

SCOMMM

#18:17

Introduced: 2/22/79
Referred: Special Permanent
Fund Committee and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE JOINT RESOLUTION NO. 23

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to finance.

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

9 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska,
10 is amended to read:

11 Section 15. ALASKA PERMANENT FUND. At least seventy-five
12 [TWENTY-FIVE] per cent of all mineral lease rentals, royalties, royalty
13 sale proceeds, and federal mineral revenue sharing payments, one
14 hundred per cent of all [AND] bonuses received by the State, and one
15 hundred per cent of all revenue received by the State from the sale of
16 land, except land-sale revenue pledged, before or after the effective
17 date of this amendment, to repay bonds, shall be placed in a permanent
18 fund, the principal of which shall be used only for those income-
19 producing investments specifically designated by law as eligible for
20 permanent fund investments. All income from the permanent fund shall
21 be deposited in the general fund unless otherwise provided by law.

22 * Sec. 2. EFFECTIVE DATE. The increase from twenty-five per cent of
23 mineral revenue to seventy-five per cent of certain mineral revenue and the
24 increase to include all bonuses, in sec. 1 of this resolution, become
25 effective on July 1, 1981.

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

SUBJECT: Permanent fund

TO:

FROM: Billy G. Berrier, Director
Division of Legal Services

You have requested my comments on the legal implications of the words "permanent" and "income producing" as used in the constitutional amendment authorizing the permanent fund on the legal standards and guides the legislature may wish to establish in legislation.

The relevant provision is Section 15, of Article IX which reads:

"Section 15 ALASKA PERMANENT FUND. At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law".

It is clear from the wording of the amendment itself and from the surrounding context that the concept is that a fund be created in which a portion of the mineral revenues of the state would be set aside in order to insure preservation for the future of that portion of the revenue. There can be no legitimate question that the objective is preservation of that portion as capital for the long term use of the state and its people and prevention of uses which are expedient in the short term but which would dissipate the capital of the fund. The paramount consideration must be the probable safety of the capital of the fund to be invested.

The term "permanent" as used three times in the body of the amendment and in the title of the fund would be read in the normal sense of that word since that reading is consistent with the context of the amendment, with the legislative and public discussion of the amendment, and with the understanding that the voters would be presumed to have in approving the amendment.

While the permanent fund is not a trust in the technical legal meaning of the term, the protection of capital required has substantial similarities to the requirements binding upon a trustee. This requirement is commonly referred to as the prudent-man rule. There have been numerous cases on this rule and many commentators have set out reasonable similar statements of the rule. A good statement is found in Scott on Trusts 3rd Ed in Sec. 227 (pages 1805 - 1806) which reads:

"The only general rule which can be laid down as to investments is that the trustee is under a duty to make such investments as a prudent man would make of his own property having primarily in view the preservation of the estate and the amount and regularity of the income to be derived. In various forms this rule has been stated in innumerable cases. It involves three elements, namely care and skill and caution. The trustee must exercise a reasonable degree of care in selecting investments. He must exercise a reasonable degree of skill in making the selection. He must, in addition, exercise the caution which a prudent man would exercise where a primary consideration is the preservation of the funds invested."

This rule would seem to adequately set out the general parameters constitutionally required for permanent fund investments of principal. It would apply at two stages of the process. The legislature would be bound to apply it in exercising the duty to circumscribe and delineate investments required under the limitation in the constitution reading:

"...the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investment. (emphasis added)

The managers of the fund are given no constitutional discretion under this clause. The discretion is lodged exclusively in the legislature; and, if the objectives of the permanent fund are to be attained, investments specifically designated by law as eligible for permanent fund investment must also meet the criteria of having as a primary consideration the preservation of the funds invested.

The legislation, however, would not be expected to detail the permissible investments. It would presumably designate specific investment categories and create a management structure for the fund which would make the specific decisions as to which investments are to be made. Here again, the prudent-man rule would be applicable. In addition to designating specific categories of investment, any legislation should also establish guidelines for the fund management which are consistent with the objective of the fund. The need for this arises because within a class which as a class meets the objectives of preservation of the funds invested, some specific investments would still not be made by a prudent man. Possibly this could be largely avoided by using an ultra restrictive approach to allowable categories of investment but this approach would create or exacerbate other problems.

