

LEG. FINANCE - BILLS 1985 - 1986 2296
HB 28 - CSHB 30 2296

Original sponsors: Duncan, Coll
Sund, et al

Funding Information

General Fund	\$ - 0 -
Other Funds	400,000,000
	<u>\$400,000,000</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 28 (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 a special appropriation from the
7 undistributed income account in the Alaska permanent
8 fund to the principal of the permanent fund; and
9 providing for an effective date."

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

11 * Section 1. The sum of \$400,000,000 is appropriated from the undis-
12 tributed income account in the Alaska permanent fund to the principal of
13 the Alaska permanent fund.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 28 (Fin)
 Title: Appropriation of Undistributed
 Income to Permanent Fund
 Sponsor: House Finance
 Requestor: House Rules
 Date of Request: March 27, 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
OPERATING						
100 PERSONAL SERVICES				-	-	-
200 TRAVEL				-	-	-
300 CONTRACTUAL				-	-	-
400 SUPPLIES				-	-	-
500 EQUIPMENT				-	-	-
600 LANDS & STRUCTURES				-	-	-
700 GRANTS, CLAIMS				-	-	-
800 MISCELLANEOUS				-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

Rec'd
 4-5-85
 R.O. 3-22-85

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

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 28, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/5/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 28 (Fin)
 Title: Appropriation of Undistributed
Income to Permanent Fund
 Sponsor: House Finance
 Requestor: House Rules
 Date of Request: March 27, 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
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

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 28, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/5/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: CSHB 28 (Fin)
 Title: ...Making a special appropriation from the PF-UIA to the principal
 Sponsor: House Finance Committee
 Requestor: House Rules
 Date of Request: 3/27/85

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
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
PF-UIA	0	(417.6)	(19.4)	(22.5)	(25.8)	(27.2)
PF-PRINCIPAL	0	417.6	19.4	22.5	25.8	27.2

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: MCF RWE
 Mary Ellen Frank/Robert W. Elliott
 Division: Revenue - Research Section

Phone: 465-2174
 Date: 4/2/85

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

Date: 2/15/85

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE CSHB 28 (Fin)
ATTACHMENT

TABLE 1
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
Transfer from UIA to PF-Prin.	0	400.0	0	0	0	0
Extra Infl. Proofing Gain to PF-Prin.	0	17.6	19.4	22.5	25.8	27.2
Loss to PF-UIA	0	417.6	19.4	22.5	25.8	27.2

If a transfer of \$400m was made at the beginning of FY 86 from the PF Undistributed Income Account to the principal, the result would be to increase the PF principal by both the transfer and the increase in inflation proofing required to protect the extra principal amounts from being degraded in real terms. Both the transfer and the extra inflation proofing would reduce the UIA balance correspondingly; therefore, the total assets of the PF and earnings on those assets would remain unchanged (as would dividends which are figured from asset earnings).

The balances in the UIA and PF principal after this transfer, based on January 1985 revenue projections, is presented below.

Table 3
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
UIA balance	762.7	467.5	500.0	568.2	605.3	648.8
PF principal	5709.7	6752.8	7428.1	8185.7	9026.1	9905.1
PF total assets	6472.4	7220.3	7928.1	8753.9	9631.4	10553.9

Offered: 3/25/85
Referred: Rules

Original sponsors: Duncan, Goll
Sund, et al

<u>Funding Information</u>	
General Fund	\$ - 0 -
Other Funds	400,000,000
	<u>\$400,000,000</u>

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 28 (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 a special appropriation from the
7 undistributed income account in the Alaska permanent
8 fund to the principal of the permanent fund; and
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. The sum of \$400,000,000 is appropriated from the undis-
12 tributed income account in the Alaska permanent fund to the principal of
13 the Alaska permanent fund.
14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 28
 Title: Relating to the income of the Permanent Fund
 Sponsor: Duncan, et. al.
 Requestor: House State Affairs
 Date of Request: January 14, 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
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
PF-UIA	(450.2)	(22.1)	(22.0)	(53.6)	(30.6)	(32.4)
PF - PRINCIPAL	450.2	22.1	22.0	53.6	30.6	32.4

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: MET RWE
 Mary Ellen Frank/Robert W. Elliott
 Division: Research Section

Phone: 465-2173
 Date: 1/25/85

Approved by Commissioner: Walt Bonker
 Agency: Revenue

Date: 2-13-85

Distribution (by Agency preparing fiscal note):

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

8294

FISCAL NOTE HB 28
Attachment

Analysis of HB 28

If the balance in the Undistributed Income Account (UIA) of the Permanent Fund (PF) in excess of five percent of the PF principal were transferred to that principal each year, the result would be to increase the PF principal by both the transfer and the increase in inflation proofing required to protect the extra principal amounts from being degraded in real terms. Both the transfer and the extra inflation proofing would reduce the UIA balance correspondingly; therefore, the total assets of the PF and earnings on those assets would remain unchanged (as would dividends which are figured from asset earnings).

Table 1
(Millions of \$)

<u>FY</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
Transfer from UIA to PF-Prin.	438.0	2.3	0	28.2	0	0
Extra Inflation Proofing Gain to PF-Prin.	12.2	19.8	22.0	25.4	30.6	32.4
Loss to PF-UIA	450.2	22.1	22.0	53.6	30.6	32.4

The \$438.0 million transfer in FY 85 includes \$315.0 million residual UIA from FY 84 and \$123.0 million residual UIA from FY 85. The extra FY 85 inflation proofing \$12.2 million is required to protect the FY 84 transfer. The calculation of these residuals is presented following.

$$\begin{aligned} \text{TRANSFER} &= \text{UIA bal} - .05 * (\text{PF-Prin}) \\ 1984: 315 &= 557 \text{ 1/} - .05 * (4838) \\ 1985: 123 &= 425 - .05 * (6037) \end{aligned}$$

The extra FY 85 inflation proofing (\$12.2 million) is required to protect the FY 84 transfer.

1/ This balance is the cumulative deposit since fund inception.

* see attachment

*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: HB 28
 Title: Income of the Permanent Fund

 Sponsor: Duncan
 Requestor: House State Affairs
 Date of Request: January 16, 1985

FISCAL DETAIL

Agency Affected: Department of 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
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: This fiscal note addresses only administrative costs.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: January 16, 1985

Approved by Commissioner: Milt Barker for
 Agency: Department of Revenue

Date: 2-13-85

Distribution (by Agency preparing fiscal note):

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

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ALASKA PERMANENT FUND CORPORATION
FINANCIAL PROJECTIONS AS OF 3/19/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)						
Beginning FY Balance	Appropriations	Dedicated State Revenues*		Undistrib. Income		Distributions			Reserves			
		Inflation Proofing	Ending Balance	Inflation Proofing	Ending Balance	Net Income	Inflation Dividends	State General Fund	Undistrib. Income	Trans. Adj.**	Add (Delete)	Total Assets
78		54.4	54.4		54.4	1.8		1.3		.5		55.0
79	54.4	84.1	138.5		138.5	8.0		6.6		1.4		140.5
80	138.5	344.4	483.2	.3	483.2	32.4	11.8	.3	11.8	8.5		502.9
81	483.2	900.0	1,768.5	.2	1,768.5	149.9	27.5	.2	27.5	36.0	58.7	1,874.6
82	1,768.5	800.0	2,969.0		2,969.0	368.4	71.1		71.1	41.1	185.1	3,301.7
83	2,969.0	400.0	4,021.2	231.2	4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	4,593.0
84	4,021.2	300.0	4,838.3	150.9	4,838.3	529.5	175.0	150.9			203.6	5,530.8
85	4,838.3	300.0	6,130.5	234.1	6,130.5	622.1	214.1	234.1			(226.1)	6,675.9
86	6,130.5	359.9	7,784.2	293.8	7,784.2	764.2	275.5	293.8			194.9	7,585.9
87	7,784.2	345.3	8,162.3	322.7	8,162.3	861.1	324.8	322.7			213.6	8,516.8
88	8,162.3	356.6	8,909.9	353.5	8,909.9	963.1	374.0	353.5			235.6	9,511.7
89	8,909.9	361.7	9,683.0	385.9	9,683.0	1,072.3	428.3	385.9			258.1	10,571.7
90	9,683.0	353.8	10,479.4	419.3	10,479.4	1,187.5	484.8	419.3			283.4	11,684.7
91	10,479.4	342.6	11,312.1	453.8	11,312.1	1,308.4	539.2	453.8			315.4	12,850.9
92	11,312.1	342.8	12,178.4	489.9	12,178.4	1,436.4	596.3	489.9			349.7	14,090.9
93	12,178.4	338.9	13,063.7	527.4	13,063.7	1,572.2	657.7	527.4			387.1	15,405.2
94	13,063.7	319.6	13,993.8	565.7	13,993.8	1,715.3	722.0	565.7			427.6	16,782.4
95	13,993.8	324.1	14,948.0	606.0	14,948.0	1,866.7	789.9	606.0			470.8	18,251.2
96	14,948.0	306.9	15,928.0	647.3	15,928.0	2,026.9	861.8	647.3			517.8	19,795.1
97	15,928.0	290.2	16,944.0	689.8	16,944.0	2,195.3	937.6	689.8			567.9	21,418.8
98	16,944.0	282.2	17,988.8	733.8	17,988.8	2,372.9	1,017.7	733.8			621.4	23,136.3
99	17,988.8	265.8	19,067.8	779.0	19,067.8	2,560.4	1,102.2	779.0			679.2	24,944.8
0	17,988.8	253.2	19,067.8	825.8	19,067.8	2,758.1	1,191.4	825.8			740.9	26,853.9

