTORNEY GENERAL'S OPINION CONTAINED IN YOUR BILL PACKETS EXPLAINS THAT THE STATUTES DEFINING WHO IS A VETERAN DO NOT EXPRESSEDLY INCLUDE MEMBERS OF THE ALASKA TERRITORIAL GUARD. IT APPEARS THAT THE LEGISLATURE MAY NOT HAVE BEEN AWARE OF THE DISTINCTION BETWEEN THE ALASKA TERRITORIAL GUARD AND THE ALASKA NATIONAL GUARD.

WHEN ERNEST GRUENING WAS GOVERNOR IN 1941, HE WORKED WITH THE FEDERAL GOVERNMENT TO CREATE THE ALASKA NATIONAL GUARD. AT THAT TIME, THE FEDERAL GOVERNMENT SAID THAT THE TERRITORY OF ALASKA HAD THE AUTHORITY TO ORGANIZE A TERRITORIAL GUARD. IN 1941, THE TERRITORY APPROPRIATED MONIES TO THE NATIONAL GUARD OF ALASKA, AND IN 1949 THE ALASKA TERRITORIAL MILITIA WAS CREATED, WHICH WAS REFERRED TO AS THE ALASKA NATIONAL GUARD. SO WE HAD THE ALASKA NATIONAL GUARD, CREATED BY THE FEDERAL GOVERNMENT, AND THE ALASKA TERRITORIAL GUARD, CREATED BY THE TERRITORY OF ALASKA. ALTHOUGH THE FEDERAL ACT CREATING THE NATIONAL GUARD GAVE PERMISSION TO THE GOVERNOR OF ALASKA TO CREATE THE

TERRITORIAL GUARD, THIS DOES NOT MEAN THAT THE ATG WAS A PART OF THE NATIONAL GUARD, AND SO REFERENCE TO THE TERRITORIAL GUARD WOULD NEED TO BE SPELLED OUT IN THE STATUTES.

IF MY EXPLANATION HAS CONFUSED YOU, THEN YOU WILL UNDERSTAND HOW THE TERRITORIAL GUARDSMEN COULD EASILY HAVE BEEN OVERLOOKED IN DEFINING VETERANS ELIGIBLE FOR THE BURIAL ALLOWANCE. THE TERRITORIAL GUARDSMEN REMAINED IN ALASKA WHEN THE TERRITORY WAS ACTUALLY OCCUPIED BY ENEMY FORCES. THESE PEOPLE DESERVE TO HAVE THE BENEFITS EXTENDED TO OTHER MEMBERS OF THE NATIONAL GUARD.

AS YOU CAN SEE, THE FISCAL NOTE ON THIS BILL IS QUITE SMALL, JUST \$3,000.

5. The Alaska Territorial Guard was composed of members of the State Defense Force who remained in Alaska during armed hostilities when the enemy forces actually occupied the Territory of Alaska. These people no less than other veterans or members of the National Guard served the State in a defense role and should be accorded the burial allowance accorded other members of the National Guard.

Hein  
1/25/85✓

KEY:  
— additions

Original sponsors: Fuller and Wallis

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 14 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making members of the Alaska Territorial  
7 Guard eligible for a death gratuity; and providing  
8 for an effective date."

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

10 \* Section 1. AS 26.10.080(d)(2) is amended to read:

11 (2) "veteran" means

12 (A) a person who served in a branch of the armed  
13 services of the United States

14 (i) who at the time of entry into the service was  
15 a resident of the territory or state, who had been a resi-  
16 dent for not less than one year immediately before entry  
17 into the service, and who returned to the territory or state  
18 within one year after discharge as a resident with the  
19 intention of remaining in the territory or state; or

20 (ii) who was a resident of the state for not less  
21 than one year immediately preceding the time of death; or

22 (B) a person who served in the Alaska Territorial  
23 Guard, the Alaska Army National Guard, the Alaska Air National  
24 Guard, or the Alaska Naval Militia, or who served in a reserve  
25 unit of the United States armed forces in Alaska if the reserve  
26 unit required a minimum of one weekend of duty each month and 15  
27 consecutive days of active duty training each year for not less  
28 than three years.

29 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

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10.070(c).

voluntarily submitted to the bureau by veterans of all persons who are bona fide residents of Alaska and who actively served in the Alaska Territorial Guard, Alaska National Guard, organized reserve units, United States Army, Navy, Air Force, Marine Corps or Coast Guard since April 6, 1917. The record shall contain the name, age and place of residence at the time of entering service, place and date of commission, enlistment or induction, branch of service, record of service and the date, place and nature of discharge. (§ 44-2-2 ACLA 1949; am § 1 ch 75 SLA 1955; am § 2 ch 35 SLA 1981)

**Cross references.** — As to copies of public records for veterans, see AS 09.25.121.

**Effect of amendments.** — The 1981 amendment designated the existing section as subsection (b) and added subsection (a). The amendment, in subsection (b), substituted "keep" for "compile" preceding "a record," added "from copies of reports received under (a) of this section and from information voluntarily submitted to the bureau by veterans" preceding "of all persons," substituted "are" for "were" preceding "bona fide residents," deleted

"the territory of" preceding "Alaska," added "Alaska Territorial Guard, Alaska National Guard, organized reserve units" preceding "United States Army," added "Air Force" following "Navy," substituted "Coast Guard since" for "between" preceding "April," deleted "and November 11, 1918" following "April 6, 1917" and deleted the former second sentence which read "The record shall be kept on file at the office of the bureau and shall be available and open to the inspection of anyone desiring to inspect it."