The primary difficulty with an ultra restrictive approach to allowable investments is that, as a matter of law, the problem of inflation would not be a factor in investment decisions. It can be reasonably assumed that inflation to some degree may be anticipated.

The argument has been made that inflation can realistically be anticipated to occur, that if principal is not increased in an amount to compensate for inflation the real value of the principal will decline even though the nominal value is maintained and that the duty of a prudent investor is to maintain the real value of the principal. Therefore, failure to account for inflation in investment policy violates the prudent-man rule of investment. I have found no authority to support this argument as a legal requirement. Factually, the argument would fall here. The constitutional amendment makes a clear distinction between principal which is permanent and income which is subject to expenditure by the normal appropriation process unless the legislature directs otherwise. At the time the amendment was adopted, inflation had occurred at an extremely high rate in the immediate past so it must be assumed that both the legislature and the public were conscious of inflationary effect. It would therefore, to support this argument, require assuming that investments which would have a capital appreciation, entirely apart from income earned, which is at least equal to inflation are the only permissible investments. This does not seem reasonable.

The argument that inflation must be taken into account does not seem valid here but that does not mean that inflation may not, or even that it should not, be taken into account. There is no reason that legislation establishing the management of the permanent fund and the disposition of fund income should not address this problem directly. I have suggested earlier that the legislation needs to establish standards for investments to avoid having to specify only ultra restrictive investments. The legislation could also require that the possible effects of inflation be a consideration in investment decisions made by the fund managers.

The term "income-producing" as used in the amendment presents serious conceptual difficulties. In context, this could simply be a restatement of the normal duty to make productive investments. In relation to trusts this has been stated:

"It is the duty of a trustee to preserve the trust property and make it productive. It is ordinarily his duty to invest trust funds in such a way as to receive an income without improperly risking the loss of principal." (Scott on Trusts 227 p. 1805)

However, as stated earlier, the permanent fund is not a trust in the technical legal sense. Simply carrying over the trustee's duty could be misleading.

The term "income-producing" is not a term of art and has no fixed legal meaning differing from the conventional meaning of the term. It is possible that a court would hold that the term implies that maximum income consistent with safety of principal must be the exclusive criteria for investment. This would be consistent with trust law but it appears that the amendment contemplates broader considerations as well. It would appear more likely that other considerations, such as the effect particular investments would have on furthering public purposes other than maximization of income, could also be given weight. Some examples of other public purposes are providing jobs, improvement of the Alaskan economy and economic diversification.

It is clear that production of income is a necessary goal of each investment; it is probably that maximization of income consistent with safety of principal must be a major goal, ; but it appears unlikely that a court would hold that this must be the exclusive goal of permanent fund investment policy.

While the investment of the permanent fund differs from investment of state treasury surplus funds in several respects including the specific requirement of income producing investment of permanent fund principal, both have as major goals protection of principal and production of income. It is interesting to note that state treasury surplus fund investment specifies policy goals additional to the primary goals. On this point AS 37.10.075(f) provides:

(f) Investment policy shall be formulated by the commissioner of revenue who shall be advised by a committee appointed by the governor which shall contain representation from the legislature. In formulating investment policy they shall consider maximum income and safety as governed by the prudent-man rule and the benefit to the private and public sectors of the economy in terms of increased housing and commercial credit, stimulated business activity, increased employment, support of the market for state and local bonds, increased public revenue together with the possible inflationary effect of the investment, and (h) and (i) of this section.

The question of what the term means as a matter of law will almost certainly be decided by the courts on a case by case basis. The questions involved are complex and change over time. In reasonably similar instances, the courts have refused to provide a general definition. For example the Alaska court in dealing with the term "capital improvements" as used in the Alaska Constitution said:

"We believe it would be unwise for this court to attempt to provide an abstract definition of "capital improvements." We have concluded that it is beyond human ability to permanently circumscribe with mere words at a given point in time a concept which though limiting in aspect, is otherwise intended to provide a broad, permanent and continuing authority for municipalities to finance present as well as unforeseeable future needs." (Juneau v. Hixon 373 P2d 743 (Alaska 1962))

While it is my opinion the courts will be liberal in sustaining the reasonable expectations of the legislature and the fund managers, they are unlikely to allow investments which cannot reasonably be anticipated to produce maximum current income consistent with safety of principal modified by application of other permissible public policy considerations. It appears certain that investments which cannot reasonably be anticipated to produce direct income would not be allowed.