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.87% Return FY85
- 4.53% Average Inflation FY86-FY00 (avg. FY83,84,85)
- 11.51% Average Return FY86-FY00 (avg. FY83,84,85)

REAL
PF AVG. RATE OVER LAST
3 FISCAL YEARS

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 3/21/85

ACTUAL & PROJECTED (in millions)										INCOME: ACTUAL & PROJECTED (in millions)						
Beginning FY Balance	Appro- priations	Dedicated State Revenues*	Undistrib. Income Transfer	Inflation Proofing	Adjusted Inflation Proofing [Shortfall]	Ending Balance	Net Income	Distributions		Reserves			Total Assets	FY		
								Dividends	Inflation Proofing	State General Fund	Undistrib. Income Transfer	Trans. Adj.**			Add (Delete)	Balance
78		54.4		54.4		54.4	1.8			1.3		.5		55.0	78	
79	54.4	84.1		138.5		138.5	8.0			6.6		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	385.1	.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	400.5		2,969.0	2,969.0	369.4	71.1		71.1		41.1	185.1	243.8	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	109.5		(87.5)	110.0	353.8	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	557.4	5,530.8	84
85	4,838.3	300.0	358.1	400.0	251.2	6,147.6	6,147.6	622.1	214.1	251.2		400.0	(243.2)	314.2	6,675.9	85
86	6,147.6		359.9	390.5	6,898.0	6,898.0	597.8	258.9	390.5				(51.6)	262.6	7,419.5	86
87	6,898.0		345.3	434.6	7,677.9	7,677.9	660.0	288.1	434.6				(62.7)	199.9	8,165.9	87
88	7,677.9		356.6	482.1	8,516.6	8,516.6	725.1	313.5	482.1				(70.5)	129.4	8,959.5	88
89	8,516.6		361.7	532.7	9,411.0	9,411.0	794.4	339.9	532.7				(78.2)	51.2	9,802.1	89
90	9,411.0		353.8	554.2	10,319.0	31.7	10,350.7	867.5	364.5	554.2			(51.2)		10,683.5	90
91	10,319.0		342.6	545.0	11,206.6	94.7	11,301.3	944.1	399.1	545.0					11,605.7	91
92	11,206.6		342.8	588.5	12,137.9	104.5	12,242.4	1,024.0	435.5	588.5					12,573.4	92
93	12,137.9		338.9	633.9	13,110.7	114.7	13,225.4	1,107.7	473.8	633.9					13,594.5	93
94	13,110.7		319.6	680.5	14,110.8	125.3	14,236.1	1,194.3	513.8	680.5					14,624.6	94
95	14,110.8		324.1	729.1	15,164.0	137.0	15,301.0	1,284.6	555.5	729.1					15,719.5	95
96	15,164.0		306.9	779.7	16,250.6	148.6	16,399.2	1,378.6	598.9	779.7					16,849.5	96
97	16,250.6		290.2	831.5	17,372.3	160.9	17,533.2	1,475.6	644.1	831.5					18,016.4	97
98	17,372.3		282.2	885.3	18,539.8	174.0	18,713.8	1,576.2	690.9	885.3					19,230.7	98
99	18,539.8		265.8	940.9	19,746.5	187.4	19,933.9	1,680.5	739.6	940.9					20,486.1	99
0	19,746.5		253.2	998.6	20,998.3	201.4	21,199.7	1,788.6	790.0	998.6					21,788.3	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.87% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00

PF PROJECTED REAL RATE OF RETURN

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 15, 1985

SUBJECT: Committee Substitute for House Bill 28
TO: Representative Jim Duncan
FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked whether the proposed committee substitute for House Bill 28 is procedurally proper.

In my opinion it is. ~

A committee substitute for a bill is an amendment to the bill. Rule 35 of the Uniform Rules provides in relevant part:

A motion or proposition on a subject may not be admitted under color of amendment if the subject matter is different from that under consideration.

This is supplemented by Mason's Manual of Legislative Procedure which provides in Sec. 402.

Sec. 402. Amendments Must Be Germane

1. Every amendment proposed must be germane to the subject of the proposition or to the section or paragraph to be amended, and an amendment is not in order which is not germane to the question to be amended. This is, basically, a phase of the rule that each proposition have but one subject and that members have the right to vote separately on each question.

2. To determine whether an amendment is germane, the question to be answered is whether the question is relevant, appropriate, and in a natural and logical sequence to the subject matter of the original proposal.

3. To be germane, the amendment is required only to relate to the same subject. It may entirely change the effect of the motion or measure and still be germane to the subject.

4. An entirely new proposal may be substituted by amendment so long as it is germane to the main purpose of the original proposal.

5. An amendment to an amendment must be germane to the subject of the amendment as well as to the main question.

6. No independent new question can be introduced under cover of an amendment. But an amendment may be in conflict with the spirit of the original motion, and still be germane and, therefore, in order.

7. The admissibility of an amendment should be judged from the provisions of the text, rather than from the purpose which circumstances may suggest.

8. Whether a proposed amendment is consistent with the measure, motion or question proposed to be amended, is a question to be decided by the body and not by the presiding officer.

House Bill 28 makes several changes to the disposition of the income of the undistributed income account. Among the changes is a provision that would transfer funds in the account to the principal of the Alaska Permanent Fund.

The proposed committee substitute directly appropriates the sum of \$400,000,000 from the account to the principal.

In my opinion these relate to the same subject and the substitute is therefore germane. While normally an appropriation bill is different in kind from a substantive bill here the transfer has much the same effect as an appropriation and is constitutionally permissible under the exception to the prohibition of dedication found in Section 15 of Article IX of the Constitution which creates the Permanent Fund.

The substitute is narrower in scope than the original bill but still relates to a principal subject of the bill. Of

Representative Jim Duncan
March 15, 1985
Page 3

course an amendment may properly delete portions of the original bill.

Therefore in my opinion the proposed committee substitute is proper.

BGB:ojb
J12/108

RESOLUTIONS PASSED BY

North and Northwest Mayors Conference

Alaska Eskimo Whaling Commission

Kotzebue IRA

Maniilaq Board of Directors

Kotzebue Advisory School Board

City of Golovin

Alaska Eskimo Whaling Commission

Box 570
Barrow, Alaska 99723

ALASKA ESKIMO WHALING COMMISSION

Resolution Number 85-04

A RESOLUTION REQUESTING THE GOVERNOR AND LEGISLATURE TO CONSIDER USING THE DIFFERENT FUND BALANCES OF VARIOUS PROGRAMS AND PROJECTS FOR THE PURPOSES OF MAINTAINING AND FUNDING ESSENTIAL BASIC SERVICES.

WHEREAS, state revenues are projected by the State Department of Revenue to be down by \$300 to \$500 million from last year due to rapidly falling world oil prices which neither the Governor, Legislature nor local governments have any control over; and

WHEREAS, the State Constitution prohibits deficit spending or spending more than the State receives; and

WHEREAS, there are other alternatives to raise state revenues other than new or higher taxes which creates bigger government; and

WHEREAS, without utilizing these alternative sources of revenue the State is faced with drastic cuts in both the operating and capital budget; and

WHEREAS, the "Rainy Day Account" was set up in statute by the legislature that allows the Governor to decide by proclamation to utilize the funds when state revenues are declining; and

WHEREAS, the "Undistributed Income Account" is designated by law to be spent as determined by the legislature; and

WHEREAS, unless the public expresses a need to consider these alternatives the Governor and legislature are reluctant to use the funds from these two accounts.

NOW THEREFORE BE IT RESOLVED BY THE ALASKA ESKIMO WHALING COMMISSION THAT, the Governor and legislature consider using the "Rainy Day Account" and "Undistributed Income Account" to maintain and fund essential basic services.

PASSED AND APPROVED BY THE ALASKA ESKIMO WHALING COMMISSION
THIS DAY 13 OF FEBRUARY, 1985.

Suzanne R. Little

ATTESTED

February 13, 1985

DATE APPROVED

John Cottrell

CHAIRMAN, AEW

RESOLUTION OF THE BOARD OF TRUSTEES
ALASKA PERMANENT FUND CORPORATION
PERTAINING TO THE DESIGNATION OF A CONTINUING
RESERVE OF UNDISTRIBUTED INCOME FOR THE PURPOSE
OF FUTURE INFLATION IMPACT AND DIVIDEND PAYMENTS

RESOLUTION 84-12

WHEREAS, section 37.13.145 of the Alaska Statutes provides that net income of the Alaska Permanent Fund Corporation not required to offset the impact of inflation on principal during the previous fiscal year, and not appropriated for the payment of dividends during the current fiscal year, shall be held in an undistributed income account by the Alaska Permanent Fund Corporation; and

WHEREAS, the Legislature of the State of Alaska has defined the purpose of the undistributed income account as a reserve to insure a stable source of income from which the real earning power of the Fund can be sustained, and from which dividend payments and other distributions appropriated by the Legislature can be made; and

WHEREAS, dividend payments are the only distributions of net income currently defined by the Alaska Statutes; and

WHEREAS, the Board of Trustees is granted full authority to manage the assets of the Alaska Permanent Fund Corporation, including the undistributed income account, by the provisions of section 37.13.040 of the Alaska Statutes; and

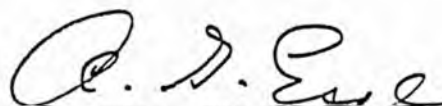
WHEREAS, the Board of Trustees have a fiduciary responsibility to provide for the future impact of inflation and for future distributions of net income by designating reserves of undistributed income; and

WHEREAS, regardless of accounting treatment, said account is subject to legislative appropriation pursuant to section 37.13.145 of the Alaska Statutes;

WHEREAS, the Board of Trustees believes that it is sound public policy and incumbent upon them as fiduciaries to designate such reserves;

NOW THEREFORE BE IT RESOLVED, that the balance of the undistributed income account shall be designated as a reserve to offset the future impact of inflation on the principal of the Permanent Fund and for the future payment of dividends.