**Sec. 26.10.080. Death gratuity.** (a) The Department of Military and Veterans' Affairs shall pay, upon application, a death gratuity in the amount of \$750 to the surviving spouse of a veteran whose burial in the state occurs on or after May 13, 1984 and who was a resident of the state at the time of death. If the veteran has no surviving spouse, the gratuity shall be paid to the personal representative of the veteran.

(b) A death gratuity may be paid for a veteran otherwise eligible under (a) of this section even if the veteran died while temporarily absent from the state.

(c) The Department of Military and Veterans' Affairs may not pay a death gratuity unless the veteran for whom payment is made received an honorable discharge or a general discharge under honorable conditions.

(d) In this section

(1) "personal representative" includes administrator, executor, special administrator, successor personal representative, and persons who perform substantially the same function under the law governing their status;

(2) "veteran" means

(A) a person who served in a branch of the armed services of the United States

(i) who at the time of entry into the service was a resident of the territory or state, who had been a resident for not less than one year immediately before entry into the service, and who returned to the territory or state within one year after discharge as a resident with the intention of remaining in the territory or state; or

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949; am § 1

ing "Alaska,"  
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Army," added  
y." substituted  
or "between"  
and November  
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entence which  
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(ii) who was a resident of the state for not less than one year immediately preceding the time of death; or

(B) a person who served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who served in a reserve unit of the United States armed forces in Alaska if the reserve unit required a minimum of one weekend of duty each month and 15 consecutive days of active duty training each year for not less than three years. (§ 1 ch 98 SLA 1982; am § 14 ch 67 SLA 1983; am § 1 ch 7 SLA 1984; am E.O. No. 58, § 12 (1984))

Revisor's notes. — In subsection (c) of this section, "Department of Military and Veterans' Affairs" was substituted for "division of veterans' affairs" under § 27, E.O. 58, in 1984.

Effect of amendments. — The 1983 amendment, deleted "and had been a resident of the territory or state for at least

five years" following "time of death" in subparagraph (d)(1)(B).

The first 1984 amendment substituted "Department of Military and Veterans' Affairs" for "division of veterans' affairs" in subsection (a).

The second 1984 amendment rewrote the section.

### Chapter 15. Veterans Loans.

Section	Section
30. Powers and duties of Department of Commerce in general	130. Eligibility for loans
40. Veterans' loans	150. [Repealed]
70. Sale or transfer of mortgages and notes	160. Extension of chapter to veterans of Korea and Viet Nam
100—120. [Repealed]	170. [Repealed]

#### NOTES TO DECISIONS

Transfer of property to nonveteran. — A contract transferring property financed by a veterans' loan to a nonveteran was not expressly prohibited or illegal, and was not void as against public policy. *Currington v. Johnson*, Sup. Ct. Op. No. 2828 (File No. 7387), P.2d (1984).

Option contract transferring property financed by a veterans' loan to a

nonveteran was not voidable under the doctrine of frustration of purpose because the veterans' loan could be called due since the veteran's deed of trust provided for such event, and the veteran therefore clearly had reason to know of the possibility of acceleration of his veterans' loan at the time the option contract was formed. *Currington v. Johnson*, Sup. Ct. Op. No. 2828 (File No. 7387), P.2d (1984).

Sec. 26.15.030. Powers and duties of Department of Commerce in general. (a) The Department of Commerce shall formulate general policies and adopt rules and regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

September 14, 1984

Mr. Al Adams, Chairman  
House Finance Committee  
Pouch V  
Juneau, AK 99811

Re: Territorial Guardsmen; burial allowance provided  
by AS 26.10.080

Dear Mr. Adams:

In your letter of September 5, 1984, you requested an opinion from this office as to whether former members of the Alaska Territorial Guard (ATG) may be eligible for burial allowances under AS 26.10.080 (.080). The following analysis and historical review of the ATG's status under .080 is submitted in response to your request. In our opinion, former members of the ATG are not eligible for burial allowances under that provision.

The statute in question provides that burial allowances will be paid to a qualifying veteran. The statute then defines a veteran, in pertinent part in AS 26.10.080(d)(1), as a person who is serving or has served in a branch of the armed services of the United States, and in (d)(2) of that section, as a person who had served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who had served in a reserve unit of the United States Armed Forces in Alaska. AS 26.10.080. The ATG is not expressly included within the definition of veteran in .080. On the face of .080, therefore, former members of the ATG are ineligible for burial allowances provided by that statute.

The reason for the omission of the ATG is not clear, however, and may have been either intentional or accidental. That the omission may have been intentional is evident when comparing .080 with AS 26.05.225 (.225), which provides credit to former members of the ATG for the purpose of determining eligibility for retirement pay. The provision of a benefit to former members of the ATG through .225 implies that the legislature was aware of the existence of the ATG, and hence the omission of the ATG from .080 appears to be deliberate.

In the alternative, the omission of the ATG from benefits under .080 may have been accidental because the legislature may not have been aware of the distinction between

the ATG and the Alaska National Guard. The reason for this confusion will be discussed in the paragraphs following. AS 26.05.225 indicates that it was the legislature's intent to provide at least certain benefits to former members of the ATG. It is therefore possible to imply that the legislature would have included burial allowances as well under .080 but did not only by reason of accident.

