

SCOMM

45:1

SJR 4 PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO LIMITING INCREASES  
IN APPROPRIATIONS

AMENDED TITLE: FCCSM

PRIME SPONSORS: RULES

BY REQUEST OF: GOVERNOR

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
01/13/81	01	0014	FIRST READING -- COMMITTEE REPORTS	06/17/81	15	2173	FIRST READING -- COMMITTEE REPORTS
01/13/81	02	0014	GOV TRANSMITTAL LETTER	06/18/81	16	2234	FIN -- CS05, NR01, OTHER02
03/26/81	03	0559	MOVED FROM TRAN TO JUD BY UNAN CONSENT				
05/05/81	04	0956	JUD -- CS02, NR01	06/19/81	17	2266	SECOND READING
06/11/81	05	1450	FIN -- CS05	06/19/81	18	2267	AM TO HCS ADOPTED BY DIV 35-01-01
06/12/81	06	1465	RLS -- OTHER04	06/19/81	19	2268	FIN CS ADOPTED BY DIV 39-00-01
			TAKEN UP IMMEDIATELY	06/19/81	20	2268	ADVANCED TO 3RD READING BY UNAN CONSENT
06/12/81	07	1471	SECOND READING	06/19/81	21	2268	THIRD READING
06/12/81	08	1472	FIN CS ADOPTED BY DIV 16-03-01	06/19/81	22	2269	FAILED BY DIV 22-17-01
06/12/81	09	1472	AM01 NOT ADOPTED BY DIV 07-12-01	06/19/81	23	2269	NOTICE OF RECONSIDERATION GIVEN
06/12/81	10	1473	AM02 ADOPTED BY DIV 11-09-00	06/20/81	24	2290	PASSED ON RECONSIDERATN BY DIV 37-01-02
06/12/81	11	1474	AM03 ADOPTED BY DIV 14-06-00				
06/12/81	12	1474	ADVANCED TO 3RD READING BY UNAN CONSENT	06/21/81	26	2364	FAILED TO RECEDE FRM AMS BY DIV 00-40-00
06/12/81	13	1474	THIRD READING	06/21/81	27	2364	FCC -- MONTGOMERY FREEMAN O'CONNELL
06/12/81	14	1474	PASSED BY DIV 19-01-00	06/24/81	29	2602	CONF COMM DISBANDED BY UNAN CONSENT
				06/24/81	30	2602	FCC -- HALFORD BETTISWORT MALONE
06/21/81	25	1572	FAILD TO CONC IN (H) AMS BY DIV 00-19-01	07/13/81	34	0006	2ND FCC RECOMMENDS FCCS W/LTR OF INTENT
06/22/81	28	1599	FCC -- STURGULEWS KELLY COLLETTA	07/14/81	36	0008	ACT NO.026 NOT RESCINDED BY DIV 16-23-01
06/24/81	31	1744	CONF COMM DISBANDED BY UNAN CONSENT	07/15/81	37	0015	FCC REPORT ADOPTED BY DIV 27-13-00
06/24/81	32	1744	FCC -- RAY GILMAN FERGUSON				
07/13/81	33	0005	2ND FCC RECOMMENDS FCCS W/LTR OF INTENT				
07/14/81	35	0009	FCC REPORT ADOPTED BY DIV 15-04-01				
07/15/81	38	0013	TRANSMITTED TO GOVERNOR				
07/15/81	39	0014	SIGNED BY GOVERNOR				
NM 07/15/81	40	0014	F55-LEGISLATIVE RESOLVE NO. 1				

## CODE REVISION COMMISSION

Membership: John Abbott, CHAIRMAN  
Billy Berrier, EXECUTIVE SECRETARY  
Rep. Chuck Anderson  
Sen. Pat Rodey  
James Baldwin  
Jerry Kurtz

Office: 110 Seward Street  
Juneau, Alaska 99801

Phone: 465-4878

Staff: Catherine Walsh, Secy.

## LEGISLATIVE BUDGET & AUDIT

Membership: Sen. Arliss Sturgulewski, CHAIRWOMAN  
Rep. Sam Cotten, VICE-CHAIRMAN  
Rep. Al Adams  
Rep. Bob Bettisworth  
Sen. Ed Dankworth  
Sen. Bettye Fahrenkamp  
Rep. Russ Meekins  
Rep. Joe Montgomery  
Sen. Bob Mulcahy  
Sen. Terry Stimson  
~~Sen. Don Bennett~~

Office: 511 West Fourth, Suite 1  
Anchorage, Alaska 99501

Phone: 274-1627

Staff: Melissa Fousse, A.A.  
Steve Riger, A.A.

Office: Capitol, Room 508  
Pouch V  
Juneau, Alaska 99811

Phone: 465-3818

Staff: Margo Waring, A.A.  
Glen Svenson, A.A.

# Alaska State Legislature



Senate

SENATOR  
ARLISS STURGULEWSKI

COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit

Community & Regional Affairs  
Finance  
Resources

2957 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-B

While in Juneau  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3818

29 June 1981

TO: Senator Arliss Sturgulewski

FROM: Margo Waring  
Senior Policy Analyst

RE: Constitutional Spending Limit Amendment

As you requested, this memorandum summarizes the situation to date on the constitutional spending limit amendment and suggests approaches which may be followed during the special session.

First, I will summarize those aspects of the spending limit which appear to be areas of agreement. During discussions of the spending limit, most people came to agree that the base ought to be a number figure. Although many started with the concept of a base fiscal year, they moved to acceptance of a figure as the most direct expression of the base and the one most likely to avoid litigation. There was, however, disagreement on whether the base would apply to prior year appropriations or would simply be adjusted for population and inflation. This difference had more to do with political perceptions of legislative incentives to spend than with conceptual disagreements.

Regarding the formula for annual adjustment, there appears to be agreement that the base should be adjusted for increases or decreases in population and inflation. However, parties did disagree as to the specificity of language regarding indexes of population and inflation. In order to avoid unwarranted adjustments of the spending limit by state manipulation of population and inflation figures (similar to problems which were encountered regarding state population figures under the revenue sharing program), some believe that, at a minimum, language in the amendment should indicate a federal or other non-state source of population and inflation indexes. In the Governor's and the Senate Finance Committee's versions, even greater specificity was given (federal consumer price index and federal census data). On the other hand, House legislators preferred very general language regarding population and inflation, without noting either source or specific index. Without specifying a non-state source for these indexes, a potential loophole exists in any spending limit amendment.

Regarding exemptions, legislators agreed that several kinds of appropriations should be excluded from the expenditure limitation. Agreement existed that appropriations to the Permanent Fund should be exempt from the expenditure limitation. Similarly, everyone agreed that appropriations needed to meet the extraordinary expenses of possible disasters should be excluded from the limitation. Although language for this exception varied, the basic concept was similar.

Some versions of the amendment did not account for the set of appropriations we have called "money in trust"; after discussion of this item, people appeared to agree that money coming to the state for specific purposes from sources outside the state (for example, endowments of chairs at the University) should be exempt from the expenditure limitation. It should be noted that once this exception was agreed to, there was also agreement that the base should apply only to state general fund revenues and appropriations. Originally, the House had included both state and all federal funds. Agreement regarding "money in trust", since this term includes certain federal funds, meant agreement that the base should include only state general funds.

Although various parties began with different views regarding general obligation bonds of the state, agreement was reached that this item should be exempted from the limitation. Exclusion of funds to pay principle and interest on general obligation bonds resulted from advise of bond counsel that the state's bond rating might be seriously jeopardized by including debt service under the limitation. It should be noted that general obligation bonds represent a source of funding for capital projects. Other items regarding capital projects will be discussed below.

The Free Conference Committee arrived at a solution to the loans issue which appeared to meet with unanimous approval and was felt to be superior to other versions offered. The Free Conference proposal was to state that surplus funds should be invested at market rates. Loan funds could be established with surplus funds, so long as the interest charged was at market rates. However, subsidies to make up the difference between market rates and "low" rates would have to be appropriated from under the expenditure limitation.

Both in and among House, Senate and Governor's versions of the expenditure limitation bill, there was disagreement regarding excepting appropriations for "court orders". Some felt that this item needed to be specifically excepted so that either federal or state court settlements could be handled outside the expenditure limitation. On the other hand, many people came to realize that, since the courts may fund settlements directly from the treasury, it was unnecessary to specifically exempt this item. While there

was considerable discussion of "court orders" none of the participants appeared to have very strong feelings on the matter.

One area of considerable disagreement exists: capital appropriations. On the one hand, some versions included all capital appropriations under the expenditure limitation. The House version which went to the Free Conference Committee started with this approach, but ended by excluding general obligation bonded capital costs from the limitation. On the other hand, some versions and discussions favored excluding all capital appropriations from the expenditure limitation, despite the effect that unlimited capital appropriations could ultimately have on the limited operating budget.

Most versions of the constitutional amendment sought a moderate position on this item, seeking a middle ground between the two extremes. Apparently, this desire for a moderate position was based on two realizations: that capital needs exist in the state which should be met, and that unlimited appropriations could ultimately either destroy the limitation or severely distort the allocation of limited expenditures in the operating budget. Also of concern was how the state might preserve an ability to meet certain large appropriation desires, such as those for hydro projects.

Different moderate approaches were offered both in versions of the bill and in discussion. Generally, these approaches can be classified as attempts to limit capital expenditures by limiting amount or by limiting through procedural requirements. Some versions seek to limit capital appropriations both by amount and by procedure, combining both approaches. Limitations by amount were either by placement in the base of a sum seen as sufficient to meet capital needs or by a special limit outside the base amount. For example, it was suggested that capital appropriations should not exceed some set percentage of operating budget appropriations. In discussion, it was suggested that a separate amount, stated as a figure, be established. In the Senate Finance Committee version, a per capita sum was given as the limitation on capital appropriations outside the base.

Various procedural limitations were also suggested. Generally, these were attempts to limit extraordinary capital appropriations (those outside the base) by requiring extraordinary majorities to approve the appropriation. Single appropriations were also suggested as a limiting device. Various combinations of procedural limitations appear in different versions of the amendment. A two-thirds vote of each house on an appropriation bill (or on a single item appropriation) plus approval by the voters, or approval by the governor, plus three-quarters vote of each house to override a veto. Other procedural approaches had to do with the source of the appropriation (the governor) or with the ability of the legislature to amend extraordinary appropriation bills. Discussion of procedural limitations on extraordinary capital appropriations dealt with issues involving balance of powers between branches of government, disincentives to log rolling and effectiveness as a limit.

In summary, the issue of capital appropriations, likely to be a focus during the special session, has different aspects. Most versions placed some amount of capital appropriation within the limited base. Most versions exempted capital costs that were funded through general obligation bonds. Most versions tried to accomodate extraordinary capital appropriations (those neither in the base nor funded by general obligation bonds), but sought to limit these either by establishing a separate limit, or by establishing stringent procedural requirements, or both.

Attached you will find some suggested versions along "moderate" lines; that is, approaches which allow for extraordinary capital appropriations but which recognize a need to limit those appropriations.

Regarding the formula for adjustments to the base, below is language which appeared in different versions of the constitutional spending limit.

- a). "cumulative inflation and population growth or decline as defined by law." (HCS CSSJR4 (Fin) amH)
- b). "increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget...plus or minus a percentage equal to the last two federal censuses or reenumerations." (CSSJR4 (Fin))
- c). "estimated rate of growth of the economy of the State as determined by law" (SJR3)
- d). "federal index for inflation in Alaska for the calendar year preceding the governor's submission of the budget plus or minus a percentage equal to the average yearly growth or loss in the state's population as shown by the federal census." (draft)
- e). "Operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population." (State Chamber of Commerce)

Recommendation:

1. The language of CSSJR4 (Fin) (item b. above).
2. If this is not acceptable, at a minimum, "cumulative change in federal indexes of population and inflation."

Below is a listing of the approaches taken in different versions of the constitutional limit for dealing with extraordinary capital improvements.

Governor's Bill: "...money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters."

CSSJR4 (Jud), HJR 5: "...money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

CS SJR4 (Fin): "...money not to exceed \$1,500 per capita appropriated by the affirmative vote of two-thirds of the membership of each house, whether of bond proceeds or otherwise, to construct capital improvements;"

SJR3: "...and excepting appropriations for capital improvements."

State Chamber of Commerce: "...appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year;"

HCS CSSJR4 (Fin) am H: "...appropriations required to pay the principal and interest on general obligation bonds,"

FCC SJR4: "The governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement and the legislature may approve, without amendment, each bill by a two-thirds vote of each house."

Other related concerns: see override approaches below (extraordinary majority needed for exemption; single purpose, single appropriation):

HJR 57: "The legislature may, by affirmative vote of two-thirds of the membership of each house, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose but the excess appropriations, if any, shall not be included in calculating the limit for the next fiscal year."

Draft CS SJR 4 (Fin): "The legislature, may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation without regard to the appropriation limitation under Section 16 of this article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Sections 15 and 16 of Article II, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation in the budget submitted under Section 12 of this article. Extraordinary appropriations shall not be included in calculating the appropriation limitation for the next fiscal year."

Additional alternatives given below deal with the issue of extraordinary capital appropriations. Except where noted otherwise, in giving these alternatives, it is assumed that some sum for capital is included in the base figure, but that principal and interest payments for general obligation bonds of the state are exempted from limitation. In addition, it is assumed that the constitutionally provided process for approval of bond obligations remains unchanged.

a. ... "except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are similar in kind to the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house."

In this alternative, the authority to initiate extraordinary appropriation bills resides solely with the governor.

b. "...except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three-quarters vote of each house."

In this alternative, authority to initiate extraordinary appropriation bills resides in both the legislative and executive branches. In addition to the extraordinary approval vote, an extraordinary majority is required to override a veto.

Another alternative which was briefly discussed departs from the approaches used in the different House, Senate, and executive versions. In general, the approach picks up on the idea of a separate limitation for operating budget expenditures and another limit, stated as a percentage, for capital and other appropriations. An example of this approach follows in its entirety; however, the numbers should not be considered firm until further fiscal analysis has taken place.

**APPROPRIATION LIMITATIONS:** Except for appropriations to the Alaska Permanent Fund and appropriations of money received for from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year for the operating expenses of government shall not exceed \$1.7 billion by more than the cumulative change in federal indexes of population and inflation, as defined by law, since July 1, 1981. Thirty percent of the adjusted base may be appropriated for additional purposes. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

May 28, 1981

To: Senator Arliss Sturgulewski  
Chairman  
Legislative Budget and  
Audit Committee

From: Margo Waring *MW*  
Senior Policy Analyst

Subject: Expenditure Limitation

You asked me to provide you with background information on expenditure limitations and specific analysis of constitutional spending limitations.

### Background

Throughout the nation taxpayers are concerned about the growth of the public sector, growth that sometimes has outpaced the rate of inflation and the growth in real personal income. This concern translates into debate about the size and scope of government, efforts to increase efficiency and effectiveness of existing governmental services, and sometimes, efforts to inhibit increasing tax burdens by way of limits of the amount of revenues and, therefore, expenditures available to government. Throughout the nation, states have looked at ways to control the growth of government expenditures by curbing state taxes. Generally, this has been done by linking the amount of revenue collected to a measure of economic growth. Those who have looked at this issue use the terms "expenditure limitation" and "tax limitation" interchangeably. Hence, proponents select revenue or expenditure controls for a variety of political reasons, knowing that the same effect will be achieved. Usually, spending limit campaigns have been fought in the context of tax increases. Proponents hope not only to limit expenditures, but also to reduce taxes, permitting no real growth, or even reducing existing size of government. Thus, the availability of excess revenues is seen as inevitably leading to their expenditure: the only way to curb growth is to curb revenues and, thus, expenditures. The relationship is seen as one in which to effect any one element is to effect the others.

### Alaska's Tax History

Alaska's tax history is not representative of the experience of other states. Alaskan law defines several personal and business taxes for different levels of government. Each of these has a statutorily defined ceiling. State individual income tax, set at a relatively low rate, brought funds into the state treasury which were spent on state government services, as well as for services which are generally provided at the local level, such as schools and roads. Local property taxes, relatively modest by national standards, fund a narrower range of services than elsewhere. When local governments have elected to provide services at the local level instead of having them provided by the state, these transfers of authority have been accompanied by transfers of funds with which to partially provide for the services.

Government growth, in terms of numbers of state employees and in terms of goods and services provided by the state to the citizens, has been fueled not by personal income tax or by property taxes but by corporate oil taxes, lease sale bonuses, and other forms of petroleum revenues.

As government has grown and as revenues have risen, Alaskans' response has been to cut taxes, not so that government growth will be curbed, but so that others will pay for the goods and services. Gross business receipts tax was effectively eliminated in 1978. Property tax revenues from petroleum properties were shared with local governments in 1973 and 1975. And in 1980, the individual personal income tax was eliminated. During the same year, faced with a decline in revenues from one source, but an increase in revenues from petroleum sources, the legislature significantly increased the extent of state funding to schools, capital projects, revenue sharing to local governments, and so forth. In essence, transfer payments to local governments and to private citizens (in the form of actual checks, subsidized loans, and other benefits) have increased, while non petroleum revenue sources have steadily disappeared.

Petroleum revenues, while increasing substantially over the next few years, will in about 10 years begin to decline substantially. By about 2000, revenues from Prudhoe Bay will have declined to the level of 1978 revenues. Thus, goods and services supported by petroleum revenues will be in jeopardy once petroleum revenues decline.

While some Alaskans seek to limit the growth of government for reasons of political philosophy, others seek such limitations in order to insure that future revenues will meet governmental obligations. Some Alaskans are also advocating repeal of such other non petroleum taxes as the local property tax,

shifting that burden to state revenues. Thus, expenditure limitation desires coincide with efforts to reduce taxes paid by residents of the state. If, however, the tax repeal efforts are successful, then state government obligations will increase by having a heavier reliance placed on petroleum revenues, even if an expenditure limitation is also enacted. It is estimated that, exclusive of further tax repeals, by FY'82, 94% of the state's revenues will come from petroleum sources of all varieties.

### Alternatives

1. Both the legislature and the Governor have, in past years, sought to place a lid on annual appropriations as part of the budget process. In 1978 statutory amendments to AS 37.07.070, the legislature specified for itself an identified ceiling and early production of the budget. The Governor too has identified the administration's upper spending limit. However, these approaches have not been successful, apparently because of constituent pressures to increase governmental spending.
2. There has been discussion of either a statutorily imposed or constitutionally defined ceiling on expenditures. This approach has, apparently, been met with mixed success in other states. A bill, using Tennessee's law as a model, was introduced in the 1980 session to place a limit on expenditures. Some of the issues involved in such a limitation are: the factor on which the limit should be based, the expenditure level that should be sustained, how to avoid shifting tax burdens, what to do with excess revenues, what exemptions should be provided, how to provide for emergencies, and what budgetary items should be included under the ceiling (debt service, capital projects, operating budget, loan programs, etc.) and treatment of the surplus. Opponents have expressed concern that this approach is too inflexible to meet Alaska's needs and that our boom-burst economy is not suited to the factors proposed for defining allowable growth.
3. Since in Alaska an expenditure limitation is not a revenue limitation, other suggestions have been made that would effectively impose an expenditure limitation by reducing the amount of available revenue by not placing that revenue in the general fund. For example, if a higher percentage of all petroleum revenues were automatically to be placed in the Permanent Fund, the amount of revenues available for expenditure would be curtailed. Permanent Fund income could be placed

either in the general fund or plowed back into the Permanent Fund itself. Thus, if 100% of petroleum revenues were placed in the Permanent Fund, expenditures would be limited to recurring revenues and recurring income of the Permanent Fund.

Expenditures could also be limited by increasing the amount of funds funneled into loan programs, although there are significant concerns regarding the ability of Alaska's economy to absorb hugely increased loan funds without under-taking highly risky ventures.

Alternatively, it has been suggested that Alaska use some of its excess petroleum revenues to invest in projects of national interest and benefit, projects supportive of national economic and social goals to "prove" to national critics that Alaska is capable of wise wealth management.

4. If we desire to peg expenditures to recurring revenues, one alternative would be to increase the number and amount of recurring revenues. This is not a particularly viable alternative in Alaska, except to the extent that such revenues are corporate taxes generated by renewable resource development.

#### Summary

Increased government growth in Alaska has alarmed many people, especially because this growth is based on non-recurring petroleum revenues. Prudence and concern for residents who will be here in 10-15 years indicates that steps should be taken to restrain governmental expenditures to the level that can be sustained by recurring revenues. This could be accomplished by statutorily or constitutionally limiting expenditures, increasing recurring revenues, or placing non-recurring revenues in the Permanent Fund and using Permanent Fund income as a recurring revenue source.

#### Constitutional Limitations

For those who favor spending limitations, the focus has been on the establishment of constitutionally defined limits to the growth of the budget. While there are certain drawbacks to this approach (lack of flexibility, difficulty in establishing an adequate formula, the "log rolling" that would occur to gather enough votes for an override, etc.), Alaskans have favored this approach as one less likely to be ignored by legislators and more likely to restore "rationality" and prioritization among spending options.

Prior to discussion of the bills currently before the legislature, I will briefly summarize the key issues facing decision makers regarding constitutionally defined spending limitations.

### Limitation Components

#### A. Spending Formula

All spending limitations consist of an expenditure base and an adjustment factor. The base is the selected budget year. Selection of the expenditure base will be a function of the year in which a constitutional limitation is approved by the voters. Delay in this regard can mean significant differences in terms of the base, as the budget has been growing by over 20% per year.