BGB:jpd

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

March 29, 1979

DEPARTMENT OF REVENUE
MAR 29 1979
POLICY DEVELOPMENT & PLANNING

Fran Ulmer, Director
Division of Policy Development
& Planning
Office of the Governor
Pouch AD
Juneau, AK 99811

Dear Ms. Ulmer:

I am enclosing the projections relative to permanent fund moneys which you requested.

The assumptions include a 25% permanent fund contribution rate through FY 81, and 75% thereafter. The earnings on the permanent fund are assumed to be 7% each year from FY 82 through FY 95. The earnings prior to this period range from 6.5% to 7%.

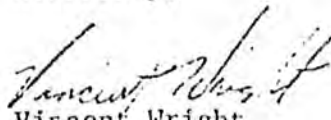
I have enclosed two basic scenarios: one which assumes 50% of the earnings from the permanent fund are deposited into the permanent fund balance, and the other which assumes that 100% of the earnings from the permanent fund are deposited into the general fund balance.

The three cases relative to expenditure growth are a balanced budget, a 10% expenditure growth rate compounded annually, and a balanced budget constrained by a 10% expenditure growth factor.

The pricing, inflation, employment, and other assumptions concerning petroleum and non-petroleum revenues are based on the assumptions utilized in the Department of Revenue's January Revenue Forecast. The particular Forecast I refer to also assumes a 50% probability that the gas line will be built and sustains deliveries of 2.0 Bcf/D as early as 1985.

If you have any questions, feel free to call.

Sincerely,


Vincent Wright
Chief of Research

VW:elm
Enclosures

BALANCED BUDGET APPROACH

FY	TOTAL GF PETROLEUM (GROSS)	TOTAL GF NON-PETRO REVENUE (LESS INTEREST)	TOTAL INTEREST REVENUE	TOTAL GF REVENUE (GROSS)	(LESS) STATE NATIVE CLAIMS PAYMENT	(LESS) PF CONTRIBUTION	TOTAL GF REVENUE (NET)	GF EXPENDITURES	GF BALANCE	PF BALANCE
79	793.8	311.7	42.0	1,147.5	41.6	75.2	1,030.7	1,087.6	522.6	129.9
80	861.8	319.1	45.0	1,225.8	50.8	90.7	1,084.3	1,030.0	576.9	220.6
81	1,072.2	350.5	60.4	1,483.1	68.5	117.8	1,296.8	1,296.8	576.9	338.4
82	1,525.3	399.4	68.1	1,992.8	96.8	488.7	1,407.3	1,407.3	576.9	827.1
83	1,708.9	462.2	98.3	2,269.4	112.8	563.7	1,592.9	1,592.9	576.9	1,390.8
84	1,888.7	526.3	137.7	2,552.7	104.3	640.2	1,808.2	1,808.2	576.9	2,031.0
85	2,050.3	599.4	182.6	2,832.3	-0-	710.1	2,122.2	2,122.2	576.9	2,741.1
86	2,271.5	641.1	232.3	3,145.2	-0-	810.0	2,335.2	2,335.2	576.9	3,551.1
87	2,462.9	686.3	289.0	3,438.2	-0-	890.4	2,547.8	2,547.8	576.9	4,441.5
88	2,647.8	734.3	351.3	3,733.4	-0-	968.1	2,765.3	2,765.3	576.9	5,409.6
89	2,826.8	785.7	419.1	4,031.6	-0-	1,047.3	2,984.3	2,984.3	576.9	6,456.9
90	2,955.1	840.7	492.4	4,288.2	-0-	1,105.8	3,182.4	3,182.4	576.9	7,562.7
91	2,975.2	899.5	569.8	4,444.5	-0-	1,121.1	3,323.4	3,323.4	576.9	8,683.8
92	2,828.9	962.5	648.2	4,439.6	-0-	1,068.9	3,370.7	3,370.7	576.9	9,752.7
93	2,364.1	1,029.9	723.1	4,117.1	-0-	888.9	3,228.5	3,228.5	576.9	10,641.3
94	2,082.7	1,102.0	785.3	3,970.0	-0-	780.9	3,189.1	3,189.1	576.9	11,422.2
95	1,921.9	1,179.1	839.9	3,940.0	-0-	714.0	3,226.9	3,226.9	576.9	12,136.2