Mr. Ernest Gruening, the territorial governor of Alaska, notes that when he took office in 1939 there had never been a National Guard in Alaska, that he took steps to organize one and that he requested federal authorization to do so. Gruening, Introduction to M. Marston, Men of the Tundra, at 3, 1972. On December 31, 1941, presumably as a result of Mr. Gruening's efforts, the U.S. Congress approved an act to establish a military code for the territory of Alaska, H. Res. 5822, 77th Cong., 1st Sess., ch. 644, Dec. 31, 1941 (1941 Act). That Act declared that the militia of the territory of Alaska was to be divided into two classes: the Organized Militia, known as the Alaska National Guard, and the Unorganized Militia. 1941 Act, § 1. The Act further provided that the governor of the territory of Alaska had authority to organize a Territorial Guard. 1941 Act, § 6. In apparent support of the federal act, the legislature of the territory of Alaska appropriated certain monies to the National Guard of Alaska. 1941 Alaska Sess. Laws, ch. 60, H.B. 122; 1943 Alaska Sess. Laws, chs. 26, 27, H.B. 55, 56; 1945 Alaska Sess. Laws, ch. 64, H.B. 65. Finally, in 1949 the territory of Alaska created an Alaska Territorial Militia which the territorial legislature referred to as the Alaska National Guard. 1949 Alaska Sess. Laws, ch. 120, H.B. 22.

Confusion may have arisen in the legislature over the separate identities of the various militias which had been created in the 1940's. If such confusion existed, it may have led to the omission of the ATG in .080. To prevent further confusion, therefore, it is recommended that when a former member of a militia in the territory of Alaska claims burial allowances under .080, it should be ascertained at the outset whether that person was a member of the federally created Alaska National Guard, which is expressly covered under .080, or whether that individual was a member of the ATG organized by the governor of Alaska, which is not covered under .080.

Unless strong evidence to the contrary is found, a member of the ATG does not fall within the purview of .080(1) or (2) on the strength of the 1941 Act. This is based in large part on the fact that the 1941 Act does not expressly state that the Territorial Guard is a part of the Alaska National Guard and does not expressly describe the Territorial Guard either as a branch of the federal armed forces or as a part of the Unorganized

Mr. Al Adams, Chairman  
House Finance Committee

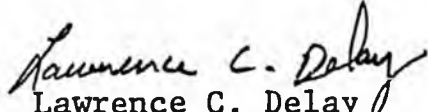
September 14, 1984  
Page 3

Militia. While the Territorial Guard received federal sanction under the 1941 Act, was subject to regulations of discipline in training prescribed by the U.S. Secretary of War and received federal arms and equipment, 1941 Act, § 7, the Territorial Guard, was nonetheless a body organized by the territory of Alaska and existed independently of the Alaska National Guard and other branches of the federal armed forces.

In conclusion, whether by accident or by intent, the legislature which enacted .080 did not expressly provide burial allowances to ATG members through that section. Furthermore, a review of the federal act which sanctioned the Alaska National Guard and gave permission to the governor of Alaska to create the ATG does not lead to the conclusion that the ATG was either a part of the National Guard or otherwise a part of the federal armed forces of the United States. The ATG does not therefore fall within the purview of AS 26.10.080(d)(1) or (2) as it is not a part of the National Guard or any branch of the U.S. armed services. A former member of the ATG is therefore not eligible to receive burial allowances under AS 26.10.080.

Sincerely yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By:   
Lawrence C. Delay  
Assistant Attorney General

LCD:ihr

Introduced: 1/14/85  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY FULLER AND WALLIS

2

HOUSE BILL NO. 14

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making members of the Alaska Territorial

7

Guard eligible for a death gratuity."

8

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

9

\* Section 1. AS 26.10.080(d)(2) is amended to read:

10

(2) "veteran" means

11

(A) a person who served in a branch of the armed

12

services of the United States

13

(i) who at the time of entry into the service was

14

a resident of the territory or state, who had been a resi-

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dent for not less than one year immediately before entry

16

into the service, and who returned to the territory or state

17

within one year after discharge as a resident with the

18

intention of remaining in the territory or state; or

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(ii) who was a resident of the state for not less

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than one year immediately preceding the time of death; or

21

(B) a person who served in the Alaska Territorial

22

Guard, the Alaska Army National Guard, the Alaska Air National

23

Guard, or the Alaska Naval Militia, or who served in a reserve

24

unit of the United States armed forces in Alaska if the reserve

25

unit required a minimum of one weekend of duty each month and 15

26

consecutive days of active duty training each year for not less

27

than three years.

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

3/26/85

Date 4/18/85

Mr. President

The Committee on FINANCE considered CSHB 14(Fin)  
making members of the Alaska Territorial Guard eligible for a death  
gratuity; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title \_\_\_\_\_
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
*Rich Halford*  
\_\_\_\_\_  
*McClusson*  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

*Chairman*  
\_\_\_\_\_  
Chairman recommendation

Offered: 1/30/85  
Referred: Rules

Original sponsors: Fuller and Wallis

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 14 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making members of the Alaska Territorial  
Guard eligible for a death gratuity; and providing  
for an effective date."