PASSED AND APPROVED by the Board of Trustees of the
Alaska Permanent Fund Corporation, this 21st day of September,
1984.



A.G. Espe, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

CALCULATIONS USED IN DETERMINING
DIVIDEND PAYMENTS
AND
UNDISTRIBUTED INCOME

UNDISTRIBUTED INCOME ACCOUNT

NET INCOME FOR CURRENT YEAR ON PERMANENT FUND PRINCIPAL

PLUS NET INCOME FOR CURRENT YEAR ON ACCOUNT

EQUALS: CURRENT YEAR ADDITION TO ACCOUNT

PLUS: PRIOR YEAR ACCUMULATION IN ACCOUNT

EQUALS: TOTAL IN ACCOUNT

LESS: DIVIDENDS AS CALCULATED
PAID FIRST FROM INTEREST EARNED ON ACCOUNT
PAID SECOND FROM THE ACCOUNT

LESS: INFLATION PROOFING

EQUALS: BALANCE IN ACCOUNT

DIVIDEND PAYMENT TO STATE

NET INCOME FOR CURRENT YEAR

ADD: NET INCOME PRIOR 4 YEARS

DIVIDE: BY 5

EQUALS: FIVE YEAR INCOME AVERAGE

DIVIDE: BY 2

EQUALS: DIVIDEND PAYMENT TO STATE





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

MEMORANDUM

DATE: January 9, 1985

TO: Representative Jim Duncan
Alaska State Legislature

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

SUBJECT: Fiscal Note on Proposed Legislation

This supercedes my memoranda of January 4, 1985 on the same subject.

Attached please find two computer runs which reflect the impact of transfers of earnings from the Undistributed Income Account to the corpus of the Fund.

The first run (Sheet Number One) indicates that the transfer as of the end of FY84 will be \$315,500,000. This will raise the corpus amount from \$4,838,300,000 to \$5,153,800,000. The balance in the Undistributed Income Account will be 5% of the \$4,838,300,000 level which is \$241,915,000.

At the end of FY85 there will be another transfer, assuming our earnings projection for the year is realized. The corpus balance at the end of FY85 will be \$6,056,000,000. To this will be added another transfer of \$99,400,000. This will raise the corpus to \$6,155,400,000. The balance in the Undistributed Income Account will be 5% of the \$6,056,000,000 level which is \$302,800,000.

FY84 and FY85 are the only two years in which transfers are projected. You will note that the reserve (Undistributed Income Account) is drawn down in the succeeding five years and runs out in 1990.

Sheet Number Two is identical to Sheet Number One but it goes further in that a column titled "Dividend Shortfall"

is added. This depicts FY90 as the critical year in which dividend shortfalls occur and sets forth the amounts of shortfall during the following decade. Note, however, that even with this shortfall, the amounts available for dividends climb from \$305,700,000 in FY91 to \$637,000,000 in FY2000.

We have also reviewed the impact of the legislative proposal on the Corporation operating budget. Since total funds are invested, safeguarded, accounted for and audited -- regardless of whether in corpus or in an undistributed earnings account -- there is no effect on the operating budget.

If you require additional information or better clarity of explanation, please do not hesitate to contact me.

DAR:bm

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/9/85

-----PRINCIPAL: ACTUAL & PROJECTED-----						-----INCOME: ACTUAL & PROJECTED-----									
(in millions)						(in millions)									
Beginning FY Balance	Appro- priations	Dedicated		Undistrib.		Distributions			Reserves			Total Assets	FY		
		State Revenues*	Inflation Proofing	Income Transfer	Ending Balance	Net Income	Inflation Proofing	Dividends	State General Fund	Undistrib. Income Transfer	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	.3	11.8	11.8		8.5			502.9	80
81	483.2	900.0	385.1	.2	1,768.5	149.9	.2	27.5	27.5		36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0	400.5		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	421.0	231.2	4,021.2	471.1	231.2	107.9	109.5		(87.5)	110.0	353.8	4,593.0	83
84	4,021.2	300.0	366.2	150.9	5,153.8	529.5	150.9	175.0			315.5	(111.9)	241.9	5,530.8	84
85	5,153.8	300.0	358.1	244.1	6,155.4	618.1	244.1	213.7			99.4	60.9	302.8	6,671.9	85
86	6,155.4		359.9	390.9	6,906.2	597.4	390.9	258.5			(52.0)	250.8	7,415.5	86	
87	6,906.2		345.3	435.1	7,686.6	659.7	435.1	287.6			(63.0)	187.8	8,162.0	87	
88	7,686.6		356.6	482.6	8,525.8	724.7	482.6	312.9			(70.8)	117.0	8,955.7	88	
89	8,525.8		361.7	533.3	9,420.8	794.1	533.3	339.4			(73.6)	38.4	9,798.6	89	
90	9,420.8		353.8	586.5	10,361.1	867.3	586.5	319.2			(38.4)		10,680.3	90	
91	10,361.1		342.6	642.2	11,345.9	947.9	642.2	305.7					11,651.6	91	
92	11,345.9		342.8	701.3	12,390.0	1,036.6	701.3	335.3					12,725.3	92	
93	12,390.0		338.9	763.7	13,492.6	1,130.4	763.7	366.7					13,859.3	93	
94	13,492.6		319.6	828.7	14,640.9	1,228.7	828.7	400.0					15,040.9	94	
95	14,640.9		324.1	897.9	15,862.9	1,332.3	897.9	434.4					16,297.3	95	
96	15,862.9		306.9	970.2	17,140.0	1,441.5	970.2	471.3					17,611.3	96	
97	17,140.0		290.2	1,045.8	18,476.0	1,555.7	1,045.8	509.9					18,985.9	97	
98	18,476.0		282.2	1,125.5	19,883.7	1,675.5	1,125.5	550.0					20,433.7	98	
99	19,883.7		265.8	1,209.0	21,358.5	1,801.5	1,209.0	592.5					21,951.0	99	
0	21,358.5		253.2	1,296.7	22,908.4	1,933.7	1,296.7	637.0					23,545.4	0	

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1992, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

-
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00
- 5% Reserve Factor

SHEET NUMBER ONE

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/9/85

-----PRINCIPAL: ACTUAL & PROJECTED-----
(in millions)

-----INCOME: ACTUAL & PROJECTED-----
(in millions)

Beginning Balance	Dedicated			Undistrib.		Distributions				Reserves			Total Assets	
	Appro- priations	State Revenues*	Inflation Proofing	Income Transfer	Ending Balance	Net Income	Inflation Proofing	Dividend	State General Fund	Undistrib. Income Transfer	Trans. Adj.**	Add (Delete)		Dividend Balance Shortfall
3		54.4			54.4	1.8			1.3		.5			55.7
9	54.4	84.1			138.5	8.0			6.6		1.4			140.5
0	138.5	344.4	.3		483.2	32.4	.3	11.8	11.8		8.5			502.5
1	483.2	900.0	385.1	.2	1,768.5	149.9	.2	27.5	27.5		36.0	58.7	58.7	1,874.5
2	1,768.5	800.0	400.5		2,969.0	368.4		71.1	71.1		41.1	185.1	243.8	3,301.7
3	2,969.0	400.0	421.0	231.2	4,021.2	471.1	231.2	107.9	109.5		(87.5)	110.0	353.8	4,593.0
4	4,021.2	300.0	366.2	150.9	5,153.8	529.5	150.9	175.0			315.5	(111.9)	241.9	5,530.2
5	5,153.8	300.0	358.1	244.1	6,155.4	618.1	244.1	213.7			99.4	60.9	302.8	6,671.5
5	6,155.4		359.9	390.9	6,906.2	597.4	390.9	258.5			(52.0)	250.8		7,415.5
7	6,906.2		345.3	435.1	7,696.6	659.7	435.1	287.6			(63.0)	187.8		8,162.0
3	7,686.6		356.6	482.6	8,525.8	724.7	482.6	312.9			(70.8)	117.0		8,955.7
3	8,525.8		361.7	533.3	9,420.8	794.1	533.3	339.4			(78.6)	38.4		9,798.5
3	9,420.8		353.8	586.5	10,361.1	867.3	586.5	319.2			(38.4)		45.1	10,680.5
1	10,361.1		342.6	642.2	11,345.9	947.9	642.2	305.7					93.7	11,651.5
2	11,345.9		342.8	701.3	12,390.0	1,036.6	701.3	335.3					101.8	12,725.5
3	12,390.0		338.9	763.7	13,492.6	1,130.4	763.7	366.7					110.9	13,859.5
4	13,492.6		319.6	828.7	14,640.9	1,228.7	828.7	400.0					121.1	15,040.5
5	14,640.9		324.1	897.9	15,362.9	1,332.3	897.9	434.4					133.2	16,297.5
5	15,862.9		306.9	970.2	17,140.0	1,441.5	970.2	471.3					145.7	17,611.5
7	17,140.0		290.2	1,045.8	18,476.0	1,555.7	1,045.8	509.9					159.0	18,985.5
3	18,476.0		282.2	1,125.5	19,883.7	1,675.5	1,125.5	550.0					173.4	20,433.7
3	19,883.7		265.8	1,209.0	21,358.5	1,801.5	1,209.0	592.5					188.2	21,951.0
7	21,358.5		253.2	1,296.7	22,908.4	1,933.7	1,296.7	637.0					203.8	23,545.4