The adjustment factor is the means by which calculations of year to year changes are made. Other states have used such factors as growth in personal income or population changes or the cost of living index.

The use of growth in personal income to determine the growth rate of spending is based on the rationale that personal income is a proxy for ability and willingness to pay for government services; or, alternatively, on the belief that government spending should not become a greater proportion of total economic activity.

Use of an adjustment factor involving population growth and inflation (both of which are also reflected in changes in personal income) allows spending to expand in response to these direct cost pressures. Such a real per capita limit would over time reduce the percentage of state spending to personal income. This would occur to the extent that private economic growth exceeded population changes and inflation. It is to be expected that this formula would be more restrictive than would one depending upon changes in personal income.

Another alternative that has been suggested is to simply select a percentage of budget growth that appears reasonable. The rationale for this approach is the difficulty of finding adequate data for more complex formulae. For example, Commonwealth North and others have suggested basing the adjustment factor on the growth of the private sector in Alaska. The difficulty here would be in determining that figure, and insuring that the figure itself was not a function of state expenditure.

Coverage

- A. The formulae generally apply to expenditure of general fund revenues, after exempting federal funds, and occasionally exempting certain capital expenditures and/or local government aid. In general, the more inclusive the base the more effective the limit and the fewer distortions expected in expenditure patterns. The "adjustments" which are made to such limits tend to be a redefinition of activities to fit into the allowable expenditure categories. Since in Alaska the limit impetus comes from a need to reduce rather than redirect spending, a broad limit would appear most applicable. The federal funds exemption seems to be the least damaging, although this might lead to an increased emphasis on federal, as opposed to state, priorities.

Greatest concern focuses on the possible exemption of capital spending. If capital projects are not covered by the limitation, the impact on the operating budget, new operation, maintenance and programs costs may result in either unmet obligations or a decline in funding of those programs not associated with capital facilities.

Another concern in coverage is how to insure that state expenditure burdens are not being deferred to local governments. If services now funded by the state are delegated to local governments, who pays for these services and are those costs to be included in the expenditure limitation? Similarly, the state has been increasingly funding services through grants to non-profit groups. Again, should such grants be included in an expenditure limitation? Assuming a desire to restrict expenditures, changes in service patterns should not be used as an escape valve through which expenditures in excess of the limitation may flow. Some states have specifically stated in their constitutional amendments language that requires the state to fund under the spending limitation services which are being delegated to other levels of government.

B. Escape Clauses

There are a variety of emergency override provisions contained in other states' spending limits. Over half the limits are statutory and thus may be amended through the usual legislative process. The constitutionally established limits require approval of specific excess amounts by a simple, or a strong majority (3/5 or 2/3); or, by voter approval.

Some provision must be made for unforeseen circumstances. One approach is to include two overrides: one procedure for natural disaster or other similar emergencies and another (perhaps more rigorous) procedure for simply exceeding the formula amount.

C. Treatment of Surplus

Any effort to limit state spending must include provisions for the general fund surplus.

This is probably the most crucial component of an Alaska spending limit and also that area where other states' experience offers the least guidance. Those states which address this question provide for tax rebates or reductions with some allowing for a budget stabilization or rainy day fund. Since the Alaska limit intent is to enhance the long-term fiscal security and stability of the state, it would be inappropriate to return the total unspent windfall oil revenue to individuals. Here are some other possibilities:

1. Increased contribution to the Permanent Fund. The Permanent Fund was conceived and established as a mechanism for preserving our oil wealth in income producing investments which could fund the on-going provision of traditional government services. Depending on the size of the principal and the return on investments, the income from the permanent fund could provide an important source of recurring revenues in the future as our non-recurring mineral revenues decline. One approach would be to provide for an additional contribution to the Permanent Fund of some fixed percentage of the general fund surplus, say 75%. The remainder could be allocated to a budget stabilization fund, emergency fund, or other use.
2. Endowments and a semi-permanent fund. This would involve design of a semi-permanent fund styled after the existing Permanent Fund, but from which expenditures could be made once oil revenues and Permanent Fund interest earnings are insufficient to support even the "limited" state expenditure levels. This would, in essence, be a long-term budget stabilization fund, which would be invested in income earning assets.

Endowments also offer the possibility of providing a funding source for future government services. However, unlike the more general semi-permanent fund concept, endowments, by assuring funding for such specific services as education, raise the possibility of future budget distortions and limitations on the appropriation authority of the legislature.

3. Loans. Direct loans or investments are another possibility. It is assumed that appropriation of funds to increase the capitalization of loan funds (existing or new) and appropriation of loan subsidies would both be covered by the expenditure limit. If this were not the case, the state would be in a situation similar to the recently resolved problem of the general fund balance automatically funneling into loan programs. Most of the existing loan programs are revolving funds, where repayments return to the fund to be reloaned for a similar purpose, though, due to inflation and low interest rates, the fund experiences a "declining balance" over time. Direct loans from the general fund, for industrial development or other purposes, could be designed to repay the general fund on schedules which would help offset declining oil revenues. Another possibility would be to make general fund loans to existing loan programs. This money could then be leveraged, loaned, and repaid to the general fund (i.e. would not be part of the revolving accounts).
4. "Altruistic" expenditures. The question has been raised whether some portion of currently surplus revenues should not be used in a way to furnish long-term, national benefits. Both "investments" in public and private income producing activities in the lower 48 states and contributions to medical, educational and social programs have been suggested. The important elements of such an expenditure would be potential benefits to the nation as opposed to benefits to Alaska. In considering such an approach it must be remembered that this is basically a spending option which would contribute to long-term fiscal security only in so far as to offer an offsetting advantage to the federal government.

Other Issues

In addition to the questions discussed above, there are several other issues that need to be addressed in the design of a spending limit. These are outlined briefly below.

A. Impact on State Credit Rating

If bond buyers become concerned about a spending limit affecting the ability of the state to pay its debts, this could negatively influence the State's credit rating, thus increasing the cost of borrowing. Bond repayment can be guaranteed either by granting such payments first claim on State spending (priority status) or by exempting such payments from the limit. The former method appears preferable, in that a limit exclusion would encourage bonding and discourage the careful evaluation of the impact of debt service on the State's future fiscal health.

B. Unfunded Obligations

Legislation is sometimes passed which creates programs without provisions for funding these activities. A spending limit might create an incentive to design programs without concurrent funding, thus disguising, at least temporarily, the fiscal impact of government actions. An example of such action might be the incremental funding of a large project, or the raising of unemployment benefits. Another aspect of this problem is programs which represent obligations to make future payments. Difficulties arise if these obligations (e.g., pensions or other benefits) are not adequately funded between the commitment time and the time payment is due. This problem can be avoided by the requirement that actuarially sound current appropriations be made for pensions and other future obligations.

C. Treatment of Dedicated Funds and User Charges

Alaska has certain dedicated funds, and the conclusion or exclusion of expenditures from these funds in a limit calculation must be decided. For example, it may be desirable to count expenditures from the Fish and Game Fund and Renewable Resources Funds under the limit. If these expenditures do not "count," there would be a great incentive to refinance programs from these sources rather than from the general fund.

Another consideration of this nature is the treatment of user charges. Some have argued that spending financed from such sources should be excluded from the general limit, where the purchase of such goods or services by the user is discretionary. It would be important to define carefully program receipts, since there would be pressure to inflate and extend user charges as a means of circumventing a limit. Also, since dedication of funds is constitutionally limited, such an exclusion might pose legal difficulties.

D. Mandated or Shifted Costs

Limiting the expenditures of one level of government results in an incentive to transfer expenditures to another (unlimited) government, or to mandate new functions without providing new funding. Some limits, therefore, provide that the current proportion of state expenditures going to municipalities is not to be reduced unless there is a shift of program responsibility; and, if such a shift is made, provide that the expenditure base be appropriately adjusted.

E. Effect on the Economy

Alaska's economic history is characterized by "boom and bust." Depending upon the specific formula selected in a spending limitation, there is concern that insufficient funds will be available when booms occur with their increase in population, inflation, and higher demand for government services. Similarly, when the "bust" occurs, will the formula be based on lagging data? This concern can also be stated in terms of whether the spending limitation formula will function to heat up and cool down the economy at the right or the wrong times.

Proposed Legislation

Bills have been introduced on both the House and Senate sides proposing an amendment to the State Constitution relating to limiting increases in expenditures. Copies of these resolutions are attached.

SJR 4 and CSSJR 4 (Jud)

Formula: growth in appropriations is limited to the amount of increase in the federal consumer price index for Alaska for the preceding calendar year plus "a percentage equal to the average yearly growth in the state's population as shown by the last two federal censuses or renumerations."

Base: the preceding fiscal year appropriations minus exempted expenditures. Exemptions: exempted appropriations include appropriations into the Permanent Fund, Permanent Fund dividends, loan capitalization, capital improvements approved by the voters, accounts for the repayment of general obligation bonds, reserves for disasters, increases in user fees, costs resulting from court orders or from "the transfer of authority or responsibility to the State from the federal government" and money derived from one-quarter of the income from those contributions made to the Permanent Fund which exceed the minimum required by this constitution; or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor."

HJR 4

Formula: growth in appropriations adjusted to the "rate of growth of the economy of the State as determined by law."

Base: the appropriations of the previous year, minus exemptions or appropriations for emergencies.

Exemptions: appropriations as a result of a declaration of a state of emergency.

Coverage: all appropriations except appropriations to the Permanent Fund and loans made by the State.

Other: the title declares this amendment to also require "payment by the state of mandated increased expenditures of a political subdivision of the state."

HJR 5

The same as SJR 4.

HJR 57

Rep. Malone's proposed amendment has a

Formula: cumulative increase in federal consumer price index for Alaska, plus or minus population growth or loss.

Coverage: all appropriations except to the Permanent Fund and to pay principal and interest on GBOs. Includes federal funds.

Override: to exceed the ceiling requires a two-thirds vote of both houses; appropriation bills limited to single items.

Base: FY 81, minus votes in excess of the limitation.

Other: Unappropriated balance invested at market rates.

Please let me know if you would like a more through discussion of the implications and expectatble effects of each of these bills.

SSSJR 4

BASE: 2.5 billion in FY 82

FORMULA: Cumulative increase in federal CPI for Alaska adjusted (plus or minus) for average yearly growth or loss of population. Excludes excepted appropriations.

EXCEPTIONS: Money received in trust, deposits to permanent fund, permanent fund dividends, loan fund capitalization, capital construction if approved by the voters, appropriations for escrow or other GBO debt service, disaster reserve fund, money coinciding with increased user fees, money for court ordered payments or transfer of responsibility to state from federal government, one-quarter of permanent fund income over the constitutional 25%, money approved by 2/3 of each house and the governor to meet disasters declared by the governor.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

*Thayer K. K. K.*

HAMMOND STATEMENT ON SPENDING LIMITATION.  
JUNE 25, 1981

IT IS WITH EQUALLY DEEP REGRET AND CONVICTION THAT I'M  
PERSUADED TO CALL A SPECIAL SESSION OF THE LEGISLATURE TO  
DEAL WITH CRUCIAL, UNFINISHED BUSINESS.

PERHAPS NO OTHER LEGISLATURE IN HISTORY HAS BEEN FORCED TO  
DEAL WITH SO MANY COSTLY, COMPLEX ISSUES. UNFORTUNATELY, IN  
THE ENSUING DELIBERATIONS, THE MOST IMPORTANT ISSUE WAS LEFT  
UNRESOLVED.

IN MY STATE OF THE STATE ADDRESS AND REPEATEDLY SINCE, I  
HAVE ASSERTED MY BELIEF THAT A CONSTITUTIONAL LIMITATION ON  
SPENDING WAS ABSOLUTELY CRUCIAL IF WE WERE TO DISCIPLINE  
OURSELVES SUFFICIENTLY TO CHECK RUNAWAY GOVERNMENT GROWTH  
AND AVOID ULTIMATE FINANCIAL CHAOS. SUBSEQUENT EVENTS NOT  
ONLY DRAMATICALLY SUPPORTED THAT CONVICTION BUT INDUCED  
ARDENT DISCIPLESHIP IN MANY WHO WERE PREVIOUSLY OPPOSED TO  
THAT PRESUMPTION.

MOST AGREE THAT A MEANINGFUL SPENDING LIMITATION PROPOSAL  
WOULD BE FAR MORE DIFFICULT TO DEAL WITH NEXT YEAR.  
MOREOVER, WERE THE PROPOSAL ADOPTED THIS YEAR IT WOULD  
PERMIT US TO APPLY IT TO NEXT YEAR'S BUDGET AND THEREBY  
DEMONSTRATE ITS VIABILITY OR INADEQUACIES. HOW BETTER TO  
PERMIT THE ELECTORATE TO BECOME INFORMED AS TO A SPENDING  
LIMITATION'S EFFECTIVENESS PRIOR TO ENSHRINING IT WITHIN THE  
CONSTITUTION?

I RECOGNIZE, OF COURSE, THE NEED TO SECURE THE NECESSARY  
TWO-THIRDS VOTE OF EACH HOUSE IF ANY PROPOSAL WERE TO PASS.  
THUS I WAS TORN BETWEEN UNYIELDING ADHERENCE TO A MEANINGFUL  
SPENDING LIMITATION FORMULA THIS YEAR AND THE ASSURANCE OF  
THAT REQUIRED TWO-THIRDS VOTE. BELIEVING THE FORMER

MEANINGLESS WITHOUT THE LATTER, I CONDITIONED MY ACCEPTANCE OF A SPENDING LEVEL, DOMINATED BY AN EXTREMELY QUESTIONABLE SCHEME FOR HYDRO FINANCING, ON THE UNDERSTANDING THAT AN ACCEPTABLE SPENDING LIMITATION MUST FIRST PASS.

UP UNTIL YESTERDAY, I'VE HAD EVERY ASSURANCE SUCH WOULD BE THE CASE. THE ISSUE WAS IN FREE CONFERENCE COMMITTEE. MY OFFICE, THROUGH THE PRESENCE OF THE LT. GOVERNOR, WAS GRANTED EVERY COURTESY INsofar AS PROVIDING INPUT. TO THE CREDIT OF THAT COMMITTEE THEY SUCCEEDED IN DRAFTING A MOST ACCEPTABLE LIMITATION PROPOSAL. YESTERDAY MORNING I WAS ADVISED THAT CONFEREES HAD REACHED AGREEMENT. YESTERDAY AFTERNOON I WAS ADVISED BY THE SPEAKER OF THE HOUSE THAT THE CONFERENCE COMMITTEE'S PROPOSAL WAS UNACCEPTABLE TO HIM. I URGED HIM, NONETHELESS, TO PERMIT THAT PROPOSAL TO COME TO THE FLOOR FOR ACTION OR TO SECURE THE NECESSARY 27 VOTES TO PASS ANY ONE OF SEVERAL OTHER PROPOSALS WHICH MIGHT BE ACCEPTABLE.

I POINTED OUT THAT REGARDLESS OF OUR INDIVIDUAL VIEWS, THE PUBLIC SHOULD BE PERMITTED TO VOTE UPON THE ISSUE. WE COULD THEN MAKE OUR RESPECTIVE CASES TO THE PUBLIC AND VOTE AS WE SO CHOSE. TO DENY THE PUBLIC SUCH AN OPPORTUNITY REGARDLESS OF MOTIVATION, OFTEN STRIKES THE PUBLIC AS PATRONIZING ARROGANCE. TO LEAVE NO QUESTION AS TO MY DEEP CONVICTIONS ON THIS MATTER, I REMINDED HIM AND ALL OTHER MEMBERS OF THE BODY THAT MY RELUCTANT ACCEPTANCE OF SEVERAL LEGISLATIVE MEASURES WAS CONTINGENT ON PASSAGE OF AN ACCEPTABLE LIMITATION PROPOSAL. IN FAIRNESS TO ALL MEMBERS, I ALSO WANTED TO GRANT THEM AMPLE WARNING THAT SHOULD THEY FAIL TO ACT UPON THIS MATTER IN THE REGULAR SESSION I WOULD BE COMPELLED TO CALL THE SPECIAL SESSION.

IN AN EFFORT TO COMPEL THE HOUSE TO BRING THIS ISSUE TO THE FLOOR OR BEAR FULL RESPONSIBILITY FOR EITHER OR BOTH THE

SPECIAL SESSION AND AN AVALANCHE OF VETOES, AN INFURIATED SENATE UNANIMOUSLY PASSED THE CONFERENCE COMMITTEE'S PROPOSAL AND ADJOURNED.

AS YOU KNOW, DESPITE AMPLE WARNING AND THE ACTIONS BY THE SENATE, THE HOUSE LEADERSHIP FAILED TO EVEN BRING THE ISSUE TO A VOTE BEFORE ADJOURNING.

SINCE THE ENTIRE SENATE AND MANY HOUSE MEMBERS MADE GOOD FAITH EFFORTS TO KEEP THEIR PART OF THE BARGAIN, I'M GOING TO WITHHOLD POSSIBLE VETO ACTIONS UNTIL THEY HAVE HAD THE OPPORTUNITY TO ONCE AGAIN PERSUADE THEIR COLLEAGUES OF THEIR OWN AND MY DETERMINATION TO SECURE AN ACCEPTABLE LIMITATION PROPOSAL THIS YEAR.

SINCE I CAN CALL A SPECIAL SESSION WITHIN 15 DAYS WHILE I HAVE 20 DAYS AFTER RECEIPT TO DEAL WITH MEASURES BEFORE THEY BECOME LAW WITHOUT MY SIGNATURE, THERE IS AMPLE TIME FOR LEGISLATORS TO ADDRESS THE LIMITATION ISSUE. I'M WILLING TO WORK WITH THEM ON ANY ONE OF SEVERAL PROPOSALS WHICH CAN BE MADE ACCEPTABLE TO ME. MEANWHILE, MY APOLOGIES TO THOSE LEGISLATORS WHO ATTEMPTED TO RESOLVE THIS MATTER IN SUCH A WAY AS TO AVOID TRAUMATIC REPERCUSSIONS. IT'S REGRETTABLE THAT THE STRESS AND INCONVENIENCE OF A SPECIAL SESSION MUST BE BORNE BY YOU RATHER THAN ONLY BY MYSELF AND THOSE WHOSE INACTIONS COMPEL ME TO MAKE THE CALL.

January 13, 1981

The Honorable Jalmar Kerttula  
President of the Senate  
Pouch V  
Juneau, AK 99811

Dear Mr. President:

Under art. III, sec. 18, of the Alaska Constitution, I am transmitting a proposed constitutional amendment on spending limitations for the consideration of the legislature.

My proposal would amend the constitution's finance article to add two sections, one setting forth spending limitations and the other prescribing ten specific exceptions. Each of the exceptions is reasonably necessary, and some of them are for appropriations of money to be invested rather than expended, and, to that extent, do not really involve actual expenditures.

The proposed amendment limits annual increases in appropriations of state money -- but not of money from other, non-state sources such as federal money -- to the increase in the federal consumer price index for Alaska for the preceding year plus a percent equal to the state's average yearly growth in population.

At the present time, the only federal consumer price index for Alaska is that done for the Anchorage area. It appears that one will also be prepared for Fairbanks sometime soon. And indexes may also be prepared for other Alaskan cities in the future. The index for the state will consist of the weighted average of those indexes, that is, in proportion to each community's relative population.

The measure of the state's average yearly population growth is the federal decennial census and the interim reenumeration to be taken at five year intervals. The latter, while called for by federal law, has yet to be funded. Nevertheless, even without a reenumeration, the decennial census provides an accurate measure of the state's average yearly growth.

The use of data prepared exclusively by the United States is deliberate and essential. The pressure to shape cost and population data to justify increased expenditures would be enormous if those data were prepared by state or local agencies. Using data developed by an independent and separate government avoids that problem completely.

These two measures of growth, while not always coincident with all governmental needs, will allow the state to keep abreast of most needs and yet hold growth to reasonable and responsible limits. To the extent that the state still lags behind its sister states in some areas of governmental services and facilities, the exceptions prescribed by the second section will allow it to catch up, if that is what the electorate wants. Each of these exceptions will be discussed in turn, below.

The first exception is for appropriations of money to be deposited in the permanent fund, and the second is to pay permanent fund dividends to the people. It is self-evident that neither needs to be limited. The third exception is to capitalize loan funds, that is, appropriations of the money which will be loaned and repaid with interest under the state's loan programs. To the extent that low interest loans are subsidized, the appropriations for that purpose must be separate, and they are not within the terms of the exception. The fourth exception is for appropriations for capital improvements which have been approved by the voters. This includes those funded by appropriation from the general fund and those funded by bond proceeds. Voter approval is a must for the appropriations to be within the exception. But if the voters approve, there are no limits on appropriations for capital improvements.

The term "capital improvements" is used in the amendment in the same sense as it is used in sections 8 and 9 of the finance article relating to state and local debt. It refers, generally speaking, to public works or facilities of a permanent character as described in the case of City of Juneau v. Hixson, 373 P.2d 743 (Alaska 1962).

The fifth exception is for appropriations made to escrow accounts or otherwise to repay general obligation bonds. As a practical matter, it may be to the state's great advantage at any time to make a large payment, either into escrow or directly, to repay outstanding general obligation bonds. That kind of a payment would not constitute a true increase in expenditures, and it is, therefore, made one of the exceptions.

The sixth exception is for money appropriated as a reserve account for disasters of natural or human origin.

The device has been called a rainy-day account, and it is simply a means of setting aside a financial cushion for the state during a fiscal year in case of exceptional need. At the present time the Reserve for Emergency Operating Expenses Account has been established under AS 37.05.159 to meet this need. It will be superseded by this amendment, and in order to spend money appropriated to the reserve account, the provisions of the tenth exception will have to be followed.