7

8

9

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

10

\* Section 1. AS 26.10.080(d)(2) is amended to read:

11

(2) "veteran" means

12

(A) a person who served in a branch of the armed  
services of the United States

13

14

(i) who at the time of entry into the service was  
a resident of the territory or state, who had been a resi-  
dent for not less than one year immediately before entry  
into the service, and who returned to the territory or state  
within one year after discharge as a resident with the  
intention of remaining in the territory or state; or

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(ii) who was a resident of the state for not less  
than one year immediately preceding the time of death; or

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22

(B) a person who served in the Alaska Territorial  
Guard, the Alaska Army National Guard, the Alaska Air National  
Guard, or the Alaska Naval Militia, or who served in a reserve  
unit of the United States armed forces in Alaska if the reserve  
unit required a minimum of one weekend of duty each month and 15  
consecutive days of active duty training each year for not less  
than three years.

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\* Sec. 2. This Act takes effect immediately in accordance with

1 AS 01.10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

AB

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HB14  
Title: Veterans Burial Allowance  
Alaska Territorial Guard  
Sponsor: Fuller and Wallis  
Requestor: Military & Vets Affairs  
Date of Request: 16 January 1985

FISCAL DETAIL

Agency Affected: Military & Veterans Affairs  
Program Category Affected: Public Protection  
BRU, Program or Subprogram(s) Affected:  
Veterans Affairs (Veterans Benefits)

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		3.0	3.0	3.0		
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		3.0	3.0	3.0		

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		3.0	3.0	3.0		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		3.0	3.0	3.0		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Amend Chapter 98 SLA 82 to add members of the Alaska Territorial Guard as those eligible to receive a State Burial Allowance of \$750. It is estimated that this bill would affect four families annually.

Prepared By: Richard L. Rountree, Director  
Division: Administrative & Support Services  
Approved by Commissioner: MG Edward G. Pagano  
Agency: Dept. of Military & Veterans Affairs

Phone: 465-4600  
Date: 16 January 1985  
Date: 16 January 1985

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

7/1/84

ANALYSIS FOR HOUSE BILL 14

An Act making members of the Alaska Territorial Guard eligible for a death gratuity

In 1982, the Legislature passed Senate Bill 146 which provided a death gratuity of \$750 for persons that were residents of the state at least one year before entry into the armed services and within one year after discharge from the service. The members of the Alaska Territorial Guard, which was in existence from 1941 to 1947, are not eligible for this death benefit. The enclosed Attorney General's opinion which was requested by Representative Adams states that under current law, Territorial Guard members do not qualify.

It is not clear whether this omission was intentional or just an oversight. This bill would change their status and make the Alaska Territorial Guard members eligible for the \$750 death gratuity.

The Department of Military Affairs estimates a yearly cost of \$3,000 or 4 deaths per year which is reflected in the enclosed fiscal note.

## HB 14: VETERANS BURIAL ALLOWANCE, ALASKA TERRITORIAL GUARD

THIS BILL CORRECTS WHAT APPEARS TO HAVE BEEN AN OVERSIGHT IN THE STATUTES. UNDER PRESENT LAW, VETERANS WHO ARE ELIGIBLE FOR A BURIAL ALLOWANCE ARE THOSE WHO SERVED IN THE U.S. ARMED FORCES, IN THE ALASKA ARMY NATIONAL GUARD, THE ALASKA AIR NATIONAL GUARD, THE ALASKA NAVAL MILITIA, OR IN A RESERVE UNIT OF THE U.S. ARMED FORCES IN ALASKA. ALASKA TERRITORIAL GUARDSMEN ARE OMITTED.

I WOULD SUSPECT THAT THE REASON FOR THE OMISSION WAS CONFUSION OVER THE IDENTITIES OF ALL THE VARIOUS MILITIAS IN THE STATE CREATED IN THE 1940'S. THE SEPTEMBER 14, 1984 ATTORNEY GENERAL'S OPINION CONTAINED IN YOUR BILL PACKETS EXPLAINS THAT THE STATUTES DEFINING WHO IS A VETERAN DO NOT EXPRESSEDLY INCLUDE MEMBERS OF THE ALASKA TERRITORIAL GUARD. IT APPEARS THAT THE LEGISLATURE MAY NOT HAVE BEEN AWARE OF THE DISTINCTION BETWEEN THE ALASKA TERRITORIAL GUARD AND THE ALASKA NATIONAL GUARD.

WHEN ERNEST GRUENING WAS GOVERNOR IN 1941, HE WORKED WITH THE FEDERAL GOVERNMENT TO CREATE THE ALASKA NATIONAL GUARD. AT THAT TIME, THE FEDERAL GOVERNMENT SAID THAT THE TERRITORY OF ALASKA HAD THE AUTHORITY TO ORGANIZE A TERRITORIAL GUARD. IN 1941, THE TERRITORY APPROPRIATED MONIES TO THE NATIONAL GUARD OF ALASKA, AND IN 1949 THE ALASKA TERRITORIAL MILITIA WAS CREATED, WHICH WAS REFERRED TO AS THE ALASKA NATIONAL GUARD. SO WE HAD THE ALASKA NATIONAL GUARD, CREATED BY THE FEDERAL GOVERNMENT, AND THE ALASKA TERRITORIAL GUARD, CREATED BY THE TERRITORY OF ALASKA. ALTHOUGH THE FEDERAL ACT CREATING THE NATIONAL GUARD GAVE PERMISSION TO THE GOVERNOR OF ALASKA TO CREATE THE

TERRITORIAL GUARD, THIS DOES NOT MEAN THAT THE ATG WAS A PART OF THE NATIONAL GUARD, AND SO REFERENCE TO THE TERRITORIAL GUARD WOULD NEED TO BE SPELLED OUT IN THE STATUTES.