* Source: Alaska Department of Revenue

* Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00
- 5% Reserve Factor

SHEET NUMBER TWO

(in millions)

(in millions)

Beginning Balance	Appro- priations	Dedicated		Undistrib.		Distributions				Reserves			Total Assets	FY	
		State Revenues*	Inflation Proofing	Income Transfer	Ending Balance	Net Income	Inflation Proofing	Dividends	State General Fund	Undistrib. Income Transfer	Trans. Adj.**	Add (Delete)			Balance
		54.4			54.4	1.8			1.3		.5			55.0	78
54.4		84.1			138.5	8.0			6.6		1.4			140.5	79
138.5		344.4	.3		483.2	32.4	.3	11.8	11.8		8.5			502.9	80
483.2	900.0	385.1	.2		1,768.5	149.9	.2	27.5	27.5		36.0	58.7	58.7	1,874.6	81
1,768.5	800.0	400.5			2,969.0	368.4		71.1	71.1		41.1	185.1	243.8	3,301.7	82
2,969.0	400.0	421.0	231.2		4,021.2	471.1	231.2	107.9	109.5		(87.5)	110.0	353.8	4,593.0	83
4,021.2	300.0	366.2	150.9	315.5	5,153.8	529.5	150.9	175.0		315.5		(111.9)	241.9	5,530.8	84
5,153.8	300.0	358.1	244.1	99.4	6,155.4	618.1	244.1	213.7		99.4		60.9	302.8	6,671.9	85
6,155.4		359.9	273.6	136.3	6,925.2	716.9	273.6	270.4		136.3		36.6	339.4	7,535.0	86
6,925.2		345.3	305.4	144.5	7,720.4	803.2	305.4	313.9		144.5		39.4	378.8	8,413.1	87
7,720.4		356.6	339.2	156.6	8,572.8	894.0	339.2	356.2		156.6		42.0	420.8	9,349.8	88
8,572.8		361.7	375.3	168.5	9,478.3	990.8	375.3	402.3		168.5		44.7	465.5	10,346.1	89
9,478.3		353.8	412.9	183.5	10,428.5	1,093.0	412.9	449.8		183.5		46.8	512.3	11,390.6	90
10,428.5		342.6	452.4	200.7	11,424.2	1,200.1	452.4	498.1		200.7		48.9	561.2	12,483.5	91
11,424.2		342.8	494.2	217.7	12,478.9	1,312.9	494.2	549.1		217.7		51.9	613.1	13,641.1	92
12,478.9		338.9	538.3	236.3	13,592.4	1,432.2	538.3	602.9		236.3		54.7	667.8	14,863.1	93
13,592.4		319.6	584.3	256.5	14,752.8	1,557.4	584.3	659.6		256.5		57.0	724.8	16,137.2	94
14,752.8		324.1	633.2	276.0	15,986.1	1,689.1	633.2	719.2		276.0		60.7	785.5	17,490.8	95
15,986.1		306.9	684.3	298.2	17,275.5	1,827.9	684.3	782.0		298.2		63.4	848.9	18,906.4	96
17,275.5		290.2	737.8	321.0	18,624.5	1,973.1	737.8	848.0		321.0		66.3	915.2	20,387.7	97
18,624.5		282.2	794.1	344.3	20,045.1	2,125.5	794.1	917.3		344.3		69.8	985.0	21,947.4	98
20,045.1		265.8	853.1	369.2	21,533.2	2,285.6	853.1	990.1		369.2		73.2	1,058.2	23,581.5	99
21,533.2		253.2	915.0	395.0	23,096.4	2,453.5	915.0	1,066.6		395.0		76.9	1,135.1	25,298.1	0

Representative Jim Duncan:

Source: Alaska Department of Revenue

Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.80% Return FY85
- 4.20% Average Inflation FY86-FY00
- 10.80% Average Return FY86-FY00
- 5% Reserve Factor

This is the pro forma you have requested. It reflects continued transfers to corpus from Undistributed Income. This occurs because the projected real rate of return for FY85 (6.6%) is carried forward for each future year. I CONSIDER THIS VERY UNREALISTIC. ADDITIONALLY, THE TRUSTEE GOAL IS A 3% REAL RATE OF RETURN OVER TIME, NOT 6.6%.

Dave Rose



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

MEMORANDUM

DATE: February 4, 1985
TO: Senator Joe Josephson
FROM: David A. Rose
Executive Director
SUBJECT: Inflation Proofing and the Undistributed Income Account

In response to your specific questions as communicated to this office by David Finklestein of your staff:

* The term "principal", as it applies to the Alaska Permanent Fund, is defined by Resolution 83-8 as approved by the Board of Trustees on July 22, 1983. Attached, for your information, is a copy of that resolution (A) as well as a legal review (B) of its content which was performed by the Office of the Attorney General.

* The "nationally recognized index" which is used by the Alaska Permanent Fund Corporation for the purpose of inflation proofing is the published U.S. Consumer Price Index previous calendar year average for all urban consumers. Attached are copies of a memorandum from me to the Trustees (C) explaining why this index was recommended and, Resolution 83-7 (D) which formally adopted this index for use as of July 22, 1983.

* Regarding net income and its relationship to the Undistributed Income Account, please find attached copies of Resolutions 83-9 and 83-11 (E) which define the term "net income", and Resolution 84-12 (F) which describes the purpose of the Undistributed Income Account and designates it as a reserve to offset the future impact of inflation on the principal of the Permanent Fund and for the future payment of dividends. Also attached is Resolution 83-2 (G) which sheds further light on the need to protect the Fund against the impact of inflation, and a memorandum from me dated September 6, 1983 (H), regarding distributions of Permanent Fund income.

Senator Joe Josephson
February 4, 1985
Page 2

* Regarding historical rates of inflation, attached is a copy of page 13 of the 1984 Annual Report (I) which gives the rates of inflation for the years 1977-1984.

If I can be of further assistance, please do not hesitate to give me a call.

DAR/bn

Enclosures, as stated

Alaska Permanent Fund Corporation

A Public Trust Investing For Alaska's Future

Alaska Permanent Fund
Realized Rates of Return
1984 - 1977
(Percent)

<u>Year</u>	<u>Nominal</u>	<u>Inflation</u>	<u>Real</u>
1984	10.89	3.22	7.67
1983	12.76	6.10	6.66
1982	15.10	10.37	4.73
1981	16.00	13.52	2.48
1980	11.29	11.26	.03
1979	8.24	7.66	.58
1978	7.53	6.45	1.08
1977*	5.54	5.77	(.23)

*Four months ended June 30.

The inflation rate used consistently by the Trustees is the published U. S. Consumer Price Index previous calendar year average for all urban consumers.



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: January 25, 1985
TO: Trustees
FROM: Jim Kelly, Research & Liaison Officer
SUBJECT: 1985 Legislation

This is to inform you of the status of legislation pending in the First Session of the 14th Alaska State Legislature which, if passed, would directly affect the Alaska Permanent Fund. To date, there have been six such bills introduced in the House and two in the Senate. A brief description of the bills follows.

Attached are copies of the bills, as well as financial projections, prepared by Alaska Permanent Fund Corporation staff, which illustrate the impact of the proposed legislation.

- House Bill No. 9 by Rep. Szymanski: This bill would increase the current statute dedication to a 50% contribution rate. It would increase Permanent Fund dedicated State revenues by \$360 million in FY 86, \$345.4 million in FY 87, etc. By the year 2000, the Permanent Fund principal would be \$6.6 billion higher, and the annual net income \$561 million more, than under the status quo. This bill would also have the effect of causing a shortfall in inflation-proofing in FY 95 (one year earlier than under the status quo), increasing the size of the dividends, and increasing the amount of the annual net income. The bill has an immediate effective date.

- House Bill No. 28 by Rep. Duncan: This bill does four things:
 - * Changes the priority of use of Fund earnings. Currently, dividends are paid first and inflation-proofing second. This revises the order and provides for inflation-proofing first.

- * Provides that the Undistributed Income Account shall equal not more than 5% of the corpus.
- * Amounts in the Undistributed Income Account in excess of the 5% reserve are transferred to the corpus each year.
- * The bill is retroactive to FY 84 and transfers all surplus over the 5% level on June 30, 1984 to the corpus. Transfers to the corpus would amount to \$315.5 million for FY 84, and \$99.4 million for FY 85. These are the only two years in which transfers are projected.

The bill would result in an eventual shortfall in the dividend fund, expected in FY 90. Thereafter it would have the effect of decreasing the size of the dividends, and increasing the amount of the annual net income. By the year 2000, the Permanent Fund principal would be \$1.9 billion higher, and the annual net income \$145.5 million more, than under the status quo.

- House Bill No. 32 by Rep. Marrou: This bill would increase the current statute dedication to a 50% contribution rate, like HB 9, but it also would increase the amount of transfer to the dividend fund from 50 to 75%. This would result in an increase in the Fund's size in the year 2000 of \$945.2 million over the status quo, but it also creates an ever-increasing inflation-proofing shortfall each year after FY 88 . It would immediately increase the size of the dividend payments and the amount of the annual net income. The projected payout to the Permanent Fund Dividend program for the next 15 years under this bill would be \$12.1 billion, compared to \$7.4 billion under the status quo.
- House Bill No. 71 by the Rules Committee by Request of the Governor: This bill would make a special appropriation of \$500 million to the Permanent Fund. The timing of the appropriation would be at the Governor's discretion, in a manner virtually identical to that of the \$1.8 billion appropriation made by the 1981 Legislature. The language of this bill is slightly different from the earlier one, but the net effect would be the same.