The seventh exception is for money appropriated to coincide with increases in user fees. The term "user fees" includes all kinds of taxes or charges which are levied upon those who use a government facility or service. They range from hunting and fishing licenses to boiler inspection fees. So long as users are paying the money, no purpose would be served by placing this category within the limitations on expenditures. No big increases are foreseen at this time, but should users wish to have them, there is no reason to place a constitutional bar in their way.

The eighth exception is for appropriations required by court orders or by a transfer of functions from the federal to the state government. Transfers from local to the state government are within the legislature's control, and therefore are subject to the limitation. Court orders -- and that would include judgments for damages or orders for future relief -- are not within the legislature's control and could cause significant, temporary increases from time to time. The same could happen if the federal government were, for instance, to shift all of the social services or education burden to states. While one hopes this exception will be little used, prudence dictates its existence.

The ninth exception is for appropriations of money derived from one-quarter of the income from extra appropriations made to the permanent fund. The purpose of this exception is to encourage those who would spend more money to save more money. The more money that is placed in the fund, the more money there will be available under this exception to spend.

The tenth and final exception is for natural disasters. As safeguards against spurious spending under this exception, the disaster must be declared by the governor in the first instance and the appropriation bill must be passed by a two-thirds majority of the membership of each house and approved by the governor. If the governor does not approve the appropriation or vetoes it to reduce or strike any item, his veto is final. The purpose of the absolute veto is to preclude any excess spending on non-emergency items in a bill appropriating money for

disaster relief. Without an absolute veto, this exception would create an unacceptably large loophole.

The proposed amendment is conservative, responsible, and workable. It will not hobble the state or prevent the performance of any needed governmental function. It will set limits where they are needed, and it will not set limits where they are not needed. It will be good for both the private sector and the public sector, and I urge its favorable consideration.

Sincerely,

S / JSH

Jay S. Hammond  
Governor

4/14/81

Department of Revenue - Research

REVENUES-EXPENDITURES

NO GAS LINE  
 25% PERMANENT FUND  
 (MILLIONS OF CURRENT DOLLARS)  
 16% REAL EXPENDITURE GROWTH RATE

(+ 10% inflation = 26% nominal growth rate))

FY	GENERAL FUND SUSTAINABLE REVENUES	UNRESTRICTED REVENUES GENERAL FUND	EXPENDITURES GENERAL FUND operating budget only	SURPLUS OR DEFICIT GENERAL FUND	GENERAL FUND BALANCE	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE
81	330.8	3607.0	1500.0	2107.0	1677.0	1261.8	1796.0
82	423.2	5191.1	1914.0	3277.1	4954.1	557.2	2446.2
83	637.6	6435.8	2442.3	3993.5	8947.5	679.3	3248.7
84	888.0	7660.5	3116.3	4544.2	13491.8	807.1	4223.6
85	1213.4	8939.6	3976.4	4963.2	18455.0	914.4	5319.8
86	1566.9	10326.5	5073.9	5252.6	23707.6	1068.5	6592.8
87	1945.0	11687.1	6474.3	5212.8	28920.4	1190.7	8019.1
88	2341.3	13133.7	8261.2	4872.5	33792.9	1320.9	9606.9
89	2742.8	14647.3	10541.3	4106.0	37898.9	1451.2	11356.7
90	3130.5	15621.4	13450.6	2170.8	40069.7	1523.6	13208.7
91	3450.9	16169.7	17163.0	-993.2	39076.5	1555.5	15116.6
92	3646.6	15829.6	21900.0	-6070.4	33006.1	1501.5	16985.2
93	3628.3	15346.8	27944.3	-12597.5	20408.6	1455.1	18811.2
94	3327.2	14303.0	35656.9	-21353.9	-945.4	1376.7	20554.1
95	2639.6	12919.7	45498.2	-32578.5	-33523.8	1304.2	22213.5
96	1452.2	11124.1	58055.6	-46931.5	-80455.4	1240.7	23795.2
97	-376.2	8663.6	74078.8	-65415.2	-145870.6	1191.0	25312.4
98	-3030.9	5421.5	94524.4	-89102.9	-234973.5	1142.3	26766.9
99	-6744.7	1149.1	120613.0	-119463.9	-354437.4	1095.7	28161.4
0	-11815.9	-4481.9	153902.0	-158383.9	-512821.3	1050.9	29498.8

## ESTIMATED FY 82 APPROPRIATION CEILING UNDER SJR4 & HJR57

Governor's Office

<u>SJR4</u>	<u>HJR57</u>		
(\$mil GF)	(\$mil GF)	(\$mil Tot. Funds)	
\$4772.5	\$4772.5	\$5545.1	Executive Budget Book I Total FY 81 Adjusted Authorizations Book
			<u>Exemptions</u>
(900.0)	(900.0)	(900.0)	Permanent Fund Contribution
(129.4)	0	0	Permanent Fund Dividends
0 <sup>1</sup>	0	0	Loan Capitalizations
0	0	0	Voter Approved Capital Projects
0	0	0	Escrow Accounts
(93.7)	(93.7)	(96.8)	Debt Service
(350.0)	0	0	Reserve for Disaster/Emergency
0	0	0	User Fee Increase
0	0	0	Court Orders
0	0	0	Transfer of Fed. Responsibility
0	0	0	Quarter Income from P.F. Contributions
0	0	0	Two-thirds vote of Legislature for Disaster Needs
			<u>Other Possible Exemptions<sup>2</sup></u>
-	-	-	Income Tax Relief
-	-	-	Native Land Claims
\$ 3299.4	\$ 3778.8	\$ 4548.3	
x 1.1298	x 1.1298	x 1.1298	<u>Estimated Growth Rate<sup>3</sup></u>
\$ 3727.7	\$ 4269.3	\$ 5138.7	Estimated FY 82 Appropriation Ceiling

## FOOTNOTES

1. Assume capitalizations for loans, which will be made at Market Rates, are exempt from limitation of appropriation increases. Capitalizations for loans which will be made at interest rates below the market rate are NOT exempt from limitation of appropriation increases.
2. The income tax relief appropriation \$186.4 million and the Native Land Claims appropriation \$292.6 million may also be considered possible exemption items. However, neither SJR4 nor HJR57 specifically recognizes these items.
3. 12.98% Growth Rate = 2.84% Av (1970-80) Pop. Increase + 10.14% Av 1980 CPI.  
NOTE: 10.14% is a weighted average of the CPI for all Urban Consumers, based on Anchorage and Fairbanks data. (Anchorage, population 173,992 with 1980 CPI increase of 10.0%; Fairbanks population 53,799 with 1980 CPI increase of 10.6%).

ALASKA PERSONAL INCOME

<u>Calendar Year</u>	<u>Personal Income to Alaska Residents (\$ Millions)</u>
1969	1245
1970	1412
1971	1557
1972	1698
1973	2002
1974	2437
1975	3528
1976	4195
1977	4313
1978	4369
1979	<u>4568</u>
Average Annual Compound Growth	13.88%

Source: U. S. Bureau of Economic Analysis

PREPARED BY:

Legislative Finance Div.  
6-8-81

TABLE I

## ANNUAL COMPOUND GROWTH RATES

<u>Period</u>	<u>Anchorage Consumer Price Index</u>	<u>Alaska Population</u>	<u>General Fund Appropriations</u>	<u>General Fund Appropriations in Constant Dollars</u>	<u>General Fund Appropriations Per Capital in Constant</u>
1960 - 1980	4.73%	2.90%	23.78%	18.19%	14.87%
1960 - 1969	1.72	3.03	14.40	12.49	9.18
1970 - 1980	7.60	2.85	26.40	17.47	14.22
1969 - 1980	7.26	2.78	32.01	23.08	19.75
1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.  
5-25-81

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. <sup>2/</sup>	General Fund Appropriations (\$ millions) <sup>3/</sup>	General Fund Appropriations in Constant Dollars (\$ millions)	Per Capita General Fund Appropriations in Constant Dollars \$
1960	92.0	226,167	45.9	49.8	220
1961	92.9	238,000	52.3	56.3	236
1962	92.6	246,000	65.8	71.0	289
1963	93.3	256,000	82.9	88.8	347
1964	93.9	263,000	79.1	84.2	320
1965	94.2	271,000	86.1	102.0	337
1966	97.9	271,000	93.8	95.8	354
1967	100.0	278,000	113.1	113.1	407
1968	102.6	285,000	124.1	120.9	424
1969	107.3	296,000	154.1	143.6	485
1970	111.5	302,361	314.2	281.7	932
1971	114.4	316,000	292.1	255.3	808
1972	116.9	326,000	333.5	285.2	875
1973	123.8	332,000	379.3	306.3	923
1974	140.0	343,000	451.3	322.3	940
1975	157.4	379,000	590.3	375.0	989
1976	167.6	405,000	692.3	413.0	1020
1977	177.3	408,000	819.1	462.0	1132
1978	194.8 <sup>1/</sup>	411,000	1071.7	550.2	1339
1979	211.8	406,000	1062.3	501.6	1235
1980	232.0	400,331	3270.8	1409.8	3521

1. 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.
2. 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.
3. (a) The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of \$39.8 million in general funds was signed into law.  
 (b) 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.  
 (c) Supplemental appropriations are excluded except for a \$580.8 million capital projects supplemental in 1980.  
 (d) Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:  
 Legislative Finance  
 5-25-81

FY 82 OPERATING BUDGET COMPARISON  
GOVERNOR'S ADJUSTED - EXPENDITURE LIMIT, SJR 4\*  
Base Year FY 80 Actual

CATEGORY	FY 80 ACT	-----FISCAL YEAR 1982-----				GOV. ADJ. - SJR 4 COMPARISON
		GOV. ADJ.	HOUSE	SENATE	SJR 4 (Leg. Rec.)	
EDUCATION	389,907.9	572,196.9	568,432.5	565,948.4	498,302.8	73,894.1 14.7%
UNIVERSITY	178,206.6	217,713.9	222,815.0	203,559.9	227,748.4	-10,034.5 -4.3%
SOCIAL SERVICES	136,865.3	214,131.6	214,623.2	211,465.6	174,913.3	39,218.3 22.3%
HEALTH	91,386.9	147,049.8	136,527.7	130,939.2	116,792.6	30,257.2 25.8%
NATURAL RESOURCES	91,322.9	176,024.8	154,424.0	119,287.0	116,693.2	59,331.6 50.7%
PUBLIC PROTECTION	35,000.6	43,874.8	43,543.9	36,348.0	44,731.2	-856.4 -1.8%
JUSTICE	88,822.8	130,834.0	129,223.1	121,196.3	113,516.5	17,317.5 15.2%
DEVELOPMENT	71,269.7	204,072.6	178,236.0	208,157.0	91,082.9	112,989.7 124.0%
TRANSPORTATION	181,049.7	301,510.8	293,609.4	247,922.1	231,381.5	70,129.3 30.2%
GENERAL GOVERNMENT	88,423.5	305,472.7	299,515.4	297,248.4	113,005.1	192,467.6 170.2%
<b>TOTAL</b>	<b>1,352,255.9</b>	<b>2,312,881.9</b>	<b>2,240,950.2</b>	<b>2,142,071.9</b>	<b>1,728,167.5</b>	<b>584,714.4 33.8%</b>

The above table computes the FY 82 "SJR 4 recommendation" based on the growth allowed under SJR 4 from the FY 80 actual expenditure base. The table does not exclude debt service, non-state funds or fee supported activities. Thus, the legislative recommendation overstates the allowed budget growth.

GOVERNOR'S PROPOSED SPENDING LIMIT-SJR 4\*

Calendar Year	Anchorage CPI	Population	FY 80 to FY 82	
			High Rate	Low Rate
1979	10.1 or 9.4	+ 3.0% = 13.1 or 12.4%	27.8%	25.7%
1980	10.0 or 8.8	+ 3.0% = 13.0 or 11.8%		

Note: 27.8% or high rate was used in the calculations

TABLE I

## ANNUAL COMPOUND GROWTH RATES

<u>Period</u>	<u>Anchorage Consumer Price Index</u>	<u>Alaska Population</u>	<u>General Fund Appropriations</u>	<u>General Fund Appropriations in Constant Dollars</u>	<u>General Fund Appropriations Per Capital in Constant</u>
1960 - 1980	4.73%	2.90%	23.78%	18.19%	14.87%
1960 - 1969	1.72	3.03	14.40	12.49	9.18
1970 - 1980	7.60	2.85	26.40	17.47	14.22
1969 - 1980	7.26	2.78	32.01	23.08	19.75
1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.  
5-25-81

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 455-3795

### MEMORANDUM

TO: Honorable Ed Dankworth,  
Co-chairman  
Senate Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

DATE: January 22, 1981

SUBJECT: FY 82 Budget Under Proposed Constitutional Limits

---

Following are estimates of what FY 82 budgets would be permitted if various proposed constitutional limits on budget growth were now in effect.

#### SJR 3 by Colletta

This limits growth of appropriations, except those for capital projects and contributions to the permanent fund, to growth of the economy. For calendar 1979, Alaska personal income grew 4.55%. Applied to an FY 81 operating budget of \$1,282.0 million (see attached Table I), this would permit an FY 82 operating budget of \$1,340.3 million. The Governor has proposed a general fund operating budget of \$1,826.5 million.

#### HJR 5 & SJR 4 by Request of the Governor

This limits growth of appropriations to inflation in the calendar year preceding the Governor's budget submission plus the average yearly growth in the State's population as measured by the last two federal censuses. Using the most recent Anchorage consumer price index figures and the 1970 and preliminary 1980 census data, the permitted growth rate for the FY 82 budget would be 12.8% to 14.0%, depending on which of two Anchorage consumer price indices is used.

The limitation does not apply to:

- 1) permanent fund contributions
- 2) permanent fund dividends
- 3) loan fund capitalization (but loan subsidies are limited)
- 4) capital projects approved by voters
- 5) debt service
- 6) disaster reserve funds
- 7) increases in state expenditures resulting from court order or federal law
- 8) 1/4 of the income from contributions to the permanent fund above the 25% minimum

Referring to Table I again, the following FY 81 expenditures would be subject to growth limits:

Operating	\$ 1,282.0
Capital	72.1
Special Appropriations	64.7
Renewable Resources	125.0
HB 60	580.8
Loan Subsidies <sup>1/</sup>	144.7
TOTAL	\$ 2,269.3

The 12.8% or 14.0% growth rates applied to this figure, plus 1/4 of 10% interest on \$900 million excess permanent fund contributions, would permit FY 82 budgets for restricted expenditures of \$2,582.2 or \$ 2,609.5 million. The Governor's FY 82 budget for such items totals \$2,286.9 million:

Operating	\$ 1,826.5
Loan Subsidies <sup>1/</sup>	233.0
Capital	227.4
TOTAL	\$ 2,286.9

HJR. 4 by Gardiner

This limits growth of appropriations, except for appropriations to the permanent fund and for loans, to growth of the economy. Using the 4.55% growth in personal income in 1979 and an FY 81 base from Table I of \$2,474.6 million,

Operating	\$ 1,282.0
Capital (less native claims)	72.1
Special Appropriations (includes general fund reserve)	414.7
HB 60	580.8
Renewable Resources	125.0
TOTAL	\$ 2,474.6

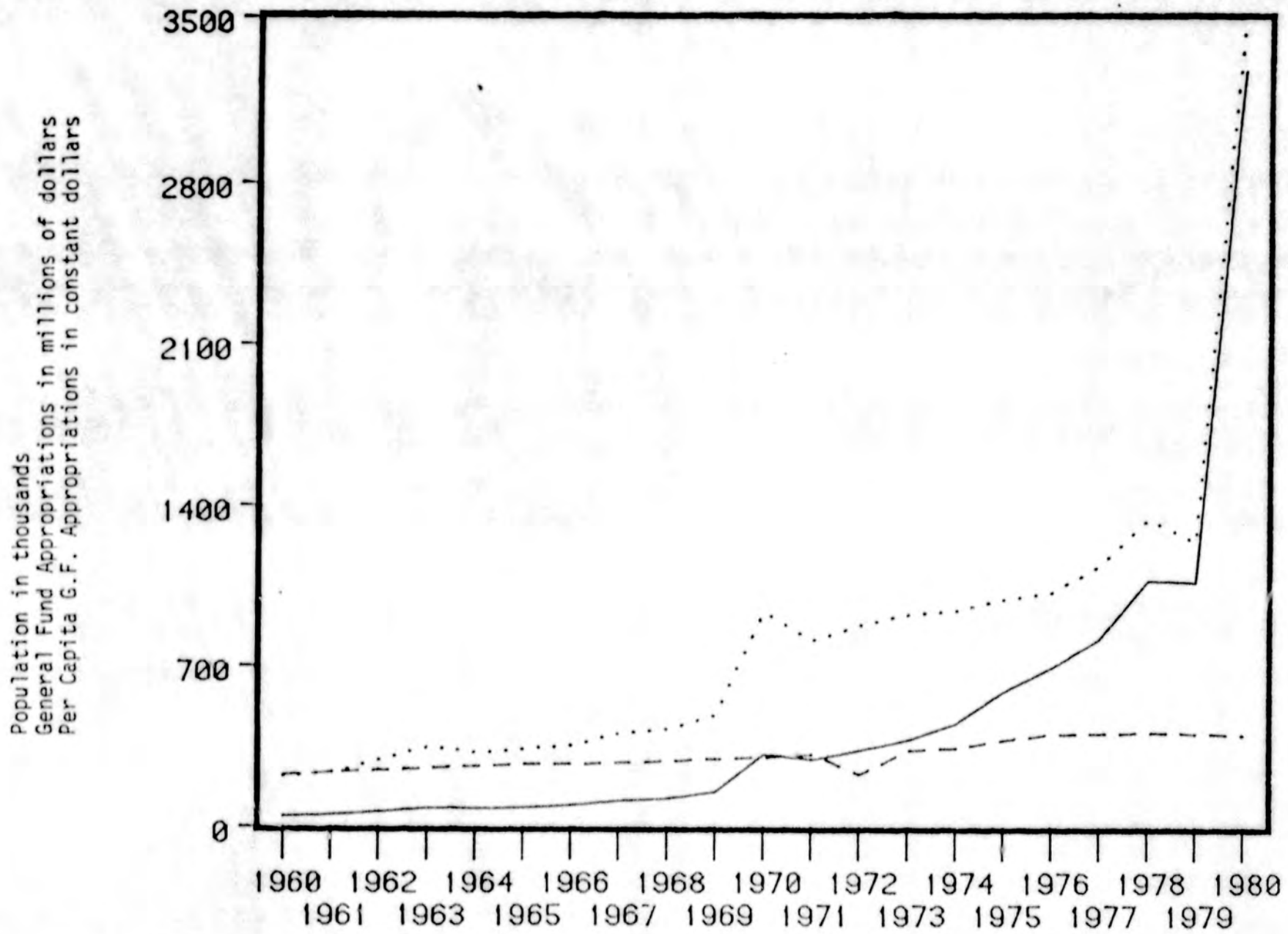
1. Figures provided by Budget and Management.

The permitted FY 82 budget would be \$2,587.1 million. For these same restricted items, the Governor's FY 82 budget proposes \$2,703.9 million:

Operating	\$ 1,826.5
Capital	227.4
Rainy Day Funds (general fund reserve)	350.0
Escrow Account	300.0
	<hr/>
TOTAL	\$ 2,703.9

MB:dh

# HISTORICAL GROWTH IN GENERAL FUND PER CAPITA APPROPRIATIONS FROM CALENDAR YEAR 1960 TO 1980

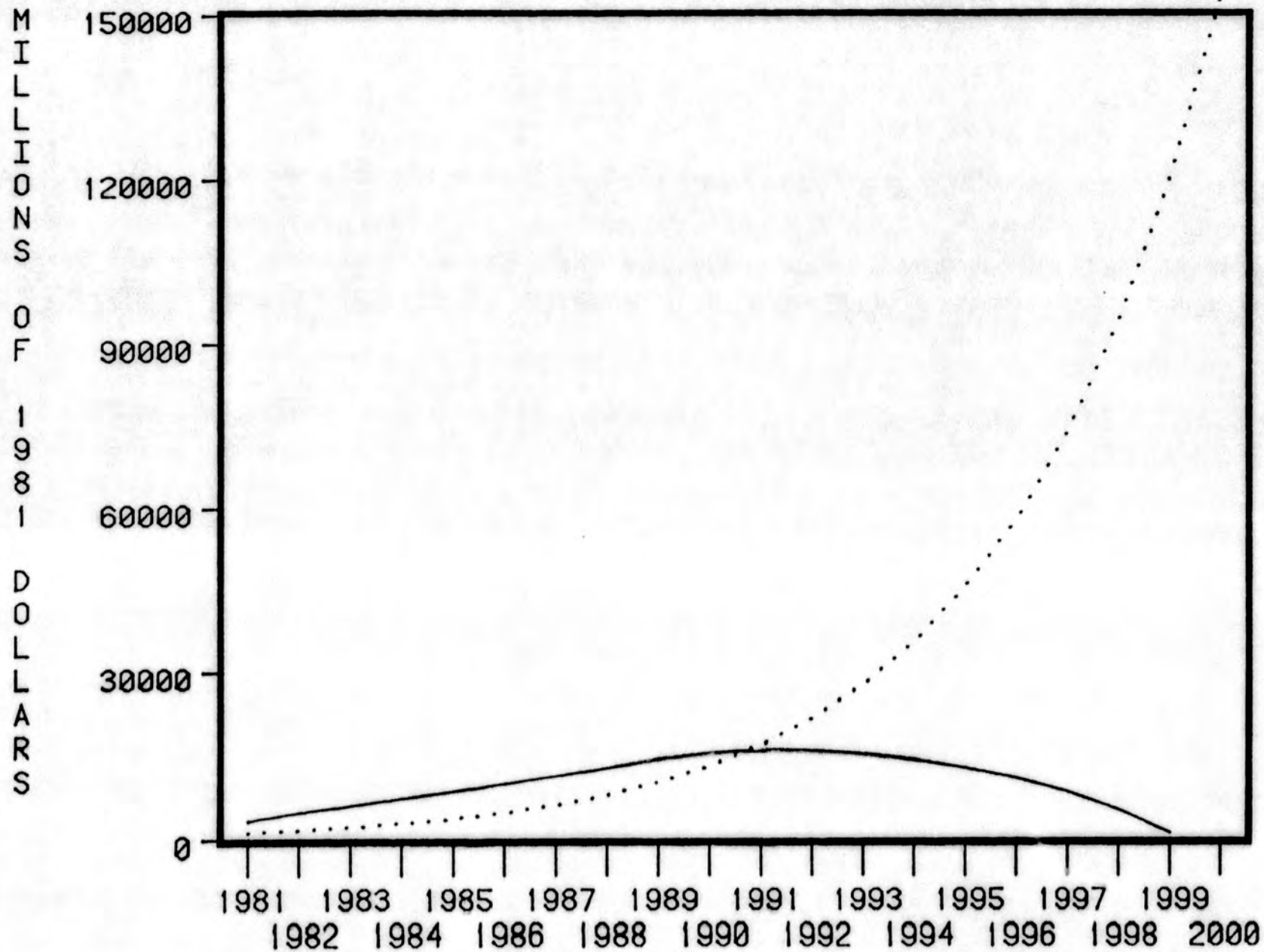


- - - - - POPULATION  
 \_\_\_\_\_ G.F. APPROP.  
 ..... PER CAP. APPROP.