IF MY EXPLANATION HAS CONFUSED YOU, THEN YOU WILL UNDERSTAND HOW THE TERRITORIAL GUARDSMEN COULD EASILY HAVE BEEN OVERLOOKED IN DEFINING VETERANS ELIGIBLE FOR THE BURIAL ALLOWANCE. THE TERRITORIAL GUARDSMEN REMAINED IN ALASKA WHEN THE TERRITORY WAS ACTUALLY OCCUPIED BY ENEMY FORCES. THESE PEOPLE DESERVE TO HAVE THE BENEFITS EXTENDED TO OTHER MEMBERS OF THE NATIONAL GUARD.

AS YOU CAN SEE, THE FISCAL NOTE ON THIS BILL IS QUITE SMALL, JUST \$3,000.

voluntarily submitted to the bureau by veterans of all persons who are bona fide residents of Alaska and who actively served in the Alaska Territorial Guard, Alaska National Guard, organized reserve units, United States Army, Navy, Air Force, Marine Corps or Coast Guard since April 6, 1917. The record shall contain the name, age and place of residence at the time of entering service, place and date of commission, enlistment or induction, branch of service, record of service and the date, place and nature of discharge. (§ 44-2-2 ACLA 1949; am § 1 ch 75 SLA 1955; am § 2 ch 35 SLA 1981)

**Cross references.** — As to copies of public records for veterans, see AS 09.25.121.

**Effect of amendments.** — The 1981 amendment designated the existing section as subsection (b) and added subsection (a). The amendment, in subsection (b), substituted "keep" for "compile" preceding "a record," added "from copies of reports received under (a) of this section and from information voluntarily submitted to the bureau by veterans" preceding "of all persons," substituted "are" for "were" preceding "bona fide residents," deleted

"the territory of" preceding "Alaska," added "Alaska Territorial Guard, Alaska National Guard, organized reserve units" preceding "United States Army," added "Air Force" following "Navy," substituted "Coast Guard since" for "between" preceding "April," deleted "and November 11, 1918" following "April 6, 1917" and deleted the former second sentence which read "The record shall be kept on file at the office of the bureau and shall be available and open to the inspection of anyone desiring to inspect it."

**Sec. 26.10.080. Death gratuity.** (a) The Department of Military and Veterans' Affairs shall pay, upon application, a death gratuity in the amount of \$750 to the surviving spouse of a veteran whose burial in the state occurs on or after May 13, 1984 and who was a resident of the state at the time of death. If the veteran has no surviving spouse, the gratuity shall be paid to the personal representative of the veteran.

(b) A death gratuity may be paid for a veteran otherwise eligible under (a) of this section even if the veteran died while temporarily absent from the state.

(c) The Department of Military and Veterans' Affairs may not pay a death gratuity unless the veteran for whom payment is made received an honorable discharge or a general discharge under honorable conditions.

(d) In this section

(1) "personal representative" includes administrator, executor, special administrator, successor personal representative, and persons who perform substantially the same function under the law governing their status;

(2) "veteran" means

(A) a person who served in a branch of the armed services of the United States

(i) who at the time of entry into the service was a resident of the territory or state, who had been a resident for not less than one year immediately before entry into the service, and who returned to the territory or state within one year after discharge as a resident with the intention of remaining in the territory or state; or

26.10.080

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§ 26.15.030 MILITARY AFFAIRS AND VETERANS § 26.15.030

(ii) who was a resident of the state for not less than one year immediately preceding the time of death; or

(B) a person who served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who served in a reserve unit of the United States armed forces in Alaska if the reserve unit required a minimum of one weekend of duty each month and 15 consecutive days of active duty training each year for not less than three years. (§ 1 ch 98 SLA 1982; am § 14 ch 67 SLA 1983; am § 1 ch 7 SLA 1984; am E.O. No. 58, § 12 (1984))

Revisor's notes. — In subsection (c) of this section, "Department of Military and Veterans' Affairs" was substituted for "division of veterans' affairs" under § 27, E.O. 58, in 1984.

Effect of amendments. — The 1983 amendment, deleted "and had been a resident of the territory or state for at least

five years" following "time of death" in subparagraph (d)(1)(B).

The first 1984 amendment substituted "Department of Military and Veterans' Affairs" for "division of veterans' affairs" in subsection (a).

The second 1984 amendment rewrote the section.

Chapter 15. Veterans Loans.

Section  
30. Powers and duties of Department of Commerce in general  
40. Veterans' loans  
70. Sale or transfer of mortgages and notes  
100—120. [Repealed]

Section  
130. Eligibility for loans  
150. [Repealed]  
160. Extension of chapter to veterans of Korea and Viet Nam  
170. [Repealed]

NOTES TO DECISIONS

Transfer of property to nonveteran. — A contract transferring property financed by a veterans' loan to a nonveteran was not expressly prohibited or illegal, and was not void as against public policy. *Currington v. Johnson*, Sup. Ct. Op. No. 2828 (File No. 7387), P.2d (1984).

Option contract transferring property financed by a veterans' loan to a

nonveteran was not voidable under the doctrine of frustration of purpose because the veterans' loan could be called due since the veteran's deed of trust provided for such event, and the veteran therefore clearly had reason to know of the possibility of acceleration of his veterans' loan at the time the option contract was formed. *Currington v. Johnson*, Sup. Ct. Op. No. 2828 (File No. 7387), P.2d (1984).