Department of Revenue/Research/March 22, 1979

10% EXPENDITURE GROWTH APPROACH

FY	TOTAL GF PETROLEUM (GROSS)	TOTAL GF NON-PETRO REVENUE (LESS INTEREST)	TOTAL INTEREST REVENUE	TOTAL GF REVENUE (GROSS)	(LESS) STATE NATIVE CLAIMS PAYMENT	(LESS) PF CONTRIBUTION	TOTAL GF REVENUE (NET)	GF EXPENDITURES	GF BALANCE	PF BALANCE
79	793.8	311.7	42.0	1,147.5	41.6	75.2	1,030.7	1,087.6	522.6	129.9
80	861.7	319.1	45.0	1,225.8	50.8	90.7	1,084.3	1,030.0	576.9	220.6
81	1,072.2	350.5	60.4	1,483.1	68.5	117.8	1,296.8	1,133.0	740.7	338.4
82	1,525.3	399.4	75.5	2,000.2	96.8	488.7	1,414.7	1,246.3	909.1	827.1
83	1,708.9	462.2	121.5	2,292.6	112.8	563.7	1,616.1	1,370.0	1,154.3	1,390.8
84	1,888.7	526.3	178.2	2,593.2	104.3	640.2	1,848.7	1,508.0	1,495.0	2,031.0
85	2,050.3	599.4	246.8	2,896.5	-0-	710.1	2,186.4	1,658.8	2,022.6	2,741.1
86	2,271.5	641.4	333.5	3,246.4	-0-	810.0	2,436.4	1,824.7	2,634.4	3,551.1
87	2,462.9	686.3	433.0	3,582.2	-0-	890.4	2,691.8	2,007.2	3,318.9	4,441.5
88	2,647.8	734.3	543.2	3,925.3	-0-	968.1	2,957.2	2,207.9	4,068.2	5,409.6
89	2,826.8	785.7	663.4	4,275.9	-0-	1,047.3	3,228.6	2,428.7	4,868.1	6,456.9
90	2,955.1	840.7	792.8	4,588.6	-0-	1,105.8	3,482.8	2,671.6	5,679.3	7,562.7
91	2,975.2	899.5	926.9	4,801.6	-0-	1,121.1	3,608.5	2,938.7	6,421.1	8,683.8
92	2,828.9	962.5	1,057.3	4,848.7	-0-	1,068.9	3,779.8	3,232.6	6,968.3	9,752.7
93	2,364.1	1,029.9	1,170.5	4,564.5	-0-	888.9	3,675.6	3,555.8	7,088.1	10,641.3
94	2,082.7	1,102.0	1,241.1	4,425.8	-0-	780.9	3,644.9	3,911.4	6,821.6	11,422.2
95	1,921.9	1,179.1	1,277.1	4,378.1	-0-	714.0	3,664.1	4,302.6	6,183.1	12,136.2

Department of Revenue/Research/March 22, 1979

BALANCED BUDGET NOT TO EXCEED 10%

FY	TOTAL GF PETROLEUM (GROSS)	TOTAL GF NON-PETRO REVENUE (LESS INTEREST)	TOTAL INTEREST REVENUE	TOTAL GF REVENUE (GROSS)	(LESS) STATE NATIVE CLAIMS PAYMENT	(LESS) PF CONTRIBUTION	TOTAL GF REVENUE (NET)	GF EXPENDITURES	GF BALANCE	PF BALANCE
79	793.8	311.7	42.0	1,147.5	41.6	75.2	1,030.7	1,087.6	522.6	129.9
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82	1,525.3	399.4	75.5	2,000.2	96.8	488.7	1,414.7	1,246.3	909.1	827.1
83	1,708.9	462.2	121.5	2,292.6	112.8	562.7	1,616.1	1,370.9	1,154.3	1,390.8
84	1,888.7	526.3	178.2	2,593.2	104.3	640.2	1,848.7	1,508.0	1,495.0	2,031.0
85	2,050.3	599.4	246.8	2,896.5	-0-	710.1	2,186.4	1,658.8	2,022.6	2,741.1
86	2,271.5	641.4	333.5	3,246.4	-0-	810.0	2,436.4	1,824.7	2,634.3	3,551.1
87	2,462.9	686.3	433.0	3,582.2	-0-	890.4	2,691.8	2,007.2	3,318.9	4,441.5
88	2,647.8	734.3	534.2	3,925.3	-0-	968.1	2,957.2	2,207.9	4,068.2	5,409.6
89	2,826.8	785.7	663.4	4,275.9	-0-	1,047.3	3,228.6	2,428.7	4,868.1	6,456.9
90	2,955.1	840.7	792.8	4,588.6	-0-	1,105.8	3,482.8	2,671.6	5,679.3	7,562.7
91	2,975.2	889.5	926.9	4,801.6	-0-	1,121.1	3,608.5	2,938.7	6,421.1	8,683.8
92	2,828.9	962.5	1,057.3	4,848.7	-0-	1,068.9	3,779.8	3,232.6	6,968.3	9,752.7
93	2,364.1	1,029.9	1,170.5	4,564.5	-0-	888.9	3,675.6	3,555.8	7,088.1	10,641.3
94	2,082.7	1,102.0	1,241.1	4,425.8	-0-	780.9	3,644.9	3,644.9	7,088.1	11,422.2
95	1,921.9	1,179.1	1,295.7	4,396.7	-0-	714.0	3,682.7	3,682.7	7,088.1	12,136.2