CALENDAR YEARS

prepared by House Research Agency  
 data source: Legislative Finance

GENERAL FUND REVENUES & OPERATING BUDGET EXPENDITURES  
 PROJECTED FROM FY 1981 TO FY 2000



\_\_\_\_\_ GEN. FUND REVENUE  
 ..... OPER. EXPENDITURE

FISCAL YEARS

prepared by House Research Agency  
 data source: Ak. Dept. of Revenue

**PROJECTED BUDGET AND PERMANENT FUND BALANCE AND INCOME**  
(\$ Billions)

FY	NOMINAL DOLLARS				FY 82 DOLLARS			
	Budget (exclusive of expenditures from Perm. Fund Income	Permanent Fund Balance	Permanent Fund Income	Permanent Fund Income Available for Disbursement	Budget (exclusive of expenditures from Perm. Fund Income	Permanent Fund Balance	Permanent Fund Income	Permanent Fund Income Available for Disbursement
1982	2.4	5.4	.4	.1	2.4	5.4	.4	.1
1983	2.7	9.0	.7	.3	2.5	8.2	.6	.3
1984	3.1	13.0	1.1	.5	2.6	10.7	.9	.4
1985	3.5	17.2	1.5	.8	2.6	12.9	1.1	.6
1986	3.9	22.0	2.0	1.1	2.7	15.1	1.4	.8
1987	4.4	27.3	2.5	1.6	2.7	17.0	1.6	1.0
1988	5.0	33.2	3.0	2.0	2.8	18.8	1.7	1.1
1989	5.6	39.3	3.6	2.5	2.9	20.1	1.8	1.3
1990	6.4	45.0	4.2	3.1	3.0	21.0	2.0	1.4
1991	7.2	50.2	4.8	3.6	3.1	21.3	2.0	1.5
1992	8.1	54.9	5.3	4.2	3.1	21.2	2.0	1.6
1993	9.2	58.4	5.7	4.7	3.2	20.5	2.0	1.6
1994	10.4	60.7	6.0	5.2	3.3	19.3	1.9	1.7
1995	11.8	61.9	6.1	5.6	3.4	17.9	1.8	1.6
1996	13.3	63.1	6.3	5.9	3.5	16.6	1.7	1.6
1997	15.0	64.3	6.4	6.1	3.6	15.4	1.5	1.5

Assumptions:

1. All surplus funds deposited in the permanent fund; balance is as of year end.
2. Permanent fund income calculated at 10% on average balance during the year; income actually available for disbursement is a moving average of the past five years.
3. Expenditures are projected to equal the amount of Permanent Fund income plus 13% annual compound growth from a budget of \$2.4 billion in FY 82.
4. Revenues as contained in Table III of June 18, 1981 memo to Hon. Arliss Sturgulewski from Milt Barker re "General Fund and Permanent Fund Balance Projections."
5. 10% annual inflation.

Prepared by:  
Legislative Finance  
6-19-81

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

9-JUN-81

COMMENTS  
FY82 BUDGET \$2.4 BILLION

ASSUMPTIONS  
ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 10.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 13.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = % 100 %  
% OF SURPLUS TO PERMANENT FUND = % 100 %

YEAR END	NON		TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS		SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL OF \$0 MIL
	INVESTMENT REVENUE	INVESTMENT INTEREST					TO FUNDS	TOTAL EXPENDITURE				
1981										2580.0	0.0	
1982	5110.0	399.3	5509.3	2400.0	0.0	0.0	799.5	3199.5	2309.7	5405.5	0.0	0.0
1983	6170.0	720.9	6890.9	2712.0	0.0	0.0	1205.5	3917.5	2973.4	9012.2	0.0	0.0
1984	6843.0	1098.2	7941.2	3064.6	0.0	0.0	1649.3	4713.9	3227.3	12952.0	0.0	0.0
1985	7571.0	1509.3	9080.3	3463.0	0.0	0.0	2136.8	5599.7	3480.6	17234.0	0.0	0.0
1986	8457.0	1960.2	10417.2	3913.1	0.0	0.0	2673.4	6586.5	3830.6	21969.4	0.0	0.0
1987	9571.0	2465.2	12036.2	4421.8	0.0	0.0	3284.7	7706.6	4329.6	27335.1	0.0	0.0
1988	10597.0	3024.7	13611.7	4996.7	0.0	0.0	3942.6	8939.3	4672.4	33159.0	0.0	0.0
1989	11538.0	3622.6	15160.6	5646.3	0.0	0.0	4652.6	10298.8	4861.8	39293.8	0.0	0.0
1990	11832.0	4212.9	16044.9	6380.3	0.0	0.0	5303.3	11683.6	4361.3	44963.6	0.0	0.0
1991	12280.0	4759.7	17039.7	7209.7	0.0	0.0	5918.9	13128.6	3911.1	50229.5	0.0	0.0
1992	12635.0	5255.5	17890.5	8147.0	0.0	0.0	6482.5	14629.4	3261.1	54880.6	0.0	0.0
1993	12649.0	5665.6	18314.6	9206.1	0.0	0.0	6944.1	16150.2	2164.4	58431.7	0.0	0.0
1994	12580.0	5954.1	18534.1	10402.9	0.0	0.0	7284.6	17687.4	846.7	60651.2	0.0	0.0
1995	11907.0	6129.7	18036.7	11755.2	0.0	0.0	7420.9	19176.2	-1139.5	61942.5	0.0	1139.5
1996	11220.0	6254.6	17474.6	13283.4	0.0	0.0	7461.1	20744.5	-3269.9	63149.0	0.0	3269.9
1997	10494.0	6371.1	16865.1	15010.2	0.0	0.0	7494.8	22505.1	-5640.0	64272.7	0.0	5640.0

LIQUID FUNDS AVAILABLE FOR APPROPRIATION THROUGH FY 1982

(\$ millions)

3/81 ESTIMATE OF LIQUID FUNDS AVAILABLE FOR APPROPRIATION.....6,061.6

FY 1981 Changes

6/81 revision in production tax.....	+15.4
6/81 revision in royalty (net of Perm. Fund).....	-18.6
6/81 revision in AS 43.21.....	+11.6
6/81 revision in AS 43.56 due to North Slope Borough's increase in local millage.....	-40.3
6/81 revision in other taxes.....	-6.1
6/81 revision in other revenue.....	<u>-7.4</u>

NET REVISION FOR FY 1981..... -45.4

FY 1982 Changes

6/81 revision in production tax.....	-114.0
6/81 revision in royalty (net of Perm. Fund).....	-124.1
6/81 revision in AS 43.21.....	-85.5
6/81 revision in AS 43.56 due to North Slope Borough's increase in local millage.....	-50.2
6/81 revision in other taxes.....	+0.6
6/81 revision in investment earnings.....	+75.0
6/81 revision in other revenue.....	<u>+12.7</u>

NET REVISION FOR FY 1982..... -285.5

REVISED ESTIMATE OF LIQUID FUNDS AVAILABLE FOR APPROPRIATION.....5,730.7

Jim Sullivan. 6/4/81

FY 82 OPERATING BUDGET COMPARISON  
GOVERNOR'S ADJUSTED - EXPENDITURE LIMIT, SJR 4\*  
Base Year FY 80 Actual

CATEGORY	FY 80 ACT	-----FISCAL YEAR 1982-----				GOV. ADJ. - SJR 4 COMPARISON
		GOV. ADJ.	HOUSE	SENATE	SJR 4 (Leg. Rec.)	
EDUCATION	389,907.9	572,196.9	568,432.5	565,948.4	498,302.8	73,894.1 14.7%
UNIVERSITY	178,206.6	217,713.9	222,815.0	203,559.9	227,748.4	-10,034.5 -4.3%
SOCIAL SERVICES	136,865.3	214,131.6	214,623.2	211,465.6	174,913.3	39,218.3 22.3%
HEALTH	91,386.9	147,049.8	136,527.7	130,939.2	116,792.6	30,257.2 25.8%
NATURAL RESOURCES	91,322.9	176,024.8	154,424.0	119,287.0	116,693.2	59,331.6 50.7%
PUBLIC PROTECTION	35,000.6	43,874.8	43,543.9	36,348.0	44,731.2	-856.4 -1.8%
JUSTICE	88,822.8	130,834.0	129,223.1	121,196.3	113,516.5	17,317.5 15.2%
DEVELOPMENT	71,269.7	204,072.6	178,236.0	208,157.0	91,082.9	112,989.7 124.0%
TRANSPORTATION	181,049.7	301,510.8	293,609.4	247,922.1	231,381.5	70,129.3 30.2%
GENERAL GOVERNMENT	88,423.5	305,472.7	299,515.4	297,248.4	113,005.1	192,467.6 170.2%
<b>TOTAL</b>	<b>1,352,255.9</b>	<b>2,312,881.9</b>	<b>2,240,950.2</b>	<b>2,142,071.9</b>	<b>1,728,167.5</b>	<b>584,714.4 33.8%</b>

The above table computes the FY 82 "SJR 4 recommendation" based on the growth allowed under SJR 4 from the FY 80 actual expenditure base. The table does not exclude debt service, non-state funds or fee supported activities. Thus, the legislative recommendation overstates the allowed budget growth.

GOVERNOR'S PROPOSED SPENDING LIMIT-SJR 4\*

Calendar Year	Anchorage CPI	Population	FY 80 to FY 82	
			High Rate	Low Rate
1979	10.1 or 9.4	+ 3.0% = 13.1 or 12.4%	27.8%	25.7%
1980	10.0 or 8.8	+ 3.0% = 13.0 or 11.8%		

Note: 27.8% or high rate was used in the calculations

*Shows Gov's Budget 2 1/2 times his limit.*

*Shows compound growth rates - from M. Barber*

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. <sup>2/</sup>	General Fund Appropriations (\$ millions) <sup>3/</sup>	General Fund Appropriations in Constant Dollars (\$ millions)	General Fund Appropriations in <i>adj for inflation</i>
1960	92.0	226,167	45.9	49.8	236
1961	92.9	238,000	52.3	56.3	289
1962	92.6	246,000	65.8	71.0	347
1963	93.3	256,000	82.9	88.8	320
1964	93.9	263,000	79.1	84.2	337
1965	94.2	271,000	86.1	102.0	354
1966	97.9	271,000	93.8	95.8	407
1967	100.0	278,000	113.1	113.1	424
1968	102.6	285,000	124.1	120.9	485
1969	107.3	296,000	154.1	143.6	808
1970	111.5	302,361	314.2	281.7	875
1971	114.4	316,000	292.1	255.3	923
1972	116.9	326,000	333.5	285.2	940
1973	123.8	332,000	379.3	306.3	989
1974	140.0	343,000	451.3	322.3	1020
1975	157.4	379,000	590.3	375.0	1132
1976	167.6	405,000	692.3	413.0	1339
1977	177.3	408,000	819.1	462.0	
1978	194.8 <sup>1/</sup>	411,000	1071.7	550.2	
1979	211.8	406,000	1062.3	501.6	
1980	232.0	400,331	3270.8	1409.8	

- 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.
- 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.
- The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of \$39.8 million in general funds was signed into law.
  - 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.
  - Supplemental appropriations are excluded except for a \$580.8 million capital projects supplemental in 1980.
  - Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:  
Legislative Finance  
5-25-81

Malone

FY 80 APPROPRIATIONS SUMMARY

Enacted into Law

General Fund

General Appropriations Act

Operating	\$915,278,168	
New Legislation	3,081,800	FY 79
Capital	<u>86,802,200</u>	
TOTAL	\$1,005,162,168	

Special Appropriations Acts	19,887,559	FY 79
Supplemental Appropriations	631,305,919	FY 80
Special Appropriations	<u>1,374,738,231</u>	FY 80
	\$3,301,092,877	

-Debt Service	150,000,000
-Permanent Fund	<u>900,000,000</u>

The base is FY 80 at \$1,981,093,877

Debt Service	76,900,000
Local Debt Ser.	25,000,000
HB 281	<u>50,000,000</u> (estimate)
	\$150,000,000 (approximate)

## SECTION III

### A LID ON GOVERNMENT SPENDING

The elimination of taxes must be accompanied by a lid on both state and local spending. Elected officials must rally the courage and detachment to place tough, binding curbs on budgetary growth.

The Alaskan people endorse the involvement of state government to tend to the impoverished, the handicapped, the disabled, and the involuntarily unemployed. There is, however, a growing backlash to the philosophy that views government as the surrogate for church, community, neighbor, and the family.

**If state budget growth averages 20%, by the year 2000 the legislature will be spending \$45 billion per year.**

The mere existence of the surplus oil revenues is a nearly irresistible temptation for those who subscribe to the above philosophy to indulge in spending sprees to try to do everything for everyone. If this view dominates state policy, the present good fortune will soon vanish.

Even a cursory examination of the budgetary history of Alaska is enough to heighten one's appreciation of the problem of government growth and to encourage the advancement of remedial proposals.

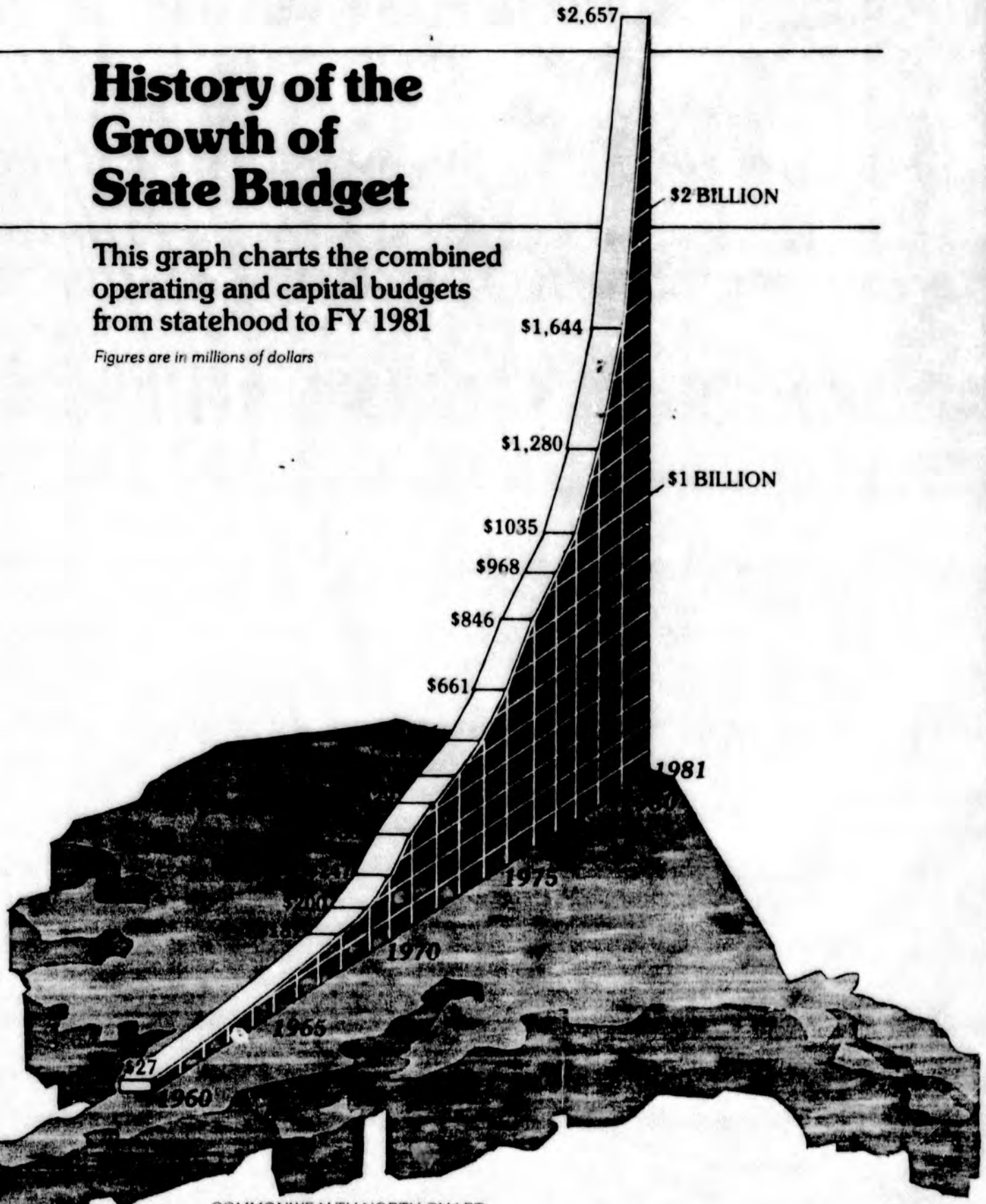
To underline the need for spending limits, consider the possibility of state budget growth at 20 percent (13 percent real growth, plus 7 percent inflation). At that rate, by the year 2000, our legislature will be spending \$45 billion per year.

Figure D

# History of the Growth of State Budget

This graph charts the combined operating and capital budgets from statehood to FY 1981

Figures are in millions of dollars



COMMONWEALTH NORTH CHART

**It is essential to clamp a lid on both state and local government expenditures**

As shown on the graph (Figure D), the State of Alaska had a budget of \$27 million in 1960. The population at the time was approximately 225,000. The per capita cost of the budget was \$120. In 1979, less than 20 years later, the budget had grown to \$1.2 billion with a population of nearly 420,000. In other words, the annual rate of growth averaged over 100 percent. The per capita cost today is roughly \$2,800.

A person who earned \$10,000 a year in 1960 (a good income at that time) would have to earn \$240,000 per year in 1980 to equal the state's growth record.

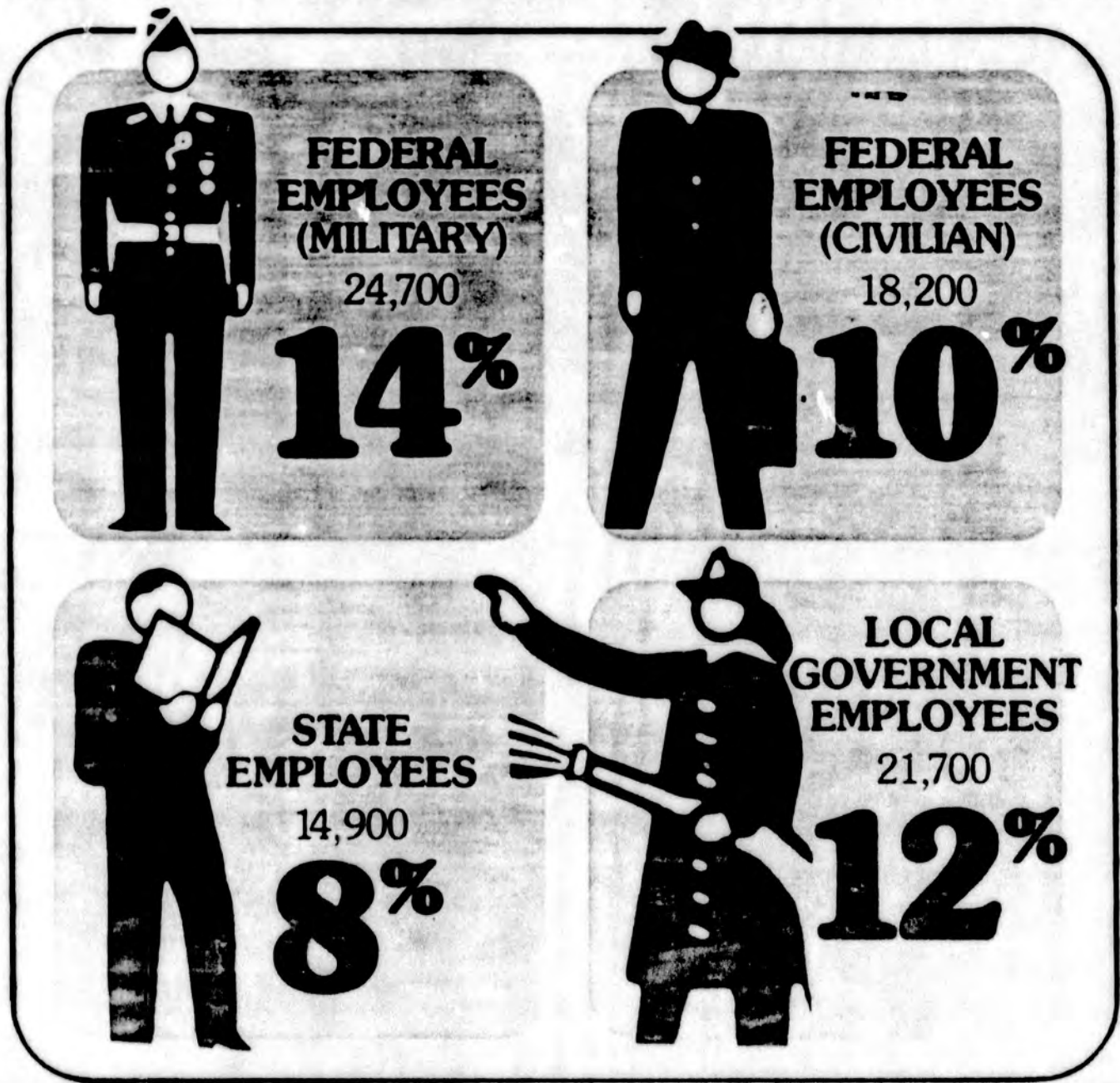
Sixty to 70 percent of government expenses are dedicated to salaries. To control spending, Alaska's elected leaders must check the expanding size of the public payroll. Figure D illustrates the large number of Alaskans employed by government. In addition, at least 15 percent of the work force makes its living from government as consultants, contractors and suppliers.