Sec. 26.15.030. Powers and duties of Department of Commerce in general. (a) The Department of Commerce shall formulate general policies and adopt rules and regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

**DEPARTMENT OF LAW**

OFFICE OF THE ATTORNEY GENERAL

September 14, 1984

Mr. Al Adams, Chairman  
House Finance Committee  
Pouch V  
Juneau, AK 99811

Re: Territorial Guardsmen; burial allowance provided  
by AS 26.10.080

Dear Mr. Adams:

In your letter of September 5, 1984, you requested an opinion from this office as to whether former members of the Alaska Territorial Guard (ATG) may be eligible for burial allowances under AS 26.10.080 (.080). The following analysis and historical review of the ATG's status under .080 is submitted in response to your request. In our opinion, former members of the ATG are not eligible for burial allowances under that provision.

The statute in question provides that burial allowances will be paid to a qualifying veteran. The statute then defines a veteran, in pertinent part in AS 26.10.080(d)(1), as a person who is serving or has served in a branch of the armed services of the United States, and in (d)(2) of that section, as a person who had served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who had served in a reserve unit of the United States Armed Forces in Alaska. AS 26.10.080. The ATG is not expressly included within the definition of veteran in .080. On the face of .080, therefore, former members of the ATG are ineligible for burial allowances provided by that statute.

The reason for the omission of the ATG is not clear, however, and may have been either intentional or accidental. That the omission may have been intentional is evident when comparing .080 with AS 26.05.225 (.225), which provides credit to former members of the ATG for the purpose of determining eligibility for retirement pay. The provision of a benefit to former members of the ATG through .225 implies that the legislature was aware of the existence of the ATG, and hence the omission of the ATG from .080 appears to be deliberate.

In the alternative, the omission of the ATG from benefits under .080 may have been accidental because the legislature may not have been aware of the distinction between

the ATG and the Alaska National Guard. The reason for this confusion will be discussed in the paragraphs following. AS 26.05.225 indicates that it was the legislature's intent to provide at least certain benefits to former members of the ATG. It is therefore possible to imply that the legislature would have included burial allowances as well under .080 but did not only by reason of accident.

Mr. Ernest Gruening, the territorial governor of Alaska, notes that when he took office in 1939 there had never been a National Guard in Alaska, that he took steps to organize one and that he requested federal authorization to do so. Gruening, Introduction to M. Marston, Men of the Tundra, at 3, 1972. On December 31, 1941, presumably as a result of Mr. Gruening's efforts, the U.S. Congress approved an act to establish a military code for the territory of Alaska, H. Res. 5822, 77th Cong., 1st Sess., ch. 644, Dec. 31, 1941 (1941 Act). That Act declared that the militia of the territory of Alaska was to be divided into two classes: the Organized Militia, known as the Alaska National Guard, and the Unorganized Militia. 1941 Act, § 1. The Act further provided that the governor of the territory of Alaska had authority to organize a Territorial Guard. 1941 Act, § 6. In apparent support of the federal act, the legislature of the territory of Alaska appropriated certain monies to the National Guard of Alaska. 1941 Alaska Sess. Laws, ch. 60, H.B. 122; 1943 Alaska Sess. Laws, chs. 26, 27, H.B. 55, 56; 1945 Alaska Sess. Laws, ch. 64, H.B. 65. Finally, in 1949 the territory of Alaska created an Alaska Territorial Militia which the territorial legislature referred to as the Alaska National Guard. 1949 Alaska Sess. Laws, ch. 120, H.B. 22.

Confusion may have arisen in the legislature over the separate identities of the various militias which had been created in the 1940's. If such confusion existed, it may have led to the omission of the ATG in .080. To prevent further confusion, therefore, it is recommended that when a former member of a militia in the territory of Alaska claims burial allowances under .080, it should be ascertained at the outset whether that person was a member of the federally created Alaska National Guard, which is expressly covered under .080, or whether that individual was a member of the ATG organized by the governor of Alaska, which is not covered under .080.

Unless strong evidence to the contrary is found, a member of the ATG does not fall within the purview of .080(1) or (2) on the strength of the 1941 Act. This is based in large part on the fact that the 1941 Act does not expressly state that the Territorial Guard is a part of the Alaska National Guard and does not expressly describe the Territorial Guard either as a branch of the federal armed forces or as a part of the Unorganized

Mr. Al Adams, Chairman  
House Finance Committee

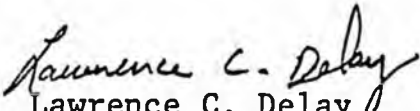
September 14, 1984  
Page 3

Militia. While the Territorial Guard received federal sanction under the 1941 Act, was subject to regulations of discipline in training prescribed by the U.S. Secretary of War and received federal arms and equipment, 1941 Act, § 7, the Territorial Guard was nonetheless a body organized by the territory of Alaska and existed independently of the Alaska National Guard and other branches of the federal armed forces.

In conclusion, whether by accident or by intent, the legislature which enacted .080 did not expressly provide burial allowances to ATG members through that section. Furthermore, a review of the federal act which sanctioned the Alaska National Guard and gave permission to the governor of Alaska to create the ATG does not lead to the conclusion that the ATG was either a part of the National Guard or otherwise a part of the federal armed forces of the United States. The ATG does not therefore fall within the purview of AS 26.10.080(d)(1) or (2) as it is not a part of the National Guard or any branch of the U.S. armed services. A former member of the ATG is therefore not eligible to receive burial allowances under AS 26.10.080.