Assuming deposit of the full amount by June 30, 1987, the Permanent Fund principal, by the year 2000, would be \$1.1 billion higher, and the annual net income \$90.2 million more, than under the status quo.

- House Bill No. 82 by Rep. Martin: This bill would amend the statutory dedication to the Permanent Fund to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement. The financial impact of this bill has not yet been determined due to the uncertain nature of the various oil lawsuits still pending.

- House Bill No. 84 by Rep. Pignalberi: This bill would appropriate the entire Undistributed Income Account to the principal of the Permanent Fund on July 1, 1985.

- Senate Bill No. 24 by Sen. Fischer: This bill, like HB 9, would increase the current statute dedication to a 50% contribution rate, and like HB 82, would amend the statutory dedication to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement.

- Senate Bill No. 56 by Sen. Ray: This bill amends the longevity bonus program, and establishes a new annuity program. It affects the Permanent Fund only in that a provision is included in the bill which specifically authorizes the Legislature to appropriate funds from the Undistributed Income Account to fund the new annuity program. This represents no change from current law as the Legislature already has the power to appropriate these funds. The Governor, however, in this year's budget address "strongly suggests" that the Undistributed Income Account be left alone as he considers that money to be part of the Permanent Fund.

The House bills all have State Affairs and Finance referrals. SB 24 has referrals to State Affairs, Judiciary and Finance; SB 56, State Affairs and Finance. All bills are still in the committee of first referral.

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

BY DUNCAN, GOLL, SUND,
SZYMANSKI AND POURCHOT

1 IN THE HOUSE

2 HOUSE BILL NO. 28

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 income of the permanent fund;
7 and providing for an effective date."

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

9 * Section 1. AS 37.13.145 is repealed and reenacted to read:

10 Sec. 37.13.145. DISPOSITION OF INCOME. (a) At the end of each
11 fiscal year, an amount sufficient to offset the effect of inflation on
12 principal of the Alaska permanent fund during that year, as measured
13 by a nationally recognized index, shall be transferred from net income
14 as defined in AS 37.13.140 to the principal of the Alaska permanent
15 fund for reinvestment.

16 (b) From the net income remaining after the transfer under (a)
17 of this section, the commissioner of revenue shall transfer the amount
18 required to be transferred to the dividend fund under AS 43.23.045(b).

19 (c) The balance of the net income remaining after the transfer
20 under (b) of this section shall be transferred to the undistributed
21 income account in the Alaska permanent fund.

22 (d) At the end of each fiscal year, funds in the undistributed
23 income account exceeding an amount equal to five percent of the prin-
24 cipal of the Alaska permanent fund shall be transferred to the princi-
25 pal of the Alaska permanent fund for reinvestment. Funds remaining in
26 the undistributed income account shall be invested in investments
27 authorized under AS 37.13.120.

28 * Sec. 2. AS 43.23.045(b) is amended to read:

29 (b) Each [NOTWITHSTANDING ANY CONTRARY PROVISION OF LAW, EACH]

1 year the commissioner shall transfer to the dividend fund 50 percent
2 of the income of the Alaska permanent fund earned during the fiscal
3 year ending on June 30 of the current year and available for distribu-
4 tion.

5 * Sec. 3. This Act is retroactive to June 30, 1984.

6 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
7 10.070(c).

COMMITTEE REPORT

1/25

HOUSE

(7)

1/14/85

FURTHER: Finance

Date: _____

The Committee on Community and Regional Affairs has had HB 29

"An Act making a special appropriation for payment as a grant to the Matanuska-Susitna Borough to provide road access; camping, and parking facilities at the Little Susitna River; 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 _____

- AND attaches a "Letter of Intent" ~~NEW~~ Fiscal Note *Sup # 8*
- reports it back without ~~recommendation~~ Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Steve Gorman
Peter Jace

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature] *FURNACE*
F. Kaywallis - No rec
Max Zumborg - no rec
ACM *NO REC. MARIN*
Roll E Kelly - No Rec.

Peter Jace
 CHAIRMAN

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

Funding Information
General Fund \$600,000
Other Funds -0-
\$600,000

1 IN THE HOUSE

BY LARSON AND HURLEY

2 HOUSE BILL NO. 29

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 a special appropriation for payment as
7 a grant to the Matanuska-Susitna Borough to provide
8 road access, camping, and parking facilities at the
9 Little Susitna River; and providing for an effective
10 date."

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

12 * Section 1. The sum of \$600,000 is appropriated from the general fund
13 for payment as a grant to the Matanuska-Susitna Borough to provide road
14 access, camping, and parking facilities at the Little Susitna River.

15 * Sec. 2. The appropriation made by this Act shall be disbursed in
16 accordance with AS 37.05.315.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: 29
 Title: Little Susitna River
Access Development
 Sponsor: Larson
 Requestor: _____
 Date of Request: 1/22/85

FISCAL DETAIL

Agency Affected: Div. Parks & Outdoor Rec.
 Program Category Affected: _____
Natural Resource Management
 BRU, Program or Subprogram(s) Affected: _____
Parks & Recreation Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		28.3	31.3			
200 TRAVEL		4.0	4.0			
300 CONTRACTUAL		16.0	18.0			
400 SUPPLIES		5.0	5.0			
500 EQUIPMENT		15.0	4.0			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		68.3	62.3			

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		68.3	62.3			
FEDERAL FUNDS						
OTHER						
TOTAL		68.3	62.3			

POSITIONS:

FULL-TIME						
PART-TIME		1	1			
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See Attached

NOTE: First year represents start-up costs for equipment purchases. Continuing costs will be less.

Prepared By: Neil C. Johannsen, Director Phone: _____
 Division: of Parks & Outdoor Recreation Date: 1/22/85

Approved by Commissioner: Lester C. Whinnick Date: _____
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

7/1/84

Little Susitna River Recreation Access Development Fiscal Note Analysis

The requested funds will provide the below listed maintenance and operations support for public access to the Little Susitna River.

- FY 86
- 100 - funds will provide one seasonal part time Park Ranger I to manage unit.
 - 200 - funds will provide for travel within the region (54 miles round trip from Wasilla to the Little Susitna River).
 - 300 - the funds will provide for a private maintenance and janitorial contract (15K) to service the unit, vehicle mileage and other contractual services, such as refuse collection.
 - 400 - provides in the hand tools and maintenance commodities for the ranger's managing the unit.
 - 500 - provides the equipment necessary to manage the resources, one pick-up truck (10K), radios, public safety and law enforcement implements.

FY 87: The same amount of funding would be necessary in each budget category (accounting for inflation) with the exception of equipment. These costs would drop to only 4K for the purchase of additional radio equipment.

NOTE: These operating costs are also identified in the fiscal note for the Governor's bill on State Recreation Rivers (HB 93). If both HB 93 and HB 29 are passed, the fiscal notes for operating expenses can be combined.

ALASKA STATE LEGISLATURE

14th.. Legislature FIRST... Session

HOUSE ..BILL..... NO. ...29...

By LARSON, HIRLEY.....

"An Act making a special appropriation as a grant to the Matanuska-Susitna Borough to provide road access, camping, and parking facilities at the Little Susitna River; and providing for and effective date."

Spec. appro. Mat-Su Borough

Introduced in the House ..1/14...., 19..85

HISTORY IN THE HOUSE

19 85

Jan. 14

Read first time and referred to Committee on

C&RA 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: Community & Regional Affairs,
and Finance

<u>Funding Information</u>	
General Fund	\$600,000
Other Funds	-0-
	<u>\$600,000</u>

1 IN THE HOUSE

BY LARSON AND HURLEY

2

HOUSE BILL NO. 29

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 a special appropriation for payment as
7 a grant to the Matanuska-Susitna Borough to provide
8 road access, camping, and parking facilities at the
9 Little Susitna River; and providing for an effective
10 date."

11

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

12

* Section 1. The sum of \$600,000 is appropriated from the general fund
13 for payment as a grant to the Matanuska-Susitna Borough to provide road
14 access, camping, and parking facilities at the Little Susitna River.

15

* Sec. 2. The appropriation made by this Act shall be disbursed in
16 accordance with AS 37.05.315.

17

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB30 (Fin)
Title: Payment for purchases

FISCAL DETAIL

Agency Affected: All
Program Category Affected: All

Sponsor: Representative Shultz
Requestor: House Finance
Date of Request: 2/26/85

BRU, Program or Subprogram(s) Affected:
All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FI 85	FI 86	FI 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		-0-				
400 SUPPLIES		-0-				
500 EQUIPMENT		-0-				
500 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS		-0-				
800 MISCELLANEOUS		-0-				
TOTAL OPERATING		-0-				
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary. The purpose of this legislation is to encourage state agencies to pay bills on time. It would be contrary to this purpose to appropriate funds for interest payments or related staff costs. It is the House Finance Committee's intent that any funds needed be absorbed within an agency's existing budget.

Prepared By: Al Adams - Chairman
Division: House Finance Committee

Phone: 465-3706
Date: 2/26/85

Approved by Commissioner: _____
Agency: _____

Date: _____

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

7/1/84

Original sponsor: Shultz

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CE FOR HOUSE BILL NO. 30 (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 relating to payment for purchases by the
7 state; and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for
11 purchases of goods or services provided a state agency must be made by
12 a required payment date that is

13 (1) the date on which payment is due under the terms of a
14 contract; or

15 (2) 30 days after receipt of a proper billing for the
16 amount of the payment due, if a date on which payment is due is not
17 established by contract and if the billing contains or is accompanied
18 by documents required by the contract or purchase order.