It would be an unwarranted assumption to suppose that local government, reimbursed by the state for uncollected property or sales taxes, would act with restraint. It is essential to clamp a lid on local expenditures in order to insure that municipal budgets are not inflated for superfluous purposes.

One of the best ways to limit government spending at any level is to tie state and local budgets to the annual fluctuation of personal income per capita of the non-governmental work force. These figures on a statewide and local basis can be obtained annually from the Department of Commerce and Economic Development.

Figure E

# Number of Public Employees in Alaska



**TOTAL 79,500 or 44%**

COMMONWEALTH NORTH CHART

DATA SOURCE: Alaska Department of Labor, Research Division, Juneau

**ALASKA'S GOLDEN OPPORTUNITY**

**RESOURCE REVENUES  
AND  
STATE SPENDING**

A REPORT BY  
COMMONWEALTH NORTH

Prepared by the Resource Income Committee

December 1980

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

*Budget  
growth rates  
in relation to  
revenues*

June 18, 1981

### MEMORANDUM

TO: Honorable Arliss Sturgulewski  
Honorable Hugh Malone

FROM: Milt Barker, Fiscal Analyst <sup>MB</sup>

SUBJECT: General Fund and Permanent Fund Balance Projections

The attached computer runs project the State's fiscal situation based on assumed growth rates of 15%, 20%, 25%, and 30% per annum in budget expenditures. The FY 82 expenditure base is assumed at the following levels (\$ millions):

<u>Governor's FY 82 Request</u>	<u>Amount</u>	<u>Run #'s</u>
Operating	\$1776.5	1-4
Operating, capital	2003.9	5-8
Operating, capital, loans	2404.3	9-12
Operating, capital, loans, other	2786.1	13-16
Operating, capital, loans, other, escrow	3086.1	17-20
Operating, capital, loans, other, escrow, rainy day	3436.1	21-24

The high rates of budget growth used in these projections roughly cover the spectrum of historical growth rates (see Tables I and II attached), which have averaged from 14.40% to 32.01% annually for significant periods of time during the past two decades. With increased revenues in the past few years, growth has accelerated markedly, even in the traditional operating and capital budgets:

(General Fund, \$ Millions)

	<u>FY 80</u>	<u>1.</u>	<u>FY 82</u>	<u>2.</u>	<u>Annual</u>
	<u>Appropriations</u>		<u>Gov's Request</u>		<u>Compound</u>
					<u>Growth</u>
Operating	952.5		1776.5		36.57%
Operating & Capital	1039.3		2003.9		38.86%

Table III (attached) details the revenue projections used in all 24 computer runs. Roughly speaking, they reflect a 60% probability of gas line completion by FY 87.

- 
1. "Free Conference Committee Report, Fiscal Year 1980, Operating and Capital Budget"
  2. Governor's Budget Document for FY 82

TABLE I

## ANNUAL COMPOUND GROWTH RATES

<u>Period</u>	<u>Anchorage Consumer Price Index</u>	<u>Alaska Population</u>	<u>General Fund Appropriations</u>	<u>General Fund Appropriations in Constant Dollars</u>	<u>General Fund Appropriations Per Capital in Constant \$</u>
1960 - 1980	4.73%	2.90%	23.78%	18.19%	14.87%
1960 - 1969	1.72	3.03	14.40	12.49	9.18
1970 - 1980	7.60	2.85	26.40	17.47	14.22
1969 - 1980	7.26	2.78	32.01	23.08	19.75
1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.  
5-25-81

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. <sup>2/</sup>	General Fund Appropriations (\$ millions) <sup>3/</sup>	General Fund Appropriations in Constant Dollars (\$ millions)	Per Capita General Fund Appropriations in Constant Dollars \$
1960	92.0	226,167	45.9	49.8	220
1961	92.9	238,000	52.3	56.3	236
1962	92.6	246,000	65.8	71.0	289
1963	93.3	256,000	82.9	88.8	347
1964	93.9	263,000	79.1	84.2	320
1965	94.2	271,000	86.1	102.0	337
1966	97.9	271,000	93.8	95.8	354
1967	100.0	278,000	113.1	113.1	407
1968	102.6	285,000	124.1	120.9	424
1969	107.3	296,000	154.1	143.6	485
1970	111.5	302,361	314.2	281.7	932
1971	114.4	316,000	292.1	255.3	808
1972	116.9	326,000	333.5	285.2	875
1973	123.8	332,000	379.3	306.3	923
1974	140.0	343,000	451.3	322.3	940
1975	157.4	379,000	590.3	375.0	989
1976	167.6	405,000	692.3	413.0	1020
1977	177.3	408,000	819.1	462.0	1132
1978	194.8 <sup>1/</sup>	411,000	1071.7	550.2	1339
1979	211.8	406,000	1062.3	501.6	1235
1980	232.0	400,331	3270.8	1409.8	3521

1. 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.
2. 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.
3. (a) The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of \$39.8 million in general funds was signed into law.  
 (b) 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.  
 (c) Supplemental appropriations are excluded except for a \$580.8 million capital projects supplemental in 1980.  
 (d) Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:  
 Legislative Finance  
 5-25-81

**TABLE III**  
**PROJECTED REVENUE**  
**FY 81 - FY 97**  
**(\$ Millions)**

Prepared by:  
 Legislative Finance  
 6-17-81

FY	(1) <u>Severance</u>	(2) <u>Royalties</u>	(3) <u>Petroleum Income Tax</u>	(4) <u>Property Tax</u>	(5) <u>Non-Petroleum Revenue</u>
1981	1186	1422	768	141	210
1982	1527	2063	1142	145	233
1983	1869	2533	1357	152	259
1984	2063	2850	1474	168	288
1985	2278	3206	1585	183	319
1986	2554	3619	1734	195	355
1987	2944	4144	1887	202	394
1988	3275	4606	2062	206	438
1989	3661	5092	2088	210	487
1990	3754	5234	2093	210	541
1991	3887	5419	2167	206	601
1992	3986	5560	2224	197	688
1993	3953	5547	2218	189	742
1994	3886	5491	2196	182	825
1995	3585	5165	2066	175	916
1996	3278	4826	1930	168	1018
1997	2909	4495	1798	161	1131
<b>TOTAL</b>	<b>50595</b>	<b>71272</b>	<b>30789</b>	<b>3090</b>	<b>9445</b>

Sources:

- (1,2) June forecast of Petroleum Revenue Division, Department of Revenue.
- (3) FY 81-85: from "Fiscal Analysis of the Proposed Backstop Tax Legislation", Gregg Erickson & Associates, May 1981.  
 FY 86-90: Col. 1, Table 1 of "Oil Tax Settlement Fiscal Analysis" memo of June 12, 1981 from Milt Barker to Hon. Hugh Malone for Sadlerochit plus \$300 million per year for Cook Inlet, Kuparak, and TAPS.  
 FY 91-97: 40% of royalties (an optimistic estimate since operating costs per barrel will increase as production declines)
- (4) FY 81-83: "Revenue Sources, June 1981 Update", Research Division, Department  
 FY 84-97: 70% of March unpublished forecast of Research Division, Dept. of Revenue.  
 (reduction based on increased North Slope Borough taxation).
- (5) March unpublished forecast of Research Division, Department of Revenue.

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

17-JUN-01

COMMENTS  
FY02 GOVERNORS BUDGET  
OPERATING \$1776.5

ASSUMPTIONS  
ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.P. CASH BAL. = 20.00%  
% OF ROYALTIES LEASES AND ROUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	REVENUE	INVESTMENT	INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLY- MENTALS SERVICE	DEBT	FUNDS TO EXPENDITURES	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND	REVENUE FOR OF BAL
1981	5110.0	479.2	5599.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	1739.0	541.0	0.0
1982	6170.0	915.9	7085.9	2043.0	0.0	0.0	761.0	2904.0	4201.1	2294.0	4030.1	0.0
1983	6813.0	1857.1	8300.1	2347.4	0.0	0.0	874.7	3224.1	5076.0	3660.5	13355.1	0.0
1984	7571.0	2091.6	9662.6	2701.0	0.0	0.0	1001.6	3703.4	5959.2	4402.0	19350.4	0.0
1985	8457.0	2934.9	11291.9	3107.1	0.0	0.0	1147.5	4254.6	7637.3	5106.0	26391.7	0.0
1986	9571.0	3712.2	13283.2	3578.2	0.0	0.0	1327.2	4900.4	9302.0	6342.0	34774.3	0.0
1987	10597.0	4737.4	15334.4	4107.2	0.0	0.0	1497.4	5606.6	9717.8	7494.3	44492.3	0.0
1988	11530.0	5906.9	17436.9	4735.5	0.0	0.0	1679.5	6405.1	11041.0	8767.3	55514.2	0.0
1989	11837.0	7194.9	19026.9	5434.4	0.0	0.0	1799.6	7213.9	11813.0	10025.0	67347.1	0.0
1990	12900.0	8570.4	20970.4	6349.5	0.0	0.0	1892.4	8141.7	12700.5	11430.5	80057.7	0.0
1991	12635.0	10036.3	22671.3	7165.9	0.0	0.0	1976.3	9103.2	13480.0	12820.5	93543.7	0.0
1992	12845.0	11565.4	24214.4	8265.0	0.0	0.0	2062.4	10327.4	13867.0	14207.3	107430.7	0.0
1993	12500.0	13126.0	25706.0	9504.7	0.0	0.0	2117.4	11622.2	14004.6	15700.0	121515.3	0.0
1994	11907.0	14669.7	26576.7	10930.4	0.0	0.0	2102.5	13033.0	15431.9	16071.3	135679.2	0.0
1995	11290.0	16140.3	27460.3	12370.0	0.0	0.0	2080.2	14650.2	17110.1	18077.8	147769.3	0.0
1997	10494.0	17504.4	27998.4	14455.5	0.0	0.0	2055.7	16511.2	11407.1	19201.5	159256.4	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

2

17-JUN-91

COMMENTS

1982 GOVERNORS BUDGET  
OPERATING \$1776.5

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00Z  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00Z  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00Z  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00Z  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00Z

YEAR END	NON REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL \$0 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4039.1	0.0
1983	5170.0	913.1	7083.1	2131.0	0.0	0.0	761.8	2893.6	4189.4	2688.0	8227.5	0.0
1984	5843.0	1440.9	8283.9	2558.2	0.0	0.0	874.7	3432.9	4851.0	3600.5	13079.5	0.0
1985	7571.0	2046.7	9617.7	3069.0	0.0	0.0	1001.6	4071.4	5546.3	4402.0	18624.9	0.0
1986	8457.0	2737.9	11194.9	3683.8	0.0	0.0	1147.5	4831.2	6325.7	5306.8	24770.5	0.0
1987	9571.0	3538.0	13109.0	4420.5	0.0	0.0	1327.2	5747.7	7341.3	6342.8	32451.8	0.0
1988	10587.0	4444.6	15031.6	5304.4	0.0	0.0	1477.4	6802.0	8229.6	7494.3	40581.4	0.0
1989	11538.0	5445.4	16983.4	6345.5	0.0	0.0	1679.5	8045.1	9930.4	8767.3	49519.7	0.0
1990	11832.0	6492.2	18324.2	7438.6	0.0	0.0	1779.6	9418.2	10906.0	10075.8	58425.7	0.0
1991	12280.0	7539.2	19819.2	8166.3	0.0	0.0	1892.4	11058.0	12760.5	11430.5	67186.2	0.0
1992	12835.0	8561.2	21396.2	10999.6	0.0	0.0	1996.3	12995.9	14998.3	12820.5	75386.5	0.0
1993	12649.0	9498.3	22147.3	13199.5	0.0	0.0	2062.4	15262.0	16885.3	14267.3	82271.8	0.0
1994	12580.0	10278.4	22858.4	15832.5	0.0	0.0	2117.4	17356.9	19011.5	15580.0	87173.3	0.0
1995	11907.0	10797.9	22704.9	19007.3	0.0	0.0	2102.5	21109.9	15977.0	14871.3	89770.4	0.0
1996	11220.0	10944.4	22164.4	22808.8	0.0	0.0	2080.2	24889.0	-2724.6	18077.8	86645.8	0.0
1997	10494.0	10599.3	21093.3	27370.6	0.0	0.0	2055.7	29426.3	-8333.0	19201.5	77712.8	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

3

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%

% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR OF BAL 10 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4039.1	0.0
1983	6170.0	910.2	7080.2	2220.6	0.0	0.0	761.8	2982.4	4097.8	2880.0	8135.9	0.0
1984	6843.0	1424.4	8267.4	2775.0	0.0	0.0	874.7	3650.5	4616.9	3609.5	12752.8	0.0
1985	7571.0	1999.8	9570.8	3469.7	0.0	0.0	1001.6	4471.3	5099.5	4402.0	17852.2	0.0
1986	8457.0	2637.9	11094.9	4337.2	0.0	0.0	1147.5	5484.6	5610.3	5306.8	23462.5	0.0
1987	9571.0	3345.6	12916.6	5421.4	0.0	0.0	1327.2	6748.7	6167.9	6342.8	29630.4	0.0
1988	10587.0	4111.6	14698.6	6776.0	0.0	0.0	1497.4	8274.2	6424.4	7494.3	36054.8	0.0
1989	11539.0	4902.5	16440.5	8471.0	0.0	0.0	1679.5	10150.5	6289.7	8767.3	42344.7	0.0
1990	11832.0	5643.9	17475.8	10588.8	0.0	0.0	1779.6	12368.3	5107.4	10675.8	47452.2	0.0
1991	12200.0	6255.6	18455.6	13236.0	0.0	0.0	1892.4	15128.4	3407.2	11430.5	50859.4	0.0
1992	12635.0	6667.5	19302.5	16544.9	0.0	0.0	1996.3	18541.2	761.2	12820.5	51626.6	0.0
1993	12649.0	6760.4	19409.4	20681.2	0.0	0.0	2062.4	22743.6	-3334.3	14207.3	48286.4	0.0
1994	12580.0	6384.8	18964.8	25851.5	0.0	0.0	2117.4	27968.9	-9004.1	15780.0	39282.3	0.0
1995	11907.0	5338.5	17245.5	32314.3	0.0	0.0	2102.5	34416.9	-17171.4	14071.3	22116.9	0.0
1996	11200.0	3660.9	14860.9	40392.9	0.0	0.0	2080.2	42473.2	-27592.3	10077.8	0.0	5481.4
1997	10494.0	2873.0	13367.0	50421.2	0.0	0.0	2055.7	52968.9	-39179.1	19201.5	0.0	39179.1

STATE OF MICHIGAN  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

4

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00Z  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00Z  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00Z  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00Z  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00Z

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR OF BAL TO BIL
1981										1239.0	841.0	
1982	5110.0	475.2	5585.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.0	4038.1	0.0
1983	6170.0	907.4	7077.4	2309.5	0.0	0.0	761.0	3071.3	4006.2	2800.0	5544.3	0.0
1984	6843.0	1407.6	8250.6	3002.3	0.0	0.0	874.7	3877.0	4373.6	3600.5	12417.0	0.0
1985	7571.0	1950.8	9521.8	3903.0	0.0	0.0	1001.6	4904.5	4617.3	4402.0	17035.1	0.0
1986	8457.0	2528.6	10985.6	5073.7	0.0	0.0	1147.5	6221.3	4764.3	5306.0	21797.4	0.0
1987	9571.0	3133.4	12704.4	6596.0	0.0	0.0	1327.2	7923.3	4701.1	6342.0	26580.6	0.0
1988	10507.0	3733.0	14320.0	8574.0	0.0	0.0	1497.4	10072.3	4240.6	7494.3	36027.2	0.0
1989	11538.0	4267.9	15805.9	11147.3	0.0	0.0	1679.5	12826.8	2979.1	8767.3	33800.2	0.0
1990	11832.0	4621.9	16453.9	14491.5	0.0	0.0	1779.6	16271.0	182.9	10075.0	34971.2	0.0
1991	12280.0	4681.7	16961.7	18836.9	0.0	0.0	1892.4	20731.3	-3789.6	11430.5	36201.6	0.0
1992	12635.0	4247.0	16882.0	24490.6	0.0	0.0	1996.3	26486.8	-9609.8	12820.5	26571.8	0.0
1993	12649.0	3141.9	15790.9	31837.7	0.0	0.0	2062.4	33900.2	-18109.3	14207.3	2482.5	0.0
1994	12580.0	2441.3	15021.3	41389.0	0.0	0.0	2117.4	43506.5	-28485.2	15500.0	0.0	26902.8
1995	11907.0	2698.7	14605.7	53805.8	0.0	0.0	2102.5	55908.3	-41302.6	16071.3	0.0	41302.6
1996	11270.0	3146.4	14416.4	69747.5	0.0	0.0	2080.2	72027.7	-57661.3	18077.0	0.0	57661.3
1997	10494.0	3602.6	14176.6	90931.7	0.0	0.0	2055.7	92987.5	-78810.9	19201.5	0.0	78810.9

STATE OF MICHIGAN  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

5

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 222.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE RED FOR OF BAL 40 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	3003.9	0.0	0.0	615.6	3619.5	2962.5	2254.8	3003.5	0.0
1983	6170.0	882.9	7052.9	3304.5	0.0	0.0	761.8	3066.3	3986.6	2888.0	7770.1	0.0
1984	6843.0	1391.9	8234.9	2850.2	0.0	0.0	874.7	3524.9	4710.1	3600.5	12500.2	0.0
1985	7571.0	1986.5	9557.5	3047.7	0.0	0.0	1001.8	4049.2	5508.3	4402.0	18008.4	0.0
1986	8457.0	2880.6	11337.6	3504.8	0.0	0.0	1147.5	4652.3	6405.3	5306.8	24473.8	0.0
1987	9571.0	3498.0	13069.0	4030.6	0.0	0.0	1327.2	5357.8	7211.2	6342.8	32705.0	0.0
1988	10587.0	4450.3	15037.3	4635.1	0.0	0.0	1497.4	6132.6	8904.7	7494.3	41169.7	0.0
1989	11538.0	5533.7	17071.7	5330.4	0.0	0.0	1679.5	7016.0	10061.8	8767.3	51171.5	0.0
1990	11832.0	6713.7	18545.7	6130.0	0.0	0.0	1779.4	7909.6	10636.2	10075.8	61807.7	0.0
1991	12200.0	7762.1	20242.1	7049.5	0.0	0.0	1872.4	8741.9	11300.2	11430.5	73107.9	0.0
1992	12635.0	9275.9	21910.9	8106.9	0.0	0.0	1974.3	10103.2	11807.7	12020.5	84915.6	0.0
1993	12849.0	10823.8	23772.8	9322.9	0.0	0.0	2062.4	11305.4	11887.4	14267.3	96804.0	0.0
1994	12580.0	11969.6	24549.6	10721.4	0.0	0.0	2117.4	12038.8	11710.8	15506.0	108513.8	0.0
1995	11907.0	13257.1	25164.1	12329.6	0.0	0.0	2102.5	14432.1	10732.0	16871.3	119245.0	0.0
1996	11210.0	14424.9	25644.9	14179.0	0.0	0.0	2080.2	16259.2	9385.7	18077.8	128631.5	0.0
1997	10494.0	15431.4	25925.4	16305.9	0.0	0.0	2055.7	18361.6	7563.8	19201.5	136195.4	0.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