Sincerely yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By:   
Lawrence C. Delay  
Assistant Attorney General

LCD:ihr

# COMMITTEE REPORT

## SENATE

2/7/85

FURTHER:

FINANCE

Date

3/26/85

Mr. President

The Committee on STATE AFFAIRS considered CSHB 14(Fin) making members of the Alaska Territorial Guard eligible for a death gratuity; efd.

and ~~(a majority of the committee)~~ (the committee) reports it back with the following recommendations:

may do pass

do pass with attached amendment(s)

replace with/or adopt CS for \_\_\_\_\_

new title

same title and recommends \_\_\_\_\_

and attached a "LETTER OF INTENT"

NEW FISCAL NOTE

reports it back without recommendation

recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

1 Edna de Vries  
1 V. J. ...  
1 Tim Kelly

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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1 [Signature]  
Chairman  
[Signature]  
Chairman recommendation



STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: CSHB 15(C&RA)  
 Title: Advisory Elections on  
annexation proposals  
 Sponsor: Representative Goll  
 Requestor: House Finance Committee  
 Date of Request: 5/4/85

FISCAL DETAIL

Agency Affected: Governor  
 Program Category Affected: \_\_\_\_\_  
Division of Elections  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-				

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS		-0-				
OTHER		-0-				
<b>TOTAL</b>		-0-				

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Needed funds can be absorbed in the Division's FY 86 budget. Since there is no way to know how many elections will occur, experience with the new statute is necessary before any additional funds are appropriated.

Prepared By: Representative Adams - Chairman Phone: 465-3706  
 Division: House Finance Committee Date: 5/4/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

Offered: 4/11/85  
Referred: State Affairs  
and Finance

Original sponsors: Goll and Marrou  
by request

1 IN THE HOUSE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2

CS FOR HOUSE BILL NO. 15 (C&RA)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to advisory elections on certain  
7 annexation proposals."

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

9 \* Section 1. AS 29.13.100 is amended by adding a new paragraph to read:

10 (48) AS 29.68.025 (advisory elections on annexations)

11 \* Sec. 2. AS 29.68 is amended by adding a new section to Article 1 to  
12 read:

13 Sec. 29.68.025. ADVISORY ELECTIONS ON ANNEXATIONS. (a) If a  
14 municipality requests an annexation proposed to be effected under  
15 AS 29.68.010(a), the municipality shall present the results of an  
16 advisory election on the proposal to the Local Boundary Commission at  
17 the hearing conducted under AS 44.47.581. The advisory election shall  
18 be conducted by the municipality in the area proposed for annexation  
19 in accordance with procedures for a regular or special election.

20 (b) If an annexation that is not requested by a municipality is  
21 proposed to be effected under AS 29.68.010(a), the director of elec-  
22 tions shall present the results of an advisory election on the pro-  
23 posal to the Local Boundary Commission at the hearing conducted under  
24 AS 44.47.581. The advisory election shall be conducted by the direc-  
25 tor of elections in the area proposed for annexation in the general  
26 manner prescribed by the Alaska Election Code (AS 15). The state  
27 shall pay all election costs for elections under this subsection.

28 (c) A municipality may conduct an advisory election on an annex-  
29 ation proposal in which all municipal voters may participate and the

1       municipality may present the results of the election to the Local  
2       Boundary Commission if the area of the proposed annexation is  
3               (1) located within the municipality; or  
4               (2) proposed to be annexed to the municipality.  
5       (d) This section applies to home rule and general law municipal-  
6       ities.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

March 27, 1985

MEMORANDUM

TO: Representative Peter Goll

ATTN: Bob Berry

FROM: Rob Waldman *RW*  
Legislative Analyst

RE: Historical Background of the Local Boundary Commission  
Research Request 85-262

You asked that we provide historical background on the formation of the Local Boundary Commission. Historical information was obtained through interview with Senators Victor Fischer and Jack Coghill and through review of the minutes of the Alaska Constitutional Convention; the text of the State Constitution and Statehood Committee reports.<sup>1</sup>

According to Senator Coghill, the concept of the Local Boundary Commission resulted from the constitutional convention's attempt to resolve jurisdictional conflicts between the different types of governmental entities that functioned under territorial law.<sup>2</sup> Its function was to review local government structure and adjudicate conflicts between jurisdictions. Prior to statehood, all jurisdictional disputes and boundary modifications were adjudicated by federal district courts. The members of the convention felt that the function of settling these issues should not be delegated to the court system; they felt that the executive branch should adjudicate boundary disputes and modifications.

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<sup>1</sup>Minutes to the Proceeding of the Alaska Constitutional Convention, 1955-56, pages 2665-2666, 2745-2753, and 2759-2760.  
A Citizens's Guide to the Constitution of the State of Alaska, Gordon Harrison, 1982; Alaska's Constitutional Convention, Victor Fischer 1975.

Proposed Organization of the Executive Branch, State of Alaska, A Survey Report, 1958; Local Government Under the Alaska Constitution, A Survey Report, 1959, Public Administration Service.

<sup>2</sup>Under Territorial law, jurisdiction conflicts could arise between school districts, utility districts, cities, road districts, etc.