19 (b) If a seller offers a discount from the amount otherwise due
20 for property or services in exchange for payment within a specified
21 period of time, the state agency may make payment in an amount equal
22 to the discounted price only if payment is made within the specified
23 period of time.

24 (c) If payment for goods or services purchased by the state is
25 not made on or before a required payment date under (a) of this sec-
26 tion, the state shall pay interest on the unpaid balance from the
27 required payment date at the rate of 1.5 percent a month, unless an
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1 interest-bearing period of time is either (1) a fraction of a month or
2 (2) one or more full months plus a fraction of a month, the state
3 agency shall pay the same amount of interest for the fraction of a
4 month as it would pay for a full month.

5 (d) This section does not apply

6 (1) if the cost of the goods or services purchased exceeds
7 \$500,000;

8 (2) to payment for specific goods or services in dispute
9 after a seller of goods or services receives notice from the state
10 official responsible for authorizing payment for goods and services
11 that the amount of the invoice or quality of specific goods or ser-
12 vices is in dispute and stating the reasons for the dispute; the state
13 agency shall pay for the specific goods or services in dispute within
14 30 days after resolution of the dispute; or

15 (3) to a contract covered by AS 36.90.001.

16 (e) Interest paid under (c) of this section shall be charged to
17 the budget of the state agency that purchased the goods or services.

18 (f) In this section

19 (1) "dispute" means a determination by the state official
20 responsible for authorizing the payments for the purchase of goods or
21 services that the performance or price charged is not in compliance
22 with the terms of the contract or purchase order;

23 (2) payment is considered made on the date when the payment
24 is personally delivered to the seller or agent of the seller or on the
25 date the payment is mailed;

26 (3) "state agency" has the meaning given in AS 37.05.400
27 and also includes the legislative and judicial branches.

* Sec. 3. This Act takes effect October 1, 1985.

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Original sponsor: Shultz

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 30 (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 relating to payment for purchases by the
7 state; and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for
11 purchases of goods or services provided a state agency must be made by

12 [ON] a required payment date that is

13 (1) the date on which payment is due under the terms of a
14 contract; or

15 (2) 30 days after receipt of a proper [invoice] billing for the
16 amount of the payment due, if a date on which payment is due is not
17 established by contract and if the billing contains or is accompanied
18 by documents required by the contract or purchase order.

19 (b) If a seller offers a discount from the amount otherwise due
20 for property or services in exchange for payment within a specified
21 period of time, the state agency may make payment in an amount equal
22 to the discounted price only if payment is made within the specified
23 period of time.

24 (c) If payment for goods or services purchased by the state is
25 [within 30 days of] not made on or before a required payment date under (a) of this sec-

26 tion, the state shall pay interest on the unpaid balance from the
27 [date of receipt of the proper invoice for the goods or services at the
28 required payment date at the rate of 1.5 percent a month, unless an
29 rate provided by AS. 45.45.010 (a)] agreement exists between the seller and the state that establishes a

lower rate of interest or precludes the charging of interest. If the

1 interest-bearing period of time is either (1) a fraction of a month or
2 (2) one or more full months plus a fraction of a month, the state
3 agency shall pay the same amount of interest for the fraction of a
4 month as it would pay for a full month.

5 (d) This section does not apply

6 (1) if the cost of the goods or services purchased exceeds
7 \$500,000;

8 (2) to payment for specific goods or services in dispute
9 after a seller of goods or services receives notice from the state
10 official responsible for authorizing payment for goods and services
11 that the amount of the invoice or quality of specific goods or ser-
12 vices is in dispute and stating the reasons for the dispute; the state
13 agency shall pay for the specific goods or services in dispute within
14 30 days after resolution of the dispute; or

15 (3) to a contract covered by AS 36.90.001.

16 (e) Interest paid under (c) of this section shall be charged to
17 the budget of the state agency that purchased the goods or services.

18 (f) In this section

19 (1) "dispute" means a determination by the state official
20 responsible for authorizing the payments for the purchase of goods or
21 services that the performance or price charged is not in compliance
22 with the terms of the contract or purchase order;

23 (2) payment is considered made on the date when the payment
24 is personally delivered to the seller or agent of the seller or on the
25 date the payment is mailed;

26 (3) "state agency" has the meaning given in AS 37.05.400
27 and also includes the legislative and judicial branches.

28 * Sec. 2. This Act does not apply to contracts entered into before the
29 effective date of this Act.

1 * Sec. 3. This Act takes effect October 1, 1985.
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CSHB 30 (Finance)

The Finance Committee substitute makes changes from the State Affairs committee substitute as follows:

1. The Finance substitute specifies that if the payment date is not established by contract, then the payment is due "30 days after receipt of a proper billing for the amount of payment due".
2. The Finance substitute requires that if payment is not made by the due date, then interest accrues at the rate of 1.5 percent a month beginning on the day after payment was due.

The interest is calculated at the rate of 1.5 percent on the unpaid balance regardless of whether payment is one day or 30 days past due. If the bill goes for 31 days past the due date, another 1.5 percent is added.

A M E N D M E N T

OFFERED IN HOUSE FINANCE: BY: REPRESENTATIVE RIEGER

TO: CS HB 30

PAGE: 1 LINE: 28

Delete "of receipt of the proper invoice"

Insert, after the word "date", "payment is required"

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: CS HB30 (SA)
 Title: Relating to Payment for
 Purchases by the State
 Sponsor: Schultz
 Requestor: House State Affairs
 Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: All
 Program Category Affected: All
 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 SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
FEDERAL FUNDS						
OTHER						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KES*
 Division: Finance

Phone: 465-2240
 Date: February 15, 1985

Approved by Commissioner: Lisa Rudd *A. Rudd*
 Agency: Department of Administration *for*

Date: *2-18-85*

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

Fiscal Note Analysis

CS HB 30

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as possible. This proposal will cause the State to have to choose between verifying invoiced charges to avoid questionable payments, and short-cutting review procedures to avoid penalty interest payments.

Currently, the average payment time for the State is 25 days from the vendors' invoicing date to the paying warrant date. Generally, those agencies which show payment time in excess of 30 days are:

1. Military Affairs
2. Fish and Game
3. Corrections
4. Alaska Court System

These four agencies have a wide network of field locations, causing delays in verification and transmission of invoices.

To decrease the penalties under this legislation, State agencies will incur costs for increased staff to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such as that \$1,997.2 million of a \$4.7 billion dollar budget is for vendor payments and that 5% will fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$1.7 million ($\$1,997.2 \text{ million} \times .05 \times 10.5\%/12 \text{ mos.} \times 2 \text{ mos.}$) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million.

It would be difficult to improve payment times under existing payment systems without incurring significant additional costs. The new State accounting system is targeted for July 1, 1985 implementation. This system will improve the ability of geographically disbursed agencies to submit their payments more timely through remote terminals. The system will speed up turnaround and reflect status changes on an overnight basis. These features will allow agencies to be more responsive to their creditors.

All costs of this legislation would be 100% State funds. The U.S. Office of Management and Budget has advised us that the Prompt Payment Act (P.L. 970177) prohibits use of Federal grant funds for payment of interest penalties and disallows the use of any non-Federal funds expended for such interest penalty toward any matching requirement applicable to any Federal grant.

Additional Fiscal Note Analysis - CS HB 30

It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

Fiscal Note Analysis - CS HB-30
Computation of Vendor Payments Basis

1. Enacted Budget for Fiscal Year 1984	<u>\$4,691,603,187.</u>
Less 2. Permanent Fund Dividends	(2,409,200.)
3. Grants & Claims	(469,850,200.)
4. University of Alaska Payments	(272,468,600.)
5. State Salaries	(844,676,700.)
6. Loans	(146,125,000.)
7. Debt Service	(270,089,474.)
8. Capital	(306,971,179.)
9. Energy Program	<u>(381,800,000.)</u>
	<u>\$1,997,212,834.</u>

1,997,212,334 x .05 x 10.5%/12 mos. x 2 = 1,747,560 or 1.7 million

From FY 85 Legislature's Summary of Appropriation as annotated

1. Lead page - Enacted (less Governor's Vetos) Total Column
2. FCC page 7, CH 122, page 13, line 10
3. FCC page I, Objects of Expenditure Grants, Claims
4. FCC page 41, CH 122, page 80, line 10
5. FCC page I, Objects of Expenditure, Personal Services line, CC column
6. Lead page - Loans & Grants line, Enacted (less Governor's Vetos) Total Column
7. FCC Lead page, Debt Service line, Enacted less Governor's Vetoes
8. Lead page enacted less Governor's Vetoes
9. Lead page enacted less Governor's Vetoes

BACKGROUND ON HB NO. 30

This bill has been requested by numerous vendors that do business with the State of Alaska. The State has become notorious for late payment of invoices, forcing many private vendors to borrow money to supplement their cash flow. This reduces their profit, and in some cases even eliminates it as the profit on articles is very marginal.

The bill is patterned after a federal law entitled "The Prompt Payment Act--Public Law 97-177". The Prompt Payment Act became effective October 1, 1982 and when it was introduced in Congress, it carried 133 sponsors.

The U. S. Army Comptroller in Fort Greely, Mr. Leonard Lemon, advised the Prompt Payment Act has improved their payment schedule and payment of invoices has become routine and very prompt.

In a poll conducted by the National Federation of Independent Business, 3312 businesses in Alaska were in favor of this bill.