6

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL \$0 MIL
1981										1739.0	841.0	0.0
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.0	3093.5	0.0
1983	5170.0	879.7	7049.7	2404.7	0.0	0.0	761.8	3166.5	3093.2	2888.0	2686.7	0.0
1984	5943.0	1373.6	8216.6	2805.6	0.0	0.0	874.7	3760.3	4456.3	3600.5	12143.0	0.0
1985	7571.0	1935.8	9506.8	3462.7	0.0	0.0	1001.6	4464.3	5042.5	4402.0	17185.5	0.0
1986	8407.0	2573.5	11030.5	4155.3	0.0	0.0	1147.5	5302.8	5727.7	5306.8	22913.3	0.0
1987	9571.0	3301.5	12872.5	4988.3	0.0	0.0	1327.2	6313.6	6558.9	6342.8	29472.2	0.0
1988	10587.0	4130.0	14707.0	5983.6	0.0	0.0	1477.4	7481.0	7226.0	7474.3	36498.2	0.0
1989	11538.0	5011.0	16549.0	7180.3	0.0	0.0	1679.5	8859.9	7689.1	8767.3	44307.2	0.0
1990	11832.0	5921.1	17753.1	8616.4	0.0	0.0	1779.6	10396.0	7357.1	10975.8	51244.3	0.0
1991	12280.0	6798.9	19078.9	10339.7	0.0	0.0	1892.4	12232.1	6844.8	11430.5	58571.1	0.0
1992	12635.0	7612.0	20247.0	12407.6	0.0	0.0	1996.3	14403.9	5843.1	12820.5	64434.2	0.0
1993	12649.0	8282.1	20931.1	14889.1	0.0	0.0	2062.4	16751.6	3989.5	14207.3	68423.7	0.0
1994	12580.0	9256.7	21836.7	17867.0	0.0	0.0	2117.4	19984.4	1352.3	15380.0	69775.7	0.0
1995	11907.0	8891.8	20798.8	21440.4	0.0	0.0	2102.5	23542.9	-2744.1	16871.3	67631.8	0.0
1996	11220.0	8564.0	19784.0	25728.4	0.0	0.0	2080.2	27808.7	-8024.7	18077.8	59067.1	0.0
1997	10494.0	7642.5	18136.5	30874.1	0.0	0.0	2055.7	32929.9	-14793.4	19201.6	44213.7	0.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

7  
17-JUN-81

COMMENTS

FY92 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND	REVENUE BAL FOR OF BAL
1981										1739.0	841.0	
1982	5110.0	422.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.8	3803.5	0.0
1983	6170.0	876.6	7046.6	2504.9	0.0	0.0	761.8	3266.7	3779.9	2088.0	7583.4	0.0
1984	6843.0	1355.0	8198.0	3131.1	0.0	0.0	874.7	4005.8	4192.2	3600.5	11775.6	0.0
1985	7571.0	1882.9	9453.9	3913.9	0.0	0.0	1001.6	4915.4	4538.5	4402.0	16314.0	0.0
1986	8457.0	2450.5	10915.5	4892.3	0.0	0.0	1147.5	6039.8	4875.7	5306.8	21189.7	0.0
1987	9571.0	3084.4	12655.4	6115.4	0.0	0.0	1327.2	7442.7	5212.7	6342.8	26402.4	0.0
1988	10587.0	3744.5	14331.5	7644.3	0.0	0.0	1497.4	9141.7	5189.8	7494.3	31592.2	0.0
1989	11538.0	4398.5	15936.5	9555.3	0.0	0.0	1679.5	11234.9	4701.6	8767.3	36293.8	0.0
1990	11832.0	4964.0	16796.0	11944.2	0.0	0.0	1779.6	13223.7	3072.3	10075.8	39366.1	0.0
1991	12200.0	5350.9	17630.9	14930.2	0.0	0.0	1892.4	16022.6	808.3	11430.5	40174.4	0.0
1992	12635.0	5758.8	18110.8	18662.8	0.0	0.0	1996.3	20659.0	-2548.2	12820.5	37626.2	0.0
1993	12649.0	5203.7	17852.7	23328.5	0.0	0.0	2042.4	25390.9	-7538.2	14207.3	30087.9	0.0
1994	12580.0	4364.7	16944.7	29160.6	0.0	0.0	2117.4	31278.0	-14333.3	15580.0	15754.6	0.0
1995	11907.0	3139.3	15046.3	36450.7	0.0	0.0	2102.5	38553.3	-23507.0	16871.3	0.0	7752.3
1996	11220.0	2658.7	13878.7	45563.4	0.0	0.0	2080.2	47643.6	-33764.9	18077.8	0.0	33764.9
1997	10484.0	3003.0	13487.0	56954.3	0.0	0.0	2055.7	59010.6	-45512.9	19201.5	0.0	45512.9

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

R

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	FERR- AMENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL OF
END												\$0 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.8	3893.5	0.0
1983	6170.0	873.4	7043.4	2605.1	0.0	0.0	761.0	3366.9	3676.5	2088.0	7480.0	0.0
1984	6843.0	1336.0	8179.0	3386.6	0.0	0.0	874.7	4261.3	3917.7	3600.5	11397.8	0.0
1985	7571.0	1827.7	9398.7	4402.6	0.0	0.0	1001.6	5404.1	3994.5	4402.0	15392.3	0.0
1986	8457.0	2335.2	10792.2	5723.3	0.0	0.0	1147.5	6870.8	3921.4	5306.8	19313.7	0.0
1987	9571.0	2845.1	12416.1	7440.3	0.0	0.0	1327.2	8767.6	3648.5	6342.8	22962.2	0.0
1988	10587.0	3318.3	13905.3	9672.4	0.0	0.0	1457.4	11169.9	2735.4	7474.3	25692.6	0.0
1989	11538.0	3882.7	15220.7	12574.2	0.0	0.0	1629.5	14253.7	967.0	8767.3	28664.6	0.0
1990	11832.0	3811.4	15643.4	16346.4	0.0	0.0	1779.6	18126.0	-2482.6	10075.8	24182.0	0.0
1991	12280.0	3553.0	15833.0	21250.4	0.0	0.0	1892.4	23142.8	-7309.7	11430.5	16972.3	0.0
1992	12635.0	2739.9	15374.9	27625.5	0.0	0.0	1996.3	29621.7	-14246.8	12020.5	26755.5	0.0
1993	12649.0	2200.9	14849.9	35913.1	0.0	0.0	2062.4	37975.5	-23125.6	14207.3	0.0	20500.1
1994	12500.0	2423.1	15003.1	46687.0	0.0	0.0	2117.4	48804.5	-33801.4	15580.0	0.0	33801.4
1995	11907.0	2836.4	14743.4	60693.1	0.0	0.0	2102.5	62795.7	-48052.2	16871.3	0.0	48052.2
1996	11220.0	3325.5	14545.5	78901.1	0.0	0.0	2080.2	80981.3	-66435.8	18077.8	0.0	66435.8
1997	10493.0	3915.4	14409.4	102571.4	0.0	0.0	2055.7	104627.1	-90217.0	19201.5	-0.0	90217.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL. \$0 MIL
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	415.6	3019.9	2549.5	2254.0	3390.5	0.0
1983	6170.0	824.9	6994.9	2764.9	0.0	0.0	761.0	3526.0	3460.1	2800.0	4050.6	0.0
1984	8043.0	1277.2	9320.2	3179.7	0.0	0.0	874.7	4054.4	4065.0	3600.5	10924.3	0.0
1985	7571.0	1801.4	9372.4	3656.6	0.0	0.0	1001.6	4650.2	4714.2	4402.0	15630.5	0.0
1986	8457.0	2409.1	10866.1	4205.1	0.0	0.0	1147.5	5352.6	5513.5	5306.0	21152.0	0.0
1987	9571.0	3120.8	12691.8	4835.9	0.0	0.0	1327.2	6163.1	6520.7	6342.0	27600.7	0.0
1988	10587.0	3944.8	14531.8	5561.3	0.0	0.0	1477.4	7050.7	7473.1	7474.3	35153.0	0.0
1989	11530.0	4873.2	16411.2	6395.5	0.0	0.0	1679.5	8075.0	8336.1	8747.3	43409.9	0.0
1990	11832.0	5866.4	17698.4	7354.0	0.0	0.0	1779.6	9134.4	8564.1	10075.0	52054.0	0.0
1991	12280.0	6890.2	19170.2	8450.0	0.0	0.0	1892.4	10350.4	8920.5	11430.5	60074.4	0.0
1992	12635.0	7937.0	20572.0	9726.7	0.0	0.0	1996.3	11723.0	8849.0	12020.5	69723.4	0.0
1993	12849.0	8965.0	21814.0	11105.7	0.0	0.0	2062.4	13240.2	8366.6	14207.3	78090.0	0.0
1994	12500.0	9932.2	22512.2	12863.6	0.0	0.0	2117.4	14981.0	7531.2	15500.0	85621.1	0.0
1995	11907.0	10749.6	22676.6	14793.1	0.0	0.0	2102.5	16895.7	5700.9	16671.3	91462.0	0.0
1996	11220.0	11404.5	22624.5	17012.1	0.0	0.0	2000.2	19092.3	3532.2	18077.0	74934.2	0.0
1997	10497.0	11781.5	22278.5	19563.9	0.0	0.0	2053.7	21619.7	655.0	19201.5	95590.0	0.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

10

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 10.00Z  
X OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00Z  
X OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00Z  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00Z  
X OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00Z

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL OF \$0 MIL
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.9	2549.5	2254.0	3370.5	0.0
1983	6170.0	821.1	6991.1	2885.2	0.0	0.0	761.8	3647.0	3344.1	2889.9	6734.6	0.0
1984	6843.0	1255.2	8098.2	3462.2	0.0	0.0	874.7	4336.9	3761.3	3600.5	10493.9	0.0
1985	7571.0	1740.6	9311.6	4154.6	0.0	0.0	1001.6	5156.2	4155.4	4402.0	14651.2	0.0
1986	8457.0	2280.5	10737.5	4785.6	0.0	0.0	1147.5	6133.0	4604.5	5306.8	17255.7	0.0
1987	9571.0	2885.0	12456.0	5982.7	0.0	0.0	1327.2	7309.9	5146.1	6342.8	24401.8	0.0
1988	10507.0	3548.6	14155.6	7172.2	0.0	0.0	1497.4	8676.6	5458.9	7424.3	29860.7	0.0
1989	11538.0	4245.9	15783.9	8615.0	0.0	0.0	1679.5	10294.6	5489.3	8747.3	35350.1	0.0
1990	11832.0	4915.4	16747.4	10338.0	0.0	0.0	1772.6	12117.6	4629.8	10025.8	39272.0	0.0
1991	12280.0	5495.3	17775.3	12405.7	0.0	0.0	1892.4	14298.1	3477.2	11430.5	43457.1	0.0
1992	12635.0	5940.6	18575.6	14586.8	0.0	0.0	1996.3	16083.1	1672.6	12020.5	45149.6	0.0
1993	12849.0	6168.2	19017.2	17864.2	0.0	0.0	2062.4	17926.6	-1109.4	14297.3	44040.2	0.0
1994	12580.0	6077.3	18657.3	21437.0	0.0	0.0	2117.4	23554.4	-4897.1	15580.0	39143.0	0.0
1995	11907.0	5532.0	17439.0	25224.4	0.0	0.0	2102.5	27026.9	-10388.0	16071.3	28755.1	0.0
1996	11210.0	4372.5	15582.5	30869.3	0.0	0.0	2080.2	32949.5	-17357.0	18077.8	11398.1	0.0
1997	10494.0	3174.7	13668.7	37043.1	0.0	0.0	2055.7	39098.8	-25430.1	17291.5	0.0	14032.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

11

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN O.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL \$0 MIL.
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.2	2549.5	2254.8	3370.5	0.0
1983	6170.0	817.3	6987.3	3005.4	0.0	0.0	761.8	3767.2	3220.1	2080.0	6410.6	0.0
1984	6843.0	1232.0	8075.0	3756.7	0.0	0.0	874.7	4631.4	3444.4	3600.5	10055.0	0.0
1985	7571.0	1677.1	9248.1	4695.9	0.0	0.0	1001.6	5697.5	3550.6	4402.0	13605.6	0.0
1986	8457.0	2142.5	10599.5	5869.9	0.0	0.0	1147.5	7017.3	3582.2	5306.8	17187.7	0.0
1987	9571.0	2824.5	12495.5	7337.3	0.0	0.0	1327.2	8664.6	3531.0	6342.8	20718.7	0.0
1988	10587.0	3877.9	13684.9	9171.7	0.0	0.0	1472.4	10669.1	3015.8	7494.3	23754.5	0.0
1989	11538.0	5111.1	15049.1	11464.6	0.0	0.0	1679.5	13144.1	1904.9	8767.3	25639.5	0.0
1990	11832.0	3767.2	15599.2	14330.7	0.0	0.0	1779.6	16110.3	-511.2	10075.8	25128.3	0.0
1991	12280.0	3758.0	16038.0	17913.4	0.0	0.0	1892.4	19805.8	-3767.0	11430.5	21360.5	0.0
1992	12635.0	3377.7	16012.7	22371.0	0.0	0.0	1796.3	24388.1	-8375.4	12020.5	12985.1	0.0
1993	12649.0	2560.4	15209.4	27987.7	0.0	0.0	2062.4	30052.2	-14842.7	14207.3	0.0	1057.7
1994	12580.0	2189.1	14769.1	34987.2	0.0	0.0	2117.4	37104.6	-22335.5	15580.0	0.0	22335.5
1995	11987.0	2497.2	14484.2	43734.0	0.0	0.0	2102.5	45836.5	-31432.3	16071.3	0.0	31432.3
1996	11320.0	2840.8	14060.8	54667.5	0.0	0.0	2080.2	56747.7	-42686.9	18077.8	0.0	42686.9
1997	10494.0	3230.6	13724.6	68334.3	0.0	0.0	2055.7	70390.0	-56665.4	19201.5	0.0	56665.4

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

12

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL. \$ BIL
1981										1739.6	841.6	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	415.6	3019.7	2549.5	2254.8	3390.5	0.0
1983	6175.0	613.5	6788.5	3125.6	0.0	0.0	761.8	3887.4	3095.1	2890.0	4406.5	0.0
1984	6043.0	1210.1	7253.1	4063.3	0.0	0.0	874.7	4938.0	3115.1	3600.5	7601.7	0.0
1985	7571.0	1610.8	9181.8	5282.2	0.0	0.0	1001.6	6283.8	2870.0	4402.0	12499.7	0.0
1986	8457.0	1994.6	10451.6	6066.9	0.0	0.0	1147.5	8014.4	2437.2	5506.8	14936.9	0.0
1987	9571.0	2337.4	11908.4	8927.0	0.0	0.0	1327.2	10254.2	1654.2	6342.8	16591.1	0.0
1988	10587.0	2586.6	13173.6	11605.1	0.0	0.0	1497.4	13102.5	71.1	7494.3	16642.2	0.0
1989	11538.0	2652.2	14190.2	15086.6	0.0	0.0	1679.5	16766.1	-2575.9	8767.3	14686.2	0.0
1990	11832.0	2384.2	14216.2	19612.6	0.0	0.0	1777.6	21392.2	-7176.0	10075.0	6910.3	0.0
1991	12700.0	1730.8	14430.8	25496.4	0.0	0.0	1892.4	27388.8	-13178.0	11439.5	0.0	6267.8
1992	12635.0	1875.5	14510.5	33145.3	0.0	0.0	1976.3	35141.6	-20631.1	12820.5	0.0	20431.1
1993	12649.0	2213.2	14862.2	43003.9	0.0	0.0	2062.4	45151.4	-30289.2	14207.3	0.0	30289.2
1994	12580.0	2602.7	15182.7	56015.6	0.0	0.0	2117.4	58133.0	-42943.3	15580.0	0.0	42943.3
1995	11907.0	3079.0	14986.0	72820.3	0.0	0.0	2102.5	74922.8	-59936.8	16871.3	0.0	59936.8
1996	11220.0	3640.8	14860.8	94666.3	0.0	0.0	2080.2	96746.6	-81885.8	18077.8	0.0	81885.8
1997	10474.0	4325.3	14819.3	123066.2	0.0	0.0	2055.7	125122.0	-110303	19201.5	0.0	110302.7

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

13

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.8

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR GF BAL \$0 MIL
1981										1737.0	811.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.8	2976.6	0.0
1983	5170.0	769.6	5939.6	3204.0	0.0	0.0	761.8	3965.8	2973.7	2880.0	5970.3	0.0
1984	5843.0	1167.7	7010.7	3684.6	0.0	0.0	874.7	4559.3	3451.4	3660.5	9421.7	0.0
1985	7571.0	1624.9	9195.9	4237.3	0.0	0.0	1001.6	5238.9	3957.0	4402.0	13378.7	0.0
1986	8457.0	2150.1	10607.1	4872.9	0.0	0.0	1147.5	6020.4	4586.7	5366.8	17965.5	0.0
1987	9571.0	2761.2	12332.2	5603.8	0.0	0.0	1327.2	6931.1	5401.1	6342.8	23366.5	0.0
1988	10587.0	3462.8	14049.8	6444.4	0.0	0.0	1497.4	7941.8	6107.2	7474.3	29474.5	0.0
1989	11538.0	4243.3	15781.3	7411.1	0.0	0.0	1679.5	9090.6	6690.7	8767.3	36165.1	0.0
1990	11832.0	5058.5	16890.5	8522.7	0.0	0.0	1779.6	10302.3	6588.2	10075.8	42753.4	0.0
1991	12380.0	5859.5	18239.5	9801.2	0.0	0.0	1892.4	11693.6	6455.7	11430.5	49209.3	0.0
1992	12635.0	6640.3	19275.3	11271.3	0.0	0.0	1976.3	13247.6	6027.7	12820.5	57236.7	0.0
1993	12649.0	7384.8	20033.8	12962.0	0.0	0.0	2062.4	15024.5	5069.3	14207.3	60246.3	0.0
1994	12580.0	7987.4	20567.4	14906.3	0.0	0.0	2117.4	17023.8	3545.6	15580.0	63791.7	0.0
1995	11907.0	8397.6	20304.6	17142.3	0.0	0.0	2102.5	19244.8	1039.8	16871.3	64851.7	0.0
1996	11120.0	8524.4	19744.4	19713.6	0.0	0.0	2080.2	21793.8	-2049.4	18077.8	62862.2	0.0
1997	10474.0	8301.0	18775.0	22670.7	0.0	0.0	2023.7	24726.4	-5931.4	19261.5	56870.7	0.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

14

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.8

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- RENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR. OF BAL. \$0 MIL.
1981										1739.0	841.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.0	2724.6	0.0
1983	6170.0	765.2	6935.2	3343.3	0.0	0.0	761.8	4105.1	2030.0	2888.0	5026.6	0.0
1984	6843.0	1142.3	7985.3	4012.0	0.0	0.0	874.7	4886.7	3098.6	3686.5	6925.2	0.0
1985	7571.0	1554.4	9125.4	4814.4	0.0	0.0	1001.6	5815.9	3309.5	4402.0	12234.6	0.0
1986	8457.0	2001.1	10458.1	5777.3	0.0	0.0	1147.5	6924.7	3334.4	5396.0	15768.0	0.0
1987	9571.0	2487.9	12058.9	6732.7	0.0	0.0	1327.2	8059.9	3798.7	6342.0	19567.0	0.0
1988	10587.0	3003.6	13590.6	8319.3	0.0	0.0	1497.4	9816.7	3774.0	7494.3	23340.9	0.0
1989	11538.0	3516.4	15054.4	9983.1	0.0	0.0	1679.5	11662.6	3391.0	8767.3	26732.7	0.0
1990	11832.0	3956.5	15788.5	11979.7	0.0	0.0	1779.6	13759.3	2029.2	10075.0	28761.9	0.0
1991	12280.0	4252.2	16532.2	14375.7	0.0	0.0	1893.4	16269.1	264.2	11439.5	29026.0	0.0
1992	12635.0	4346.9	16981.9	17350.8	0.0	0.0	1996.3	19347.1	-2365.2	12620.5	26769.9	0.0
1993	12649.0	4142.9	16791.9	20701.0	0.0	0.0	2062.4	22763.4	-5971.5	14207.3	26287.4	0.0
1994	12500.0	3522.3	16022.3	24941.1	0.0	0.0	2117.4	26958.6	-10936.3	15580.0	22331.1	0.0
1995	11907.0	2715.4	14622.4	29809.4	0.0	0.0	2102.5	31911.9	-17289.5	16071.3	0.0	7356.4
1996	14220.0	2462.9	16682.9	35771.3	0.0	0.0	2060.2	37831.5	-24168.6	18077.0	0.0	24168.6
1997	10724.0	2722.5	13446.5	42925.5	0.0	0.0	2035.7	44901.2	-31764.0	19201.5	0.0	31764.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