Representative Goll  
March 26, 1985  
Page Two

In Alaska prior to 1959, all annexation was conducted by local governments.<sup>3</sup> At times, annexation issues became very controversial. Senator Fischer states that the commission was seen as a mechanism that circumvented local turmoil, brought the issues beyond "vested local interests" and prejudices, and permitted implementation of the "broad public intent". He believes that there was a need to ensure that municipal boundaries could be altered to adjust for changes in population and in the demand for local services. If the municipalities retained control over boundaries and annexation, there could be difficulty in altering boundaries once local interests became vested. Article X, Section 12 of the State Constitution which established the Local Boundary Commission was designed to overcome those type of roadblocks.

The convention committee on local government recommended that the boundary commission be modeled after the "Canadian system" (provincial governments exercise considerable control over local governments). It was felt that boundary and annexation issues affect all incorporated and unincorporated areas and not just the specific communities involved. Therefore, it was recommended that adjudication be at the State level.

In addition, the intent of the convention was for the commission to have the authority to regulate boundary changes without prior requests from the communities involved. Communities could request that referenda, polls, and surveys be considered by the commission when developing its recommendations. However, according to Senator Fischer, the convention was very specific in its position that these types of community input are not a requirement.

During the committee sessions, there was considerable discussion of the relation between the commission and the legislature. Some members wanted total control in the hands of the legislature, and recommended that all boundary changes and rules related to boundary changes be addressed by statute because the commission was within the executive branch and requiring legislative approval would violate the "separation of powers" concept. The amendment supporting this concept was defeated.

The majority of the members felt that legislative involvement in the process was useful and necessary at times but not required for all boundary changes. Their intent was to allow legislative participation as long as it did not become prohibitive for all proposed boundary

---

<sup>3</sup>For annexation, local elections had to be held concurrently in the city and area to be annexed, and majority votes were necessary.

Representative Goll  
March 26, 1985  
Page Three

changes.<sup>4</sup> A compromise was adopted which permitted legislative intrusion into the administrative function of the executive branch only by resolution concurred in by a majority of the members of both houses. In addition, it was recommended that proposed changes become effective if the legislature is "inactive" in its function. As was described within the minutes, the legislature opted for the "negative approach to enactment of legislation," which means that the legislature must act only to reject the proposal and may grant "approval without any action at all by the body that should act on it."<sup>5</sup>

In 1958, the Alaska Statehood Commission was given the following recommendations for implementation of the commission:

The Local Boundary Commission should operate so far as possible in the manner of a quasi-judicial body. Its determinations should be based upon a careful assembling and weighing of relevant geographic, demographic, fiscal, and governmental facts, not disregarding expression of judgement and sentiment by the public officials and citizens most directly concerned. So far as possible, decisions should be made in the light of a realistic projection of probable future demographic and economic trends."<sup>6</sup>

I hope that this information is useful to you. If you have any questions, please contact us.

RW

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<sup>4</sup>It was felt that "in the press of business" the legislature may not get around to considering minor boundary changes, and major boundary changes could require considerable legislative time.

<sup>5</sup>Minutes to the Proceeding of the Alaska Constitutional Convention, page 2752.

<sup>6</sup>Proposed Organization of the Executive Branch State of Alaska: A Survey Report, 1958, page 147.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 3/22/85

<u>REQUEST</u> (Version #1) Bill/Resolution No.: <u>CS for HB 15</u> Title: <u>Act relating to advisory elections on annexations</u> Sponsor: <u>CRA Committee</u> Requestor: <u>Goll &amp; Marrou</u> Date of Request: <u>3/22/85</u>	<u>FISCAL DETAIL</u> Agency Affected: <u>Office of the Governor</u> Program Category Affected: <u>Division of Elections</u> BRU, Program or Subprogram(s) Affected: <u>Division of Elections</u>
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EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		8.6	9.0	9.5	10.0	10.5
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	8.6	9.0	9.5	10.0	10.5

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	8.6	9.0	9.5	10.0	10.5
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	8.6	9.0	9.5	10.0	10.5

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached page.

Prepared By: Sherry Valentine Phone: 465-4611  
 Division: Elections Date: 3/22/85  
 Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

Offered: 4/11/85  
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and Finance

Original sponsors: Goll and Marrou  
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FOURTEENTH LEGISLATURE - FIRST SESSION

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5               (d) This section applies to home rule and general law municipal-  
6       ities.

Introduced: 1/14/85  
Referred: Community & Regional Affairs,  
State Affairs and Finance

1 IN THE HOUSE

BY GOLL BY REQUEST

2

HOUSE BILL NO. 15

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act requiring an advisory election before an  
7 annexation may be proposed to the legislature."

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

9 \* Section 1. AS 44.47 is amended by adding a new section to read:

10 Sec. 44.47.582. ADVISORY ELECTIONS ON ANNEXATIONS. (a) A  
11 proposed annexation may not be voted on by the Local Boundary Commis-  
12 sion unless an advisory election on the proposal has been held, and  
13 the results considered by the commission. The advisory election shall  
14 poll

15 (1) the area proposed to be annexed;

16 (2) any municipality that includes the area proposed to be  
17 annexed; and

18 (3) the proposed annexing municipality.

19 (b) The director of elections shall supervise an advisory elec-  
20 tion held under this section in the general manner prescribed by the  
21 Alaska Election Code (AS 15). The state shall pay all election costs.