Department of Revenue/Research/March 23, 1979

BALANCED BUDGET APPROACH
(50% of Permanent Fund Earnings Back to Permanent Fund)

<u>FY</u>	<u>TOTAL GF PETROLEUM (GROSS)</u>	<u>TOTAL GF NON-PETRO REVENUE (LESS INTEREST)</u>	<u>TOTAL INTEREST REVENUE</u>	<u>TOTAL GF REVENUE (GROSS)</u>	<u>(LESS) STATE NATIVE CLAIMS PAYMENT</u>	<u>(LESS) PF CONTRIBUTION</u>	<u>TOTAL GF REVENUE (NET)</u>	<u>GF EXPENDITURES</u>	<u>GF BALANCE</u>	<u>PF BALANCE</u>
79	793.8	311.7	42.0	1,147.5	41.6	75.2	1,030.7	1,087.6	522.6	129.9
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81	1,072.2	350.5	60.4	1,483.1	68.5	117.8	1,296.8	1,296.8	576.9	338.4
82	1,525.3	399.4	42.2	1,966.9	96.8	488.7	1,381.4	1,381.4	576.9	838.9
83	1,708.9	462.2	69.8	2,240.9	112.8	565.7	1,564.4	1,564.4	576.9	1,432.0
84	1,888.7	526.3	90.5	2,505.5	104.3	640.2	1,761.0	1,761.0	576.9	2,122.3
85	2,050.3	599.4	114.7	2,764.4	-0-	710.1	2,054.3	2,054.3	576.9	2,906.7
86	2,271.5	641.1	142.1	3,054.7	-0-	810.0	2,244.7	2,244.7	576.9	3,818.4
87	2,462.7	686.3	174.0	3,323.2	-0-	890.4	2,432.8	2,432.8	576.9	4,842.4
88	2,647.8	734.3	209.9	3,592.0	-0-	968.1	2,623.9	2,623.9	576.9	5,980.0
89	2,826.8	785.7	249.7	3,862.2	-0-	1,047.3	2,814.9	2,814.9	576.9	7,236.6
90	2,955.1	840.7	293.7	4,089.5	-0-	1,105.8	2,983.7	2,983.7	576.9	8,595.7
91	2,975.2	899.5	341.2	4,215.9	-0-	1,121.1	3,094.8	3,094.8	576.9	10,017.6
92	2,828.9	962.5	391.0	4,182.4	-0-	1,068.9	3,113.5	3,113.5	576.9	11,437.1
93	2,364.1	1,029.9	440.7	3,834.7	-0-	888.9	2,946.1	2,946.1	576.9	12,726.3
94	2,082.7	1,102.0	485.8	3,670.5	-0-	780.9	2,889.6	2,889.6	576.9	13,952.6
95	1,921.9	1,179.1	528.7	3,629.7	-0-	714.0	2,915.7	2,915.7	576.9	15,154.9

Department of Revenue/Research/March 27, 1979

10% EXPENDITURE GROWTH APPROACH
(50% of Permanent Fund Earnings Back to Permanent Fund)