15

17-JUN-81

COMMENTS

1982 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.8

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL FUND = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. FROM BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEFERRED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	INVESTMENT	TOTAL	BUDGET	SUPPLE-	DEBT	PAYMENTS	TOTAL	OR	PERM-	GENERAL	REVENUE	REQ	FUND	
													END OF YEAR OF	FOR OF BAL
1981	5110.0	447.3	5527.3	2784.1	0.0	415.6	3401.7	2153.6	2254.0	2776.6	0.0	0.0	1232.0	841.0
1982	6120.0	760.0	6930.0	3482.6	0.0	241.0	4244.4	2604.3	2808.0	3482.9	0.0	0.0	1983.0	1014.3
1983	6843.0	1116.4	7959.4	4353.3	0.0	874.7	5220.0	3731.4	4001.5	4814.3	0.0	0.0	2102.2	1102.2
1984	8452.0	1841.2	10270.2	5802.0	0.0	1147.5	7249.5	5348.7	5406.8	6321.7	0.0	0.0	2531.7	1332.7
1985	9271.0	2196.1	11271.1	6502.5	0.0	1327.2	8029.7	6342.3	6342.8	7329.0	0.0	0.0	3041.9	1539.0
1986	10087.0	2481.5	13068.5	10638.1	0.0	1497.4	12125.6	7421.9	7424.3	8424.3	0.0	0.0	3524.1	1624.1
1987	11330.0	2664.9	14202.9	13205.2	0.0	1679.5	14274.7	7611.0	8272.3	9349.1	0.0	0.0	4024.1	1749.1
1988	11932.0	2825.9	14457.9	14606.5	0.0	1779.6	16306.0	-3220.1	10075.0	11521.9	0.0	0.0	4521.9	1851.9
1989	12300.0	2939.1	14519.1	20750.1	0.0	1892.4	22650.5	-8131.4	11430.5	1420.5	0.0	0.0	5020.5	1920.5
1990	12635.0	1802.5	14537.5	25442.6	0.0	1996.1	27445.7	-13406.3	13020.5	1705.8	0.0	0.0	5517.8	1995.8
1991	12648.0	2000.1	14648.1	32434.5	0.0	2042.4	34486.9	-12047.8	14307.3	1904.7	0.0	0.0	6014.7	1994.7
1992	12680.0	2300.2	14880.2	40543.1	0.0	2112.4	42660.5	-27200.3	15200.0	2220.1	0.0	0.0	6510.1	2020.1
1993	11927.0	2636.1	14543.1	50620.9	0.0	2102.9	52701.4	-30330.3	14071.3	30230.3	0.0	0.0	7023.3	2023.3
1994	11220.0	3014.4	14234.4	63348.6	0.0	2080.2	64428.8	-51194.4	19072.0	51194.4	0.0	0.0	7519.4	2072.0
1995	10454.0	3447.7	13941.7	79105.7	0.0	2059.7	81241.5	-67299.0	19201.5	67299.0	0.0	0.0	8011.5	2021.5

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

16

17-JUN-81

COMMENTS

1982 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.8

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	NON INVESTMENT INTEREST	TOTAL INVESTMENT REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REC FOR GF BAL OF \$0 MIL.
1981										1739.0	841.0	
1982	9110.0	447.3	5557.3	3786.1	0.0	0.0	615.6	3401.7	2155.6	2254.8	2996.6	0.0
1983	6176.0	758.4	6926.4	3621.9	0.0	0.0	761.0	4383.7	2542.6	2800.0	5539.2	0.0
1984	6843.0	1090.0	7933.0	4708.5	0.0	0.0	874.7	5583.2	2349.8	3600.5	7807.0	0.0
1985	7571.0	1404.1	8975.1	6131.1	0.0	0.0	1001.6	7132.6	1842.4	4402.0	9241.4	0.0
1986	8457.0	1669.8	10126.8	7957.4	0.0	0.0	1147.5	9104.0	1022.0	5396.8	10733.4	0.0
1987	7571.0	1853.3	11424.3	10344.6	0.0	0.0	1327.2	11671.8	-247.5	6342.8	10515.9	0.0
1988	10587.0	1888.9	12475.9	13448.0	0.0	0.0	1427.4	14945.4	-2469.5	7424.3	8046.5	0.0
1989	11538.0	1669.7	13207.7	17482.4	0.0	0.0	1679.5	19161.9	-5954.2	8267.3	2092.2	0.0
1990	11832.0	1501.3	13333.3	22727.1	0.0	0.0	1729.6	24506.6	-11173.3	10625.8	0.0	9081.1
1991	12280.0	1666.2	13946.2	28545.2	0.0	0.0	1822.4	31437.6	-17491.4	11430.5	0.0	17491.4
1992	12635.0	1980.7	14615.7	38408.8	0.0	0.0	1926.3	40405.0	-25789.3	12020.5	0.0	25789.3
1993	12649.0	2350.0	14999.0	47934.4	0.0	0.0	2062.4	51293.8	-36294.8	14207.3	0.0	36294.8
1994	13380.0	2707.6	15367.6	64910.8	0.0	0.0	2117.4	62028.2	-51660.6	15500.0	0.0	51660.6
1995	11107.0	3310.2	15217.2	84394.0	0.0	0.0	2102.5	86486.6	-71269.3	16071.3	0.0	71269.3
1996	11270.0	3941.4	15161.4	109699.2	0.0	0.0	2080.2	111229.5	-76618.0	18077.0	0.0	76618.0
1997	10494.0	4716.1	15210.1	142609.0	0.0	0.0	2055.7	144664.7	-129455	19201.5	0.0	129454.6

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

17

17-JUN-91

COMMENTS

FY02 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 301.8  
ESCROW \$ 300.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES (LEASES AND BONUSES) DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	MON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DELICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL \$0 MIL
1981										1739.0	041.0	
1982	5110.0	437.8	5547.8	3006.1	0.0	0.0	415.6	3701.7	1046.1	2254.0	2697.1	0.0
1983	5170.0	728.1	6096.1	3549.0	0.0	0.0	741.8	4310.8	2595.3	2800.0	5272.4	0.0
1984	6043.0	1081.7	7924.7	4081.4	0.0	0.0	874.7	4956.1	2968.6	3600.5	8241.0	0.0
1985	7571.0	1406.2	9057.2	4693.6	0.0	0.0	1001.6	5695.1	3362.4	4402.0	11603.1	0.0
1986	8457.0	1745.6	10403.6	5377.6	0.0	0.0	1147.5	6545.1	3058.5	5306.8	15461.6	0.0
1987	9571.0	2476.8	12049.5	6207.2	0.0	0.0	1327.2	7534.5	4515.0	6342.8	19776.7	0.0
1988	10587.0	3084.1	13671.1	7138.3	0.0	0.0	1497.4	8635.8	5035.3	7494.3	27012.0	0.0
1989	11539.0	3748.3	15283.3	8209.1	0.0	0.0	1679.5	9908.6	5397.7	8767.3	30409.7	0.0
1990	11832.0	4423.7	16255.7	9440.5	0.0	0.0	1779.6	11220.0	5035.7	10075.8	35445.4	0.0
1991	12280.0	5066.9	17346.9	10853.5	0.0	0.0	1892.4	12740.9	4598.0	11430.3	40943.3	0.0
1992	12635.0	5657.1	18292.1	12405.0	0.0	0.0	1996.3	14401.3	3010.9	12020.5	43054.2	0.0
1993	12649.0	6142.5	18791.5	14357.7	0.0	0.0	2062.4	16420.2	2371.3	14207.3	46225.5	0.0
1994	12580.0	6462.8	19042.8	16511.4	0.0	0.0	2117.4	18628.8	414.0	15280.0	46639.5	0.0
1995	11907.0	6533.8	18440.8	18980.1	0.0	0.0	2102.5	21090.6	-2649.9	16071.3	43989.7	0.0
1996	11220.0	6261.4	17481.4	21036.3	0.0	0.0	2080.2	23916.6	-6435.2	18077.8	37254.5	0.0
1997	10474.0	5566.3	16060.3	25111.8	0.0	0.0	2055.7	27167.5	-11107.2	19201.5	24447.3	0.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

18

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 301.8  
ESCROW \$ 300.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NOW		TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS		SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	PERMANENT FUND FOR OF BAL. \$ MIL
	INVESTMENT REVENUE	INVESTMENT INTEREST					TO FUNDS	TOTAL EXPENDITURE				
1981										1739.0	841.0	
1982	5110.0	437.8	5547.8	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.8	2687.1	0.0
1983	8170.0	721.2	8891.2	3703.3	0.0	0.0	761.8	4465.1	2424.1	2888.0	5113.2	0.0
1984	6943.0	1053.5	7996.5	4444.0	0.0	0.0	874.7	5318.7	2577.8	3400.5	7671.0	0.0
1985	7571.0	1408.1	8979.1	5332.8	0.0	0.0	1001.6	6334.3	2644.8	4492.0	10385.8	0.0
1986	8457.0	1781.6	10238.6	6199.3	0.0	0.0	1147.5	7346.8	2471.8	5306.8	13027.4	0.0
1987	9521.0	2125.8	11746.8	7679.2	0.0	0.0	1327.2	9006.4	2740.4	6342.8	15768.0	0.0
1988	10587.0	2525.4	13112.4	9215.0	0.0	0.0	1497.4	10712.5	2450.0	7494.3	18218.0	0.0
1989	11538.0	2943.2	14481.2	11058.1	0.0	0.0	1679.5	12737.6	1743.6	8767.3	17941.6	0.0
1990	11832.0	3203.0	15035.0	13269.7	0.0	0.0	1779.6	15049.2	-14.3	10075.8	19947.3	0.0
1991	12280.0	3275.5	15555.5	15923.6	0.0	0.0	1872.4	17816.0	-2260.5	11430.5	17686.8	0.0
1992	12635.0	3074.7	15709.7	19108.3	0.0	0.0	1976.3	21104.6	-5374.9	12829.5	12311.9	0.0
1993	12649.0	2551.6	15200.6	22930.0	0.0	0.0	2062.4	24992.4	-9791.8	14267.3	2529.0	0.0
1994	12580.0	2165.7	14745.7	27516.0	0.0	0.0	2117.4	29633.4	-14887.7	15000.0	0.0	12367.7
1995	11907.0	2282.9	14189.9	33019.2	0.0	0.0	2102.5	35121.7	-20931.8	14871.3	0.0	20931.8
1996	11220.0	2539.9	13759.9	37623.0	0.0	0.0	2080.2	41703.2	-27943.3	18077.8	0.0	27943.3
1997	10494.0	2814.9	13308.9	47547.6	0.0	0.0	2055.7	49603.3	-36294.4	19201.5	0.0	36294.4

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

19

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 301.8  
ESCROW \$ 300.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ. FOR GF BAL
1981										1739.0	841.0	
1982	5110.0	437.0	5547.0	3086.1	0.0	0.0	615.6	3701.7	1846.1	2754.0	2607.1	0.0
1983	6170.0	715.3	6886.3	3857.6	0.0	0.0	761.8	4619.4	2266.9	2880.0	4954.0	0.0
1984	6943.0	1024.8	7867.8	4822.0	0.0	0.0	874.7	5696.7	2171.1	3600.5	7125.1	0.0
1985	7571.0	1326.6	8897.6	6027.0	0.0	0.0	1001.6	7029.1	1868.5	4462.0	8921.6	0.0
1986	8457.0	1604.5	10061.5	7534.4	0.0	0.0	1147.5	8681.9	1377.6	5396.8	10723.2	0.0
1987	8571.0	1841.5	11412.5	9418.0	0.0	0.0	1327.2	10745.3	667.2	6342.8	11640.4	0.0
1988	10587.0	1997.0	12584.0	11772.5	0.0	0.0	1477.4	13250.0	-665.9	7424.3	10354.5	0.0
1989	11538.0	2000.0	13538.0	14715.7	0.0	0.0	1679.5	16395.2	-2857.2	8267.3	7427.3	0.0
1990	11832.0	1729.1	13561.1	18394.6	0.0	0.0	1779.6	20174.2	-6613.0	10675.8	884.2	0.0
1991	12280.0	1579.4	13859.4	22983.2	0.0	0.0	1892.4	24885.6	-11026.3	11439.5	0.0	10142.0
1992	12835.0	1787.4	14622.4	28741.5	0.0	0.0	1996.3	30737.8	-16115.4	12929.5	0.0	16315.4
1993	12649.0	2069.9	14718.9	35926.9	0.0	0.0	2062.4	37887.4	-23270.5	14297.3	0.0	23270.5
1994	12580.0	2387.5	14967.5	44909.7	0.0	0.0	2117.4	47026.1	-32058.6	15509.0	0.0	32058.6
1995	11907.0	2745.3	14652.3	56135.8	0.0	0.0	2102.5	58238.4	-43586.1	16871.3	0.0	43586.1
1996	11220.0	3150.8	14370.8	70169.8	0.0	0.0	2080.2	72250.0	-57879.2	18077.8	0.0	57879.2
1997	10494.0	3610.2	14112.2	87712.2	0.0	0.0	2055.7	89760.0	-75655.8	19201.5	0.0	75655.8



STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

21

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.0  
ESCROW \$ 300.0  
RAINY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF BAL \$0.00
1981										1739.0	841.0	
1982	5110.0	426.8	5536.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.8	2326.1	0.0
1983	6170.0	625.4	6845.4	3951.5	0.0	0.0	761.8	4713.3	2132.0	2888.0	4450.1	0.0
1984	6843.0	701.4	7824.4	4544.2	0.0	0.0	874.7	5419.0	2405.4	3600.5	6063.7	0.0
1985	7571.0	1324.4	8895.4	5225.9	0.0	0.0	1001.6	6227.4	2660.0	4462.0	9531.5	0.0
1986	8457.0	1709.2	10166.2	6009.8	0.0	0.0	1147.5	7157.2	3067.0	5304.8	12547.5	0.0
1987	9571.0	2148.8	11719.8	6711.2	0.0	0.0	1327.2	8038.5	3484.4	6342.8	16027.9	0.0
1988	10507.0	2647.2	13229.2	7447.7	0.0	0.0	1497.4	8945.3	3784.9	7474.3	17807.7	0.0
1989	11538.0	3170.9	14708.9	8140.1	0.0	0.0	1679.8	10019.6	3889.3	8767.3	23697.6	0.0
1990	11832.0	3683.1	15515.1	10511.1	0.0	0.0	1779.6	12290.7	3224.4	10075.8	26717.4	0.0
1991	12280.0	4130.5	16410.5	12887.8	0.0	0.0	1892.4	13900.2	2436.3	11439.7	29749.8	0.0
1992	12635.0	4486.8	17121.8	13700.9	0.0	0.0	1976.3	15797.2	1224.6	12820.5	30574.3	0.0
1993	12649.0	4693.2	17342.2	15986.1	0.0	0.0	2062.4	18048.5	-706.3	14207.3	29868.0	0.0
1994	12580.0	4681.9	17261.9	18384.0	0.0	0.0	2117.4	20501.4	-3239.6	15589.0	26678.5	0.0
1995	11607.0	4359.4	16266.4	21141.6	0.0	0.0	2182.5	23244.1	-6977.8	14871.3	19650.7	0.0
1996	11220.0	3621.2	14841.2	24312.8	0.0	0.0	2080.2	26393.1	-11551.9	10077.0	8098.8	0.0
1997	10474.0	2828.1	13322.1	27559.8	0.0	0.0	2055.7	30015.5	-16693.4	19201.3	0.0	8574.6

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

22

17-JUN-81

COMMENTS

FY02 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
DEBT \$ 331.0  
ESCKOM \$ 300.0  
RAINY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	TRENDS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE FOR OF PAL
1981										1739.0	841.0	
1982	5110.0	424.0	5534.0	3434.1	0.0	0.0	415.6	4051.7	1482.4	2254.0	2326.1	0.0
1983	6170.0	670.0	6840.0	4123.3	0.0	0.0	741.0	4864.3	1975.7	2088.0	4200.9	0.0
1984	6843.0	950.0	7793.0	4940.0	0.0	0.0	874.7	5814.7	1978.3	3400.5	6251.2	0.0
1985	7571.0	1237.5	8808.5	5937.6	0.0	0.0	1001.6	6939.2	1869.3	4402.0	8120.5	0.0
1986	8457.0	1525.5	9982.5	7125.1	0.0	0.0	1147.5	8272.6	1709.9	5304.0	9819.4	0.0
1987	9571.0	1811.8	11382.8	8550.1	0.0	0.0	1327.2	9877.4	1505.4	6342.0	11335.8	0.0
1988	10587.0	2075.9	12662.9	10260.1	0.0	0.0	1477.4	11737.6	705.3	7474.3	12241.2	0.0
1989	11528.0	2274.5	13802.5	12312.2	0.0	0.0	1677.5	13989.7	-197.2	8767.3	12062.0	0.0
1990	11832.0	2323.9	14155.9	14774.8	0.0	0.0	1779.6	16554.4	-2398.5	10075.8	9663.7	0.0
1991	12780.0	2436.0	15216.0	17227.5	0.0	0.0	1892.4	19119.9	-3903.9	11430.5	4452.8	0.0
1992	12835.0	1860.9	14695.9	21275.4	0.0	0.0	1776.3	23051.7	-8355.8	12829.5	0.0	4310.0
1993	12849.0	1852.0	14701.0	25530.5	0.0	0.0	2062.4	27592.9	-13091.9	14207.3	0.0	13002.0
1994	12580.0	2102.1	14682.1	30636.6	0.0	0.0	2117.4	32754.0	-18071.9	15580.0	0.0	18071.2
1995	11907.0	2357.0	14264.0	36763.9	0.0	0.0	2192.5	38956.4	-24692.4	16071.3	0.0	24691.6
1996	11020.0	2629.0	13649.0	44116.7	0.0	0.0	2080.2	46196.9	-32547.9	10077.0	0.0	32547.2
1997	10404.0	2922.0	13326.0	52940.1	0.0	0.0	2055.7	54995.8	-41669.8	17201.5	0.0	41672.0

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

23

17 JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 381.8  
ESCROW \$ 300.0  
RAINY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF 19 BIL
1981										1739.0	841.0	
1982	5110.0	426.8	5536.8	3434.1	0.0	0.0	615.6	4051.2	1485.1	2254.0	2326.1	0.0
1983	6170.0	664.5	6834.5	4295.1	0.0	0.0	761.8	5056.9	1777.6	2088.0	4103.7	0.0
1984	8043.0	918.0	7751.0	5360.9	0.0	0.0	874.7	6243.6	1517.4	3600.5	5621.1	0.0
1985	9571.0	1148.7	8717.7	6711.1	0.0	0.0	1001.6	7712.7	1005.0	4402.0	6626.1	0.0
1986	8452.0	1320.3	9785.3	8300.9	0.0	0.0	1147.5	9366.4	240.9	5306.0	6075.0	0.0
1987	9571.0	1439.6	11010.6	10386.1	0.0	0.0	1327.2	11013.4	-802.8	6342.0	6672.1	0.0
1988	10507.0	1431.9	12018.9	13107.7	0.0	0.0	1497.4	14605.1	-2586.2	7494.3	3485.9	0.0
1989	11530.0	1315.1	12853.1	16304.6	0.0	0.0	1677.5	18064.1	-5211.1	8767.3	0.0	1725.1
1990	11832.0	1351.8	13183.8	20480.8	0.0	0.0	1777.6	22260.3	-9076.5	10075.8	0.0	9076.6
1991	12700.0	1507.3	13867.3	25600.9	0.0	0.0	1892.4	27493.3	-13626.0	11430.5	0.0	13626.0
1992	12635.0	1852.6	14487.6	32001.2	0.0	0.0	1996.3	33997.4	-19509.7	12020.5	0.0	17509.7
1993	12649.0	2151.4	14800.4	40001.5	0.0	0.0	2062.4	42063.9	-27263.5	14207.3	0.0	27263.5
1994	12500.0	2409.4	15069.4	50001.8	0.0	0.0	2117.4	52119.3	-37049.7	15000.0	0.0	37049.9
1995	11907.0	2872.6	14779.6	62502.3	0.0	0.0	2102.5	64604.8	-49825.2	16071.3	0.0	49825.2
1996	11220.0	3310.0	14530.0	78127.5	0.0	0.0	2080.2	80208.1	-65678.1	18077.8	0.0	65678.1
1997	10494.0	3817.2	14311.2	97659.8	0.0	0.0	2055.7	99715.6	-85404.4	19201.5	0.0	85404.4

STATE OF ALASKA  
LEGISLATIVE FINANCE WORKING DOCUMENT  
BUDGET FORECASTING MODEL

24

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET  
OPERATING \$1776.5  
CAPITAL \$ 227.4  
LOANS \$ 400.4  
OTHER \$ 391.8  
ESCROW \$ 300.0  
RAINY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%  
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%  
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%  
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%  
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE FOR G.F. BAL
1981										1739.0	841.0	
1982	5410.0	426.8	5836.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.9	2326.1	0.0
1983	8170.0	659.1	8829.1	4466.9	0.0	0.0	761.8	5228.7	1400.4	2888.6	3926.4	0.0
1984	3843.0	805.5	4648.5	5007.0	0.0	0.0	874.7	5881.7	1046.8	3600.5	4973.2	0.0
1985	7571.0	1052.1	8623.1	2549.1	0.0	0.0	1001.6	8550.7	72.4	4462.0	5645.6	0.0
1986	8457.0	1116.9	9573.9	7013.0	0.0	0.0	1147.5	10761.3	-1307.4	5306.8	3450.2	0.0
1987	9571.0	1029.2	10600.2	12750.0	0.0	0.0	1327.2	14085.2	-3485.0	6342.0	171.2	0.0
1988	10587.0	1032.2	11619.2	16585.4	0.0	0.0	1497.4	18082.8	-6463.6	7494.3	0.0	6279.4
1989	11530.0	1244.3	12782.3	21561.0	0.0	0.0	1679.5	23240.6	-10458.3	8767.3	0.0	10458.3
1990	11632.0	1502.7	13334.7	20027.3	0.0	0.0	1779.6	21806.9	-14474.2	10025.0	0.0	14474.2
1991	12200.0	1804.1	14004.1	36439.1	0.0	0.0	1892.4	38331.5	-24246.5	11439.5	0.0	24246.5
1992	12635.0	2159.9	14794.9	47359.6	0.0	0.0	1976.3	49335.9	-34570.7	12820.5	0.0	34570.7
1993	12649.0	2583.0	15232.0	61580.4	0.0	0.0	2062.4	63642.9	-48410.9	14207.3	0.0	48410.9
1994	12580.0	3070.5	15650.5	80054.6	0.0	0.0	2117.4	82172.0	-66501.5	15500.6	0.0	66501.5
1995	11907.0	3704.0	15611.0	104070.9	0.0	0.0	2162.5	106173.4	-90562.5	16821.3	0.0	90562.5
1996	11220.0	4453.3	15673.3	135292.2	0.0	0.0	2080.2	137372.4	-121699	18077.0	0.0	121699.1
1997	10494.0	5381.6	15875.6	175079.8	0.0	0.0	2055.7	177935.6	-162060	19201.5	0.0	162060.0

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

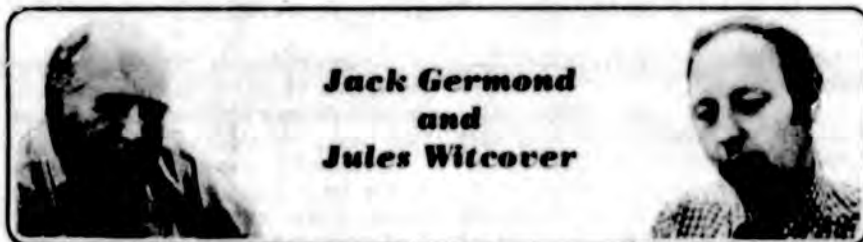
# Hard times from early tax revolt

PORTAGE, Ind.—Eight years ago—five years before California's Proposition 13 supposedly set off the nationwide taxpayers' revolt—Indiana had already "revolted." And now its smaller communities like Portage, an industrial town 35 miles due east of Chicago, are paying the price.