In the past the State has placed a very high fiscal note on this bill and the State Administration claims it will have to completely reorganize its accounting system in order to fulfill the requirements set forth in this bill. If this is so, then it should be done as this is an indicator our State's method of handling accounts payable is inefficient and needs modifying.

Businessmen in Alaska need this bill--they have requested it. Their request is not unreasonable and should be supported by elected representatives of their community.

ANALYSIS OF HB NO. 30

"An Act relating to payment for purchase by the State; and providing for an effective date".

Section 1 (a) Requires the agency to pay on a required payment date as defined under terms of a contract or 30 days after receipt of proper invoice.

Subsection (b) Provides for the State to take advantage of any discounts offered by a vendor and if invoice is paid on time, the State agency will deduct the amount of the discount offered from the total amount of the invoice.

Subsection (c) Establishes the rate of interest at 1.5% per month that must be paid by the State for past due balance -- also provides for the exclusion of interest in the event the seller and the State have mutual agreement.

Subsection (d) 1. Exempts purchases of more than \$500,000 from the provisions of the bill.

Subsection (d) 2. Provides for an exemption in the event the State notifies the vendor or seller of a dispute in the invoice.

3. Exempts public works contracts.

Subsection (e) Provides that any interest incurred by lack of prompt payment will be charged to the budget of the department involved.

Subsection (f) 1. Defines dispute as non-compliance, in performance or price with the terms of the contract, as determined by administering State Officer.

Subsection (f) 2. Defines when payment is made.

Subsection (f) 3. Defines a state agency

Section 2. Exempts and contracts entered into before the effective date from this Act's provisions.

Section 3. Provides an effective date of July 31, 1983.

Chapter 45. Trade Practices.

Article

1. Interest (§ 45.45.010)
2. Collection of Advance Interest (§ 45.45.080)
5. Regulation of Motor Vehicle Repairs (§ 45.45.240)
6. Motor Vehicle Warranties (§§ 45.45.300 — 45.45.360)

Article 1. Interest.

Section

10. Legal rate of interest

Sec. 45.45.010. Legal rate of interest. (a) The rate of interest in the state is 10.5 percent a year and no more on money after it is due except as provided in (b) of this section.

(b) No interest may be charged by express agreement of the parties in a contract or loan commitment which is more than five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District on the day on which the contract or loan commitment is made. A contract or loan commitment in which the principal amount exceeds \$25,000 is exempt from the limitation of this subsection.

(c) *[Repealed, § 3 ch 84 SLA 1973.]*

(d) *[Repealed, § 2 ch 94 SLA 1981.]*

(e) *[Repealed, § 4 ch 146 SLA 1974.]*

(f) No bank, credit union, savings and loan institution, pension fund, insurance company or mortgage company may require or accept any percent of ownership or profits above its interest rate. This subsection does not apply to a loan if the principal amount of the loan is \$1,000,000 or more and the term of the loan is five years or more.

(g) Loan contracts and commitments covering one- to four-family dwellings may be prepaid without penalty, except federally insured loans that require a prepayment penalty.

(h) If the limitations on interest rates provided for in this section are inconsistent with the provisions of any other statute covering maximum interest, service charges or discount rates then the provisions of the other statute prevail. (§ 25-1-1 ACLA 1949; am § 20 ch 143 SLA 1968; am § 2 ch 69 SLA 1969; am §§ 1, 2 ch 94 SLA 1969; am §§ 1, 2 ch 239 SLA 1970; am §§ 1 — 3 ch 84 SLA 1973; am §§ 1 — 4 ch 146 SLA 1974; am § 1 ch 110 SLA 1976; am § 1 ch 159 SLA 1976; am § 2 ch 107 SLA 1980; am §§ 1, 2 ch 94 SLA 1981; am § 1 ch 56 SLA 1982)

Cross references. — As to alternate technology and power resource loans, see AS 45.88.030(e).

Effect of amendments. — The 1981 amendment, in subsection (b), deleted "dated after June 4, 1976" following "contract or loan commitment" and substi-

tuted "on the day on" for "that prevailed on the 25th day of the month preceding the commencement of the calendar quarter during" preceding "which the contract" in the first sentence and substituted "\$25,000" for "\$100,000" preceding "is exempt" in the second sentence. The

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Cross references. — As to limitation of home rule power regarding municipal exemption on contractor bond requirements, see AS 29.13.100(38). As to requirement that a municipality use ordinances to exempt contractors from compliance with general requirements relating to certain bonds, see AS 29.48.130(a)(12).

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982.

Collateral references. — Right of municipal corporation to recover back from contractor payments made under contract violating competitive bidding statute. 33 ALR3d 397.

Liability of municipality on quasi contract for value of property or work furnished without compliance with bidding requirements. 33 ALR3d 1164.

Municipal property as subject to mechanic's lien. 51 ALR3d 657.

Chapter 90. Miscellaneous Provisions.

Section

01. Public construction contract payments

Sec. 36.90.001. Public construction contract payments. (a) The state shall initiate procedures to pay the contractor under a public construction or public work contract within 15 days after the contractor submits to the state a bill for materials provided or services performed and a sworn statement that all employees employed on the project by the contractor and all subcontractors have been paid not less than the established prevailing rate of pay as determined and published by the Department of Labor.

(b) If the state fails to make a payment due the contractor under this section within 30 days after receiving a contractor's billing, the state shall pay interest to the contractor under AS 45.45.010(a) on the amount due.

(c) The state or a political subdivision of the state is liable to a contractor registered under AS 08.18 for interest at the rate provided in AS 45.45.010(a) on retainage on a contract for public works or public construction. Interest on retainage accrues from the date of approval of a pay estimate until the date of payment to the contractor. A contract provision purporting to waive the interest provisions of this subsection is void as contrary to public policy.

(d) A political subdivision that has a population of 500 or less is exempt from the payment of interest provided in (c) of this section.

(e) A political subdivision that receives a state grant for a public construction or public works project may use money from the state grant to pay the interest on retainage under contracts for the project as required by (c) of this section. (§ 1 ch 85 SLA 1982)

Editor's notes. — Section 3, ch. 85, SLA 1982, provides: "The provisions of this Act

apply to contracts entered into after the effective date of this Act [July 1, 1982]."

Offered: 2/20/85
Referred: Finance

Original sponsor: Shultz

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 30 (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 payment for purchases by the
7 state; and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read:

10 Sec. 37.05.275. PAYMENT FOR STATE PURCHASES. (a) Payment for
11 purchases of goods or services provided a state agency must be made on
12 a required payment date that is

13 (1) the date on which payment is due under the terms of a
14 contract; or

15 (2) 30 days after receipt of a proper invoice for the
16 amount of the payment due, if a specific date on which payment is due
17 is not established by contract and if the invoice contains or is
18 accompanied by documents required by the contract or purchase order.

19 (b) If a seller offers a discount from the amount otherwise due
20 for property or services in exchange for payment within a specified
21 period of time, the state agency may make payment in an amount equal
22 to the discounted price only if payment is made within the specified
23 period of time.

24 (c) If payment for goods or services purchased by the state is
25 not made within 30 days of a required payment date under (a)(1) of
26 this section or on the required payment date specified in (a)(2) of
27 this section, the state shall pay interest on the unpaid balance from
28 the date of receipt of the proper invoice for the goods or services at
29 the rate provided by AS 45.45.010(a) unless an agreement exists

1 between the seller and the state that precludes the charging of inter-
2 est.

3 (d) This section does not apply

4 (1) if the cost of the goods or services purchased exceeds
5 \$500,000;

6 (2) to payment for specific goods or services in dispute
7 after a seller of goods or services receives notice from the state
8 official responsible for authorizing payment for goods and services
9 that the amount of the invoice or quality of specific goods or ser-
10 vices is in dispute and stating the reasons for the dispute; the state
11 agency shall pay for the specific goods or services in dispute within
12 30 days after resolution of the dispute; or

13 (3) to a contract covered by AS 36.90.001.

14 (e) Interest paid under (c) of this section shall be charged to
15 the budget of the state agency that purchased the goods or services.

16 (f) In this section

17 (1) "dispute" means a determination by the state official
18 responsible for authorizing the payments for the purchase of goods or
19 services that the performance or price charged is not in compliance
20 with the terms of the contract or purchase order;

21 (2) payment is considered made on the date when the payment
22 is personally delivered to the seller or agent of the seller or on the
23 date the payment is mailed;

24 (3) "state agency" has the meaning given in AS 37.05.400
25 and also includes the legislative and judicial branches.

26 * Sec. 2. This Act does not apply to contracts entered into before the
27 effective date of this Act.

28 * Sec. 3. This Act takes effect October 1, 1985.

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

1 IN THE HOUSE

BY SHULTZ

2

HOUSE BILL NO. 30

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 payment for purchases by the
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is not established by contract and if the invoice contains or is

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accompanied by documents required by the contract or purchase order.

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(b) If a seller offers a discount from the amount otherwise due

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for property or services in exchange for payment within a specified

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period of time, the state agency may make payment in an amount equal

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to the discounted price only if payment is made within the specified

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period of time.

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8 state official responsible for authorizing payment for goods and
9 services that the amount of the invoice or quality of specific goods
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24 * Sec. 2. This Act does not apply to contracts entered into before the
25 effective date of this Act.

26 * Sec. 3. This Act takes effect October 1, 1985.

COMMITTEE REPORT
SENATE

FURTHER:

3/14/85

Date 4/24/85

Mr. President

The Committee on FINANCE considered CSHB 30 (Fin)
payment for purchases by the state; end.