FY	TOTAL GF PETROLEUM (GROSS)	TOTAL GF NON-PETRO REVENUE (LESS INTEREST)	TOTAL INTEREST REVENUE	TOTAL GF REVENUE (GROSS)	(LESS) STATE NATIVE CLAIMS PAYMENT	(LESS) PF CONTRIBUTION	TOTAL GF REVENUE (NET)	GF EXPENDITURES	GF BALANCE	PF BALANCE
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81	1,072.2	350.5	60.4	1,483.1	68.5	117.8	1,296.8	1,133.0	740.7	338.4
82	1,525.3	399.4	63.7	1,988.4	96.8	488.7	1,402.9	1,246.3	897.3	838.9
83	1,708.9	462.2	92.2	2,263.3	112.8	563.7	1,586.8	1,370.0	1,114.1	1,432.0
84	1,888.7	526.3	128.1	2,543.1	104.3	640.2	1,798.6	1,508.0	1,404.7	2,122.3
85	2,050.3	599.4	172.6	2,822.3	-0-	710.1	2,112.2	1,658.8	1,858.1	2,906.7
86	2,271.5	641.4	231.8	3,144.7	-0-	810.0	2,334.7	1,824.7	2,368.1	3,818.4
87	2,462.9	686.3	299.4	3,448.6	-0-	890.4	2,558.2	2,007.2	2,919.1	4,842.4
88	2,647.8	734.3	373.8	3,755.9	-0-	968.1	2,787.8	2,207.9	3,499.0	5,980.0
89	2,826.8	785.7	454.2	4,066.7	-0-	1,047.3	3,019.4	2,428.7	4,089.7	7,236.6
90	2,955.1	840.7	539.6	4,335.4	-0-	1,105.8	3,229.6	2,671.6	4,647.7	8,595.7
91	2,975.2	899.5	626.1	4,500.8	-0-	1,121.1	3,379.7	2,938.7	5,088.7	10,017.6
92	2,828.9	962.5	706.8	4,498.2	-0-	1,068.9	3,429.3	3,232.6	5,285.4	11,437.1
93	2,364.1	1,029.9	770.3	4,164.3	-0-	888.9	3,275.4	3,555.8	5,005.0	12,726.3
94	2,082.7	1,102.0	795.8	3,980.5	-0-	780.9	3,199.6	3,911.4	4,293.2	13,952.6
95	1,921.9	1,179.1	788.8	3,889.8	-0-	714.0	3,175.8	4,302.6	3,166.4	15,154.9

Department of Revenue/Research/March 27, 1979

BALANCED BUDGET NOT TO EXCEED 10%
(50% of Permanent Fund Earnings Back to Permanent Fund)

<u>FY</u>	<u>TOTAL GF PETROLEUM (GROSS)</u>	<u>TOTAL GF NON-PETRO REVENUE (LESS INTEREST)</u>	<u>TOTAL INTEREST REVENUE</u>	<u>TOTAL GF REVENUE (GROSS)</u>	<u>(LESS) STATE NATIVE CLAIMS PAYMENT</u>	<u>(LESS) PF CONTRIBUTION</u>	<u>TOTAL GF REVENUE (NET)</u>	<u>GF EXPENDITURES</u>	<u>GF BALANCE</u>	<u>PF BALANCE</u>
79	793.8	311.7	42.0	1,147.5	41.6	75.2	1,030.7	1,087.6	522.6	129.9
80	861.7	319.1	45.0	1,225.8	50.8	90.7	1,084.3	1,030.0	576.9	220.6
81	1,072.2	350.5	60.4	1,483.1	68.5	117.8	1,296.8	1,133.0	740.7	338.4
82	1,525.3	399.4	63.7	1,988.4	96.8	488.7	1,402.9	1,246.3	897.3	838.9
83	1,708.9	462.2	92.2	2,263.3	112.8	563.7	1,586.8	1,370.0	1,114.1	1,432.0
84	1,888.7	526.3	128.1	2,543.1	104.3	640.2	1,798.6	1,508.0	1,404.7	2,122.3
85	2,050.3	599.4	172.6	2,822.3	-0-	710.1	2,112.2	1,658.8	1,858.1	2,906.7
86	2,271.5	641.4	231.8	3,144.7	-0-	810.0	2,334.7	1,824.7	2,368.1	3,818.4
87	2,462.9	686.3	299.4	3,448.6	-0-	890.4	2,558.2	2,007.2	2,919.1	4,842.4
88	2,647.8	734.3	373.8	3,755.9	-0-	968.1	2,787.8	2,207.9	3,499.0	5,980.0
89	2,826.8	785.7	454.2	4,066.7	-0-	1,047.3	3,091.4	2,428.7	4,089.7	7,236.6
90	2,955.1	840.7	539.6	4,335.4	-0-	1,105.8	3,229.6	2,671.6	4,647.7	8,595.7
91	2,975.2	899.5	626.1	4,500.8	-0-	1,121.1	3,279.7	2,938.7	5,088.7	10,017.6
92	2,828.9	962.5	706.8	4,498.2	-0-	1,068.9	3,429.3	3,232.6	5,285.4	11,437.1
93	2,364.1	1,029.9	770.3	4,164.3	-0-	888.9	3,275.4	3,275.4	5,285.4	12,726.3
94	2,082.7	1,102.0	815.2	3,999.9	-0-	780.9	3,219.0	3,219.0	5,285.4	13,952.6
95	1,921.9	1,179.1	858.3	3,959.3	-0-	714.0	3,245.0	3,245.0	5,285.4	15,154.9

Department of Revenue/Research/March 27, 1979

AFTER RECESS

The Senate reconvened at 5:33 p.m.

INTRODUCTION AND REFERENCE OF SENATE RESOLUTIONS

SJR SENATE JOINT RESOLUTION NO. 26 by the Rules Committee by
26 request of the Governor,

Proposing an amendment to the Constitution
of the State of Alaska relating to finance,

was read the first time and referred to the State Affairs
Committee and the Finance Committee.

Governor's transmittal letter follows:

February 13, 1979

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under authority of art. III, sec. 18 of the Alaska
Constitution, I am transmitting for your consideration a
joint resolution to amend the provisions of article IX,
section 15, of the Alaska Constitution to increase the
amount of money to be deposited in the Alaska Permanent
Fund.

The revenue from our oil and gas resources has been
disappointingly low, and, as a consequence, the amounts
which will go into the permanent fund will not measure up
to our original expectations. At the same time, many
Alaskans, and I am among them, have come to conclude that
our original dedication was too meager in the first
place. The permanent fund cannot possibly be both a nest
egg for our future and a foundation for diversifying our
economy at the present level of dedication.

I propose, therefore, that the dedication from rentals,
royalties, royalty sales, and federal mineral revenue
sharing be increased from 25 percent to 75 percent. I
propose that all bonuses be dedicated in their entirety.
And I propose that land-sale revenue be added to the
dedication and that, with the exceptions discussed below,

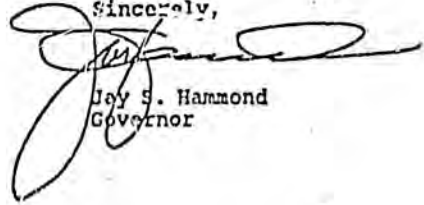
all of the latter be dedicated. The land is our capital,
and, as we convert it to money, it should remain capital,
that is, as a part of the permanent fund.

By necessary implication, any land-sale revenue which is
dedicated by federal law for another purpose is excepted
from this dedication. The federal law takes precedence.
The revenue from the University of Alaska's land is a
good example. The proposed amendment also expressly
exempts land-sale revenue pledged now or in the future to
repay bonds. This exemption allows the revenue to be
used as security for a proposed revenue-bond program for
financing our land disposal program. When it is no
longer used as security, it will be deposited into the
fund as well.

With the proposed increases in the permanent fund
dedications, the fund should acquire sufficient money to
permit the additional amounts to be used for development
banking activities as authorized by law. Without the
increases, I do not see how we can, in good faith, use any
of the permanent fund for that purpose.

I urge your favorable consideration.

Sincerely,



Jay S. Hammond
Governor

INTRODUCTION AND REFERENCE OF SENATE BILLS

SENATE BILL NO. 216 by Senators Hackney, Fahrenkamp, Meland,
Rodey, Stimson and Sturgulewski, entitled:

"An Act authorizing state aid to municipi-
palities for the construction and develop-
ment of cultural facilities."

was read the first time and referred to the Community and
Regional Affairs Committee and the Finance Committee.

SENATE BILL NO. 217 by Senator Sackett, entitled:

"An Act providing for an advisory com-
mittee on judicial sentencing practices;
and providing for an effective date."

was read the first time and referred to the Judiciary
Committee and the Finance Committee.