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
(Adopted HFC FN)
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

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Chairman recommendation

cc
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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB30 (Fin)
Title: Payment for purchases

FISCAL DETAIL

Agency Affected: All
Program Category Affected: All

Sponsor: Representative Shultz
Requestor: House Finance
Date of Request: 2/26/85

BRU, Program or Subprogram(s) Affected:
All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FI 85	FI 86	FI 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		-0-				
400 SUPPLIES		-0-				
500 EQUIPMENT		-0-				
500 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS		-0-				
800 MISCELLANEOUS		-0-				
TOTAL OPERATING		-0-				
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS:

/ The purpose of this legislation is to encourage state agencies to pay bills on time. It would be contrary to this purpose to appropriate funds for interest payments or related staff costs. It is the House Finance Committee's intent that any funds needed be absorbed within an agency's existing budget.

Prepared By: Al Adams - Chairman Phone: 465-3706
Division: House Finance Committee Date: 2/26/85

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: 3/4/85
For Today's Calendar

Original sponsor: Shultz

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 30 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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16 amount of the payment due, if a date on which payment is due is not
17 established by contract and if the billing contains or is accompanied
18 by documents required by the contract or purchase order.

19 (b) If a seller offers a discount from the amount otherwise due
20 for property or services in exchange for payment within a specified
21 period of time, the state agency may make payment in an amount equal
22 to the discounted price only if payment is made within the specified
23 period of time.

24 (c) If payment for goods or services purchased by the state is
25 not made on or before a required payment date under (a) of this sec-
26 tion, the state shall pay interest on the unpaid balance from the
27 required payment date at the rate of 1.5 percent a month, unless an
28 agreement exists between the seller and the state that establishes a
29 lower rate of interest or precludes the charging of interest. If the

1 interest-bearing period of time is either (1) a fraction of a month or
2 (2) one or more full months plus a fraction of a month, the state
3 agency shall pay the same amount of interest for the fraction of a
4 month as it would pay for a full month.

5 (d) This section does not apply

6 (1) if the cost of the goods or services purchased exceeds
7 \$500,000;

8 (2) to payment for specific goods or services in dispute
9 after a seller of goods or services receives notice from the state
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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Handwritten notes:
20
5.4

Page 1 of 4

Revision Date:

Page 1 of 4

REQUEST

Bill/Resolution No.: CS HB30 (SA)
 Title: Relating to Payment for
Purchases by the State
 Sponsor: Schultz
 Requestor: House State Affairs
 Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: All
 Program Category Affected: All
 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 SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0
FEDERAL FUNDS						
OTHER						
TOTAL	0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Kenneth E. Bischoff *KES*
 Division: Finance

Phone: 465-2240

Date: February 15, 1985

Approved by Commissioner: Lisa Rudd *A. Stamm*
 Agency: Department of Administration *for*

Date: 2-18-85

Distribution (by Agency preparing fiscal note):

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

Fiscal Note AnalysisCS HB 30 (SA)

The issue of timely payment for State purchases has been before the Legislature for several sessions. It is clearly desirable that the State pay for its purchases as promptly as possible. This proposal will cause the State to have to choose between verifying invoiced charges to avoid questionable payments, and short-cutting review procedures to avoid penalty interest payments.

Currently, the average payment time for the State is 25 days from the vendors' invoicing date to the paying warrant date. Generally, those agencies which show payment time in excess of 30 days are:

1. Military Affairs
2. Fish and Game
3. Corrections
4. Alaska Court System

These four agencies have a wide network of field locations, causing delays in verification and transmission of invoices.

To decrease the penalties under this legislation, State agencies will incur costs for increased staff to track and pay all purchase invoices within this legislation's time constraints. It is hard to arrive at a definite cost for this legislation, but by using various assumptions, such as that \$1,997.2 million of a \$4.7 billion dollar budget is for vendor payments and that 5% will fall under the interest penalty provisions, and that all penalty payments are made within 60 days of receipt of invoice, then an estimated interest penalty cost of \$1.7 million ($\$1,997.2 \text{ million} \times .05 \times 10.5\%/12 \text{ mos.} \times 2 \text{ mos.}$) would occur. It is estimated that additional effort required of the agencies to track and make timely payments for purchases would cost the State about \$1.0 million.

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It appears to us that this Bill is not consistent. In Section 1(c), to pay interest from the date of receipt of the invoice is not consistent with another provision that allows us a period of 30 days to make payment without penalty. The penalty should start accruing on the 30th day after receipt of the invoice.

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9. Lead page enacted less Governor's Vetoes



University of Alaska
Statewide System of Higher Education
Fairbanks, Alaska 99701

RECEIVED MAR 14 1985

March 8, 1985

The Honorable Don Bennett
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

Last week the House passed CSHB 30 (Fin), "An Act relating to the payment for purchases by the state; and providing for an effective date." The bill has been forwarded to the Senate for your consideration.

The purpose of this legislation is to encourage state agencies (including the University of Alaska) to pay bills on time. It requires that interest be paid by agencies if payment is not made within 30 days after receipt of an invoice.

While I understand the public policy purposes which lead to the introduction of this legislation, it causes some trouble for the University of Alaska because of the distance between receiving units and paying offices. This problem is especially severe for community college and rural education centers. Due to delays in mail service between these units and the CCREE division office in Anchorage, it is occasionally impossible to pay within 30 days. In an era of reduced budgets, it is unfortunate that these small units will be forced to dig deeper into their budgets to pay for goods received. Would it be possible to (a) exempt from the legislation goods or services provided to a state agency in rural areas or (b) allow an additional 30 days for goods or services provided to a state agency in rural areas?

The second problem is one which could affect all state agencies. The legislation provides that payment must be paid within 30 days of invoice, without speaking to whether goods or services have been received. Given

Senator Don Bennett
March 8, 1985

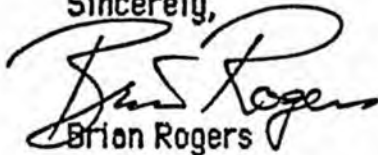
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the potential for fraudulent billing of state agencies, and the difficulty in receiving reimbursement for improper payments, we believe it is essential that goods or services be received before the 30 day period begins. This could be taken care of by an amendment to page 1 lines 15-18 which reads:

"(2) 30 days after receipt of a proper billing for the amount of the payment due, or 30 days after receipt of the goods and services purchased, whichever is later, if a date on which payment is due is not established by contract and if the invoice contains or is accompanied by documents required by the contract or purchase order."

I appreciate your consideration of the University of Alaska's concerns with this legislation. Please do not hesitate to contact me if you have any questions.

Sincerely,



Brian Rogers
Director of Budget Development

- cc: Senator John Sackett, Chairman, Senate Finance
Senator Jan Faiks, Chairman, Senate Finance
Senator Bettye Fahrenkamp, Chairman, Senate HESS
Representative Richard Schultz, prime sponsor
Wendy Radman, Director of Government Relations, UA system

BACKGROUND ON HB NO. 30

This bill has been requested by numerous vendors that do business with the State of Alaska. The State has become notorious for late payment of invoices, forcing many private vendors to borrow money to supplement their cash flow. This reduces their profit, and in some cases even eliminates it as the profit on articles is very marginal.

The bill is patterned after a federal law entitled "The Prompt Payment Act--Public Law 97-177". The Prompt Payment Act became effective October-1, 1982 and when it was introduced in Congress, it carried 133 sponsors.

The U. S. Army Comptroller in Fort Greely, Mr. Leonard Lemon, advised the Prompt Payment Act has improved their payment schedule and payment of invoices has become routing and very prompt.

In a poll conducted by the National Federation of Independent Business, 3312 businesses in Alaska were in favor of this bill.

In the past the State has placed a very high fiscal note on this bill and the State Administration claims it will have to completely reorganize it's accounting system in order to fulfill the requirements set forth in this bill. If this is so, then it should be done as this is an indicator our State's method of handling accounts payable is inefficient and needs modifying.

Businessmen in Alaska need this bill--they have requested it. Their request is not unreasonable and should be supported by elected representatives of their community.

ANALYSIS OF HB NO. 30

"An Act relating to payment for purchase by the State; and providing for an effective date".

Section 1 (a) Requires the agency to pay on a required payment date as defined under terms of a contract or 30 days after receipt of proper invoice.

Subsection (b) Provides for the State to take advantage of any discounts offered by a vendor and if invoice is paid on time, the State agency will deduct the amount of the discount offered from the total amount of the invoice.

Subsection (c) Establishes the rate of interest at 1.5% per month that must be paid by the State for past due balance -- also provides for the exclusion of interest in the event the seller and the State have mutual agreement.

Subsection (d) 1. Exempts purchases of more than \$500,000 from the provisions of the bill.

Subsection (d) 2. Provides for an exemption in the event the State notifies vendor or seller of a dispute in the invoice.

3. Exempts public works contracts.

Subsection (e) Provides that any interest incurred by lack of prompt payment will be charged to the budget of the department involved.

Subsection (f) 1. Defines dispute as non-compliance, in performance or price with the terms of the contract, as determined by administering State Officer.

Subsection (f) 2. Defines when payment is made.

Subsection (f) 3. Defines a state agency

Section 2. Exempts and contracts entered into before the effective date from this Act's provisions.

Section 3. Provides an effective date of July 31, 1983.

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

3/5/85

Date 03/14/85

Mr. President

The Committee on STATE AFFAIRS considered CSHB 30(Fin)
relating to payment for purchases by the state; 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

1 Edwin De Vries
 * Tim Kelly

MEMBERS HAVING
OTHER RECOMMENDATIONS

3 Whisper "notes"
 2 Bill Kay DO PASS IF COST
 TO THE STATE IS PRACTICAL

1 [Signature]
 Chairman
[Signature]
 Chairman recommendation