On the heels of Republican Otis Bowen's 1972 election for the first of two very popular terms as governor, the state Legislature acted on a Bowen campaign pledge and froze all local property taxes. That is, it slapped a lid on how much localities could raise on the basis of property ownership.

At the time, local property taxes were providing 70 per cent of local revenues, to 30 per cent from the state. Now the percentages are reversed, and with the twin squeezes of inflation and a proposed Reagan cutback of 25 per cent in federal aid to the states, Main Street Indiana is hurting.

In 1973, Indiana like most states had a surplus to alleviate the local fiscal shortfall, the way California did after Prop 13 passed three summers ago. Also, Indiana, in clamping the freeze on, raised the state sales tax 2 cents on



Jack Germond  
and  
Jules Witcover

a dollar to make up for the revenue loss, taking over local costs beyond the limited property tax revenue.

The trouble now is that an inflation rate of about 13 per cent has made a shambles of that arithmetic, causing sharp cutbacks in vital local services, and especially in education. The Legislature, in a special session just concluded, increased allocations to local school districts averaging about 4.6 per cent—only about one-third of the rate of inflation, barely covering utility cost rises.

In small towns like Portage, with a population of about 30,000, the squeeze is being felt in very tangible terms, with the disadvantaged suffering most. The town's school district, for example,

participates in a county-wide cooperative project for mentally and physically handicapped and disturbed students mandated by the federal government and more than 50 per cent financed by it. In anticipation of the federal cuts, says George McKay, the assistant superintendent of schools, 25 of 45 special teachers' aides have been dropped.

"These are problem children," says Barry Fritz, business manager for the school district. "These kids will go into the standard classrooms at Portage High School, which will be bad on the teachers, the kids and everybody else."

Other cuts now planned for the Portage schools, McKay and Fritz say, include termination of all ex-

tracurricular sports, arts and music for all middle-school children (grades 6, 7 and 8); no summer school; a 50 per cent cut in basic adult education; a 30 to 50 per cent cut in tutorial reading for slow students, and no further renovation to achieve energy savings.

The town's other services are being cut as well. Mayor John B. Williams, a Democrat, says he has instructed his police and fire chiefs not to replace men who have recently left. Also, he says, a very modest dream—to lay sidewalks for the town—has had to be shelved.

The news that federal aid will be cut, and channeled through the state with the switch from categorical to block grants, only intensifies the concern here, because the state is blamed for the fiscal dilemma that already exists.

"They've taken away the local official's ability to control the money," Williams says, "and when they do that they literally take away control of the government." Now, with the prospect of state-controlled block grants, he says, "I would have no faith in officials of this state determining any grants we get." As a Democrat in a state with a Republican governor and Legislature

this is particularly so, he says.

All these are problems that towns across the country are facing, but the bind is particularly severe in Indiana because of the precursor of Prop 13 the state Legislature slapped on localities eight years ago. Yet McKay and Fritz acknowledge that even if they could go to local voters and ask for a tax increase, it doesn't seem likely now they could get it in the prevailing tax-cutting climate.

"People who care say, 'Raise my taxes,'" McKay says, but there are relatively few of them. He notes that last March some elementary parent-teacher groups circulated petitions asking the Legislature to lift the property tax freeze but couldn't get enough signatures to justify the effort.

"It's like we're on Social Security," McKay says. "We can determine how to spend what we get, but when 80 per cent of it goes for fixed expenses, the rest isn't much." And the way things are going, he says, especially in Indiana, which had its taxpayers' revolt early, the situation is only going to get worse.

© 1981 by The Chicago Tribune-New York News Syndicate, Inc.

C. R. ELDER, JR.  
POUCH 6-612  
ANCHORAGE, ALASKA 99502

June 9, 1981

The Honorable Arliss Sturgulewski  
Alaska State Senate  
Pouch "V" State Capitol Building  
Juneau, Alaska 99811

Dear Arliss:

As a supplement to my telegram of June 9 I have attached one of the letters I've sent to the Executive Committee of the Alaska State Chamber of Commerce in January dealing with the Governor's joint resolution in respect to spending limitations (which at that time was the only specific proposal which had emerged from the Administration or the Legislature).

This letter gives a little more background on the question of CPI versus GNP than did my telegram.

While I feel my statements in the letter are correct I will first, last, and always be an engineer and not an economist; consequently, an analysis of this matter should be made by someone far more qualified than me.

In any event the question seems to me to merit consideration.

Sincerely,



Charlie

CRE:bc

ATTACHMENT



CHARLES R. ELDER JR.  
CONSULTANT

3111 C STREET  
ANCHORAGE, ALASKA

TELEPHONE (907) 265 014

MAIL POUCH 6 01  
ANCHORAGE, ALASKA 99501

January 26, 1981

EXECUTIVE COMMITTEE OF THE  
ALASKA STATE CHAMBER OF COMMERCE

SUBJECT: Governor's Joint Resolution -- Spending Lid

On January 22 I sent you a note concerning the Governor's joint resolution relating to a restraint on State government spending. In that letter I mentioned two major concerns, i.e., (1) the identification of the base year and (2) the use of the consumer price index.

I have had a long conversation with one of our economic managers in Cleveland and this note deals only with factors involved in the use of CPI as proposed by Governor. As a result of my conversation my concern of the use of CPI as proposed was confirmed and reinforced.


The CPI deficiencies are well recognized but because of its incorporation in labor contracts, retirement arrangements, etc. it has not been politically expedient for the Federal government to eliminate it even though the CPI now in use is based on a 1972 market basket. At least in our business the most common tool now used is the real gross national product (GNP) which is the gross national product growth less than average inflation. This number is computed by the U.S. Department of Commerce each year. The figure covers not only the "market basket" but includes the spending by people on all categories of disposable income. To be used as proposed by the Governor the GNP should also eliminate the individual income for taxes.

The person I was talking to made the point that for many years the use of CPI versus GNP inflator did not cause a significant difference in the answer (.5 to 1%) — although the problem of obtaining a current figure always favored the use of GNP. However, at the present time the situation has changed substantially in respect to the difference and must be expected to change in the future — thus making it inappropriate for a constitutional amendment. An example of this is some recent work we did which found that the CPI for 1980 was up 13½ percent from 1979 while the GNP inflator was only up 9.5 percent. This divergence is being caused in large part by the high interest rate on home mortgages and of course this factor does not effect every person every year. Mortgage interest rates has a 35 to 40 percent weight in the CPI. For the purposes of limiting government spending this is an example of an item which should not have this high relative impact.

Another problem with the CPI is that it does not take into account the buying habits of the public; for example, in 1972 (the latest CPI) beef amounted to 12% of the average person's budget. Beef prices got so high in the last several years that people shifted to pork and chicken. This change in buying habits of the public is not picked up by CPI but is accounted for in the GNP personal expenditures. I believe it would be a fairly simple matter to illustrate — even to the voter — that the use of CPI is not equitable.

After we have a handle on timing I would suggest we point out our concern in using CPI to Commissioner Webber and his staff. I have a high regard for Dave Reame who is probably completely checked out on the impact of CPI versus GNP and could have identified the above points as weaknesses had he been involved when the Governor prepared his resolution — if in fact the Governor did not intend to tie his resolution to a weak point.

In summary, I feel GNP might need to be adjusted some more (which it can be) is a far better control number than CPI to use in a constitutional amendment. Of course the Governor agrees with us that the total formula would need to use population change.



Charlie

CRE:bc

A - A couple of interesting points, besides the fact that local gov's do better in controlling budget growth.

- 1) Some cost increases are due to taking on new services mandated by voters
- 2) Locals are depending on State funds to lower local taxes. Has implications for spending limitation.

# Alaska MUNICIPAL League

TELEPHONES  
(907) 586-1325  
586-6526

204 N. FRANKLIN ST.  
JUNEAU, ALASKA 99801

*Part of  
spending  
budget file*

June 1, 1981

The Honorable Arliss Sturgulewski  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Municipalities in the state want to take this opportunity to [redacted] for the [redacted] you have shown us [redacted]. Local government officials have been working hard to provide services demanded by their constituents while at the same time keeping government growth to a minimum in spite of dramatic increases in the consumer price index and population.

For example, expenditures in the Municipality of Anchorage went from \$102,399,780 in 1978 to \$133,450,540 in 1981, an increase of 30% compared to a 34% jump in the consumer price index. During that same period the number of employees actually decreased by 10. Part of the increase, about \$12 million, is directly attributable to voter mandated increases in programs and services. Because of the supplemental funding in SB 125, Anchorage was able to reduce property taxes from \$50,175,350 in 1978 to \$30,129,040 in 1981.

Other areas are also keeping the lid on local government spending:

No. of Employees - Operating Budget

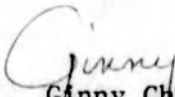
	1979	1980	1981
FBKS Bor	229 - \$12,414,659	221 - \$10,837,245	205 - \$ 8,382,747
FBKS City	285 - \$15,386,823	268 - \$15,487,297	251 - \$13,982,671
Juneau	179 - \$17,151,500	199 - \$17,478,400	205 - \$21,348,900
Kenai Bor	82 - \$11,624,949	76 - \$11,558,861	80 - \$11,414,945
Kenai City	62 - \$ 3,446,536	80 - \$ 4,145,471	79 - \$ 4,299,634
Ketchikan Bor	120 - \$ 8,031,000	116 - \$ 7,631,000	133 - \$ 9,609,000
Nome	22 - \$ 1,574,431	17 - \$ 2,230,366	24 - \$ 3,011,914
Sitka	85 - \$ 4,830,000	85 - \$ 5,581,620	85 - \$ 6,671,625

\*Fairbanks City numbers are for 1978, 79, 80.

Because of the substantial increases in state aid proposed for FY 82, municipalities are planning major tax reductions. The City of Fairbanks will go from 7.5 mils down to 0.5 mils. Nome intends to lower its rate by 6 mils and take the sales tax off utilities, which is the equivalent of another 1.5 mils. The Haines Borough is reducing its sales tax from 2% to 1% and its mil rate from 1.8 to 1.0.

Thank you very much.

Sincerely,

  
Ginny Chitwood  
Executive Director

# COMMON SENSE FOR ALASKA

---

**P.O. Box 4-1104**

**Anchorage, Alaska 99509**

---

May 26, 1981

The Honorable Arliss Sturgulewski  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

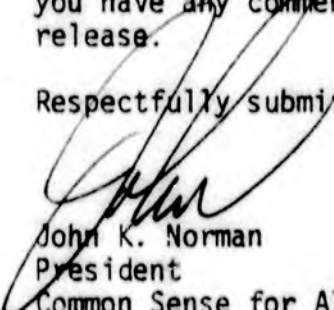
Dear Arliss:

Attached is a press release from Common Sense for Alaska, Inc. regarding action taken by our board in connection with the 1981-1982 proposed operating budget. We recognize that inflation has had an impact on government growth but this operating budget is, in our opinion, grossly excessive.

We appreciate the good job you are doing and I am forwarding this to you in advance of our press release to the media.

As a member of Common Sense I would welcome a call or letter from you if you have any comments regarding the Board action or the attached press release.

Respectfully submitted,



John K. Norman  
President  
Common Sense for Alaska, Inc.

Enclosure

# COMMON SENSE FOR ALASKA

**P.O. Box 4-1104**

**Anchorage, Alaska 99509**

May 27, 1981

For further information, please  
contact Jean Peterson, 276-7648.

FOR IMMEDIATE RELEASE:

## "STATEWIDE GROUP OPPOSES ASTRONOMICAL BUDGET INCREASE"

ANCHORAGE, AK.--In a strongly worded resolution Common Sense for Alaska today expressed the feeling that the time to bring a halt to the staggering growth in the State's operational budget is now, not sometime in the future. Between 1970 and 1981 the general fund operating budget increased by 755%. The legislature has now proposed an additional increase for the 1982 budget that will be 1084% over the 1970 level.

Strong support for a limit on state spending is evident throughout the state. In April of 1980, a Dittman poll conducted for Common Sense showed that 65% of Alaskans statewide favored a constitutional limit on state spending. Governor Hammond has introduced a bill that would limit spending to the level of last year's budget plus increases based on population growth and cost of living.

"If that limit were in effect today," said Common Sense President John K. Norman

"we would have at most a 13% increase in the budget from last year rather than the 24% that is presently proposed." The 13% figure results from the 10% cost of living increase and the 3% growth in population figure as derived from the formula proposed in Governor Hammond's recommendation.

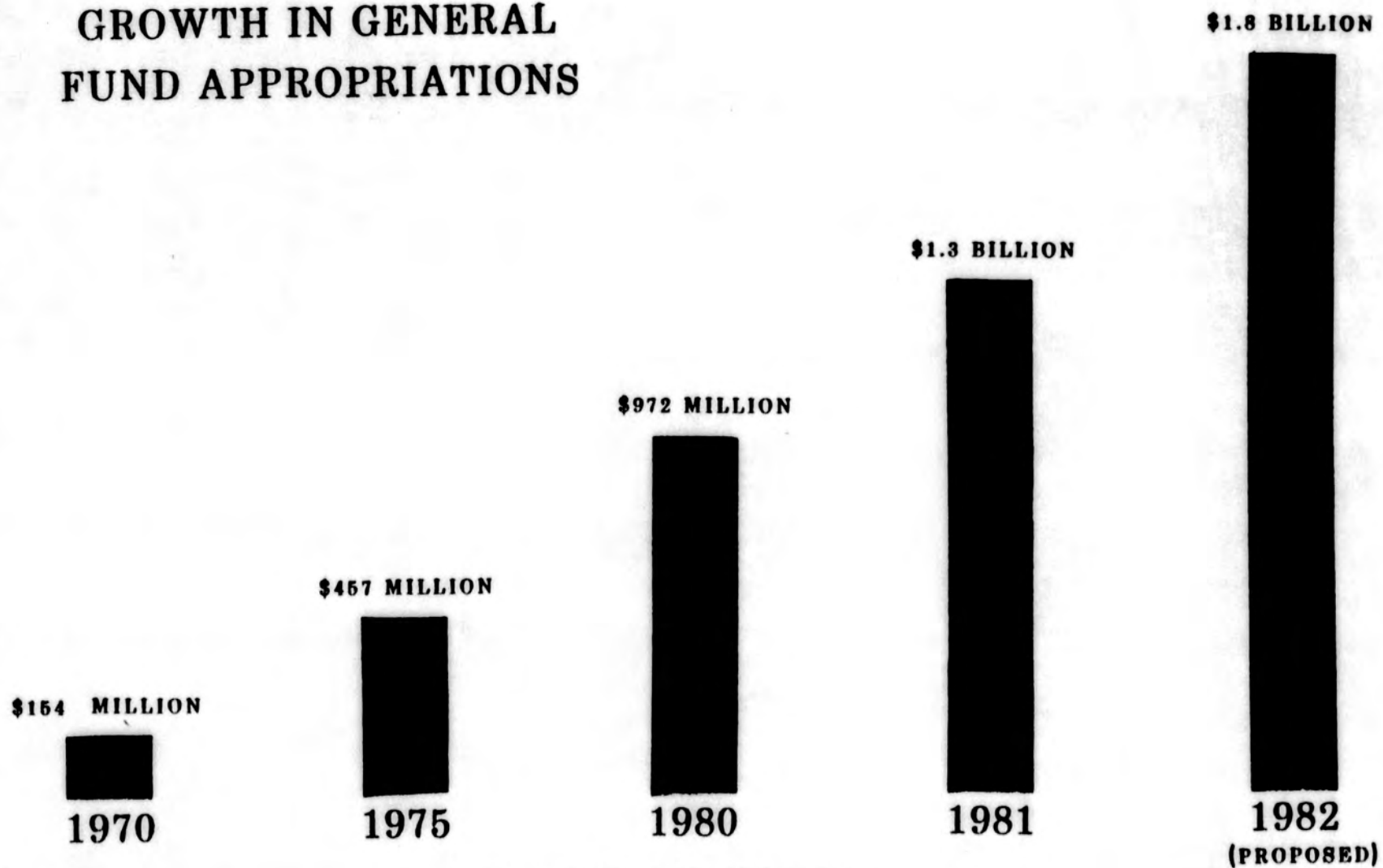
"Strong support for a limit on state spending has also come from members of the Alaska State Legislature," said Norman. "With the overwhelming support from all sectors of Alaska, we feel that the unprecedented rate of increase in state spending must stop now." The present budget now under consideration by the legislature is \$1.8 billion. Under the proposed formula for limiting budget growth, the operating budget would not be allowed to exceed \$1.4 billion.

Common Sense for Alaska is a non-profit, non-partisan citizen's research group that researches state spending issues and makes the results of these studies available to the public as a public service.

30-30-30-30-30-30-30

\*Please note: the attached graph illustrates the growth in the State' general fund budget from 1970 - 1982.

# GROWTH IN GENERAL FUND APPROPRIATIONS



## ALASKA STATE LEGISLATURE



## HOUSE OF REPRESENTATIVES

REPRESENTATIVE SALLY SMITH • 321 CHURCH STREET • FAIRBANKS, ALASKA 99701 • IN JUNEAU: POUCH V • JUNEAU, ALASKA 99811

May 25, 1981

Honorable John A. Carlson  
Mayor  
Fairbanks North Star Borough  
P.O. Box 1267  
Fairbanks, Alaska 99707

Dear John,

Thank you for copying me on your letter to Governor Hammond regarding Senate Joint Resolution No. 4. I appreciate knowing your views.

I consider your points to be well taken and share your concerns. It is my feeling that serious problems would result from locking us into constitutional amendments relating to spending limitations.

Senate Joint Resolution No. 4 is currently in the Senate Finance Committee, assigned to co-chair Senator Ed Dankworth. I have sent a copy of your letter to Senator Dankworth and other members of Senate Finance to be sure they are aware of your position. It is my understanding, however, that there are no plans to take the bill up this session.

Again, Thank you for taking the time to keep me informed. Your input and concern are appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sally Smith".

Sally Smith  
Alaska State Representative

srd

CC: Sen Dankworth  
Sen. Bennett  
Sen. Eliason  
Sen. Ferguson  
Sen. Sackett  
Sen. Stimson  
Sen. Sturgulewski

# fairbanks north star borough

p.o. box 1267 520 fifth ave. fairbanks, alaska 99707 907-452-4761



May 15, 1981

Honorable Jay Hammond  
Governor, State of Alaska  
State Capitol Building  
Pouch A  
Juneau AK 99811

Dear Governor Hammond:

I am writing in response to your letter regarding your proposal for a constitutional amendment to limit state government spending.

I understand and appreciate the concerns which have prompted your proposal. The existence of billions of dollars of surplus state revenues not only invites an unhealthy envy on the part of the federal government, but it also creates a great temptation for state leaders to spend it rapidly, sometimes without due regard of the consequences. I also appreciate the honesty and realism of your proposal in recognizing the need to identify and authorize a large number of exemptions to any constitutional amendment that would limit the growth of state government spending to essentially population increase and the rate of inflation.

My concern with the approach outlined in Senate Joint Resolution No. 4 is the danger that, by seeking to use the constitution as a substitute for the normal tasks of representative government, we risk overloading this document with functions it is not designed to perform. I am somewhat apprehensive that by turning to the mechanism of a constitutional amendment we may be unnecessarily constraining our future course of action. The very fact that you have found it necessary to identify as many as ten separate contingencies in which the constitutional limitation provisions could be overridden makes me fear that constitutional revision may not be the proper procedure to resolve this issue.

Constitutions are serious matters. By attempting to make their constitutions address issues more appropriately resolved at the legislative level, a number of other states have in the past encountered difficulties. When one state--Arkansas, I believe--amended its constitution some time ago to prohibit the

LETTER to Governor Hammond  
May 15, 1981  
PAGE TWO

charging of interest above a certain level set by the state constitution, there were serious consequences to the economy and people of that state. The turmoil surrounding that issue has not been settled to this date.

I also believe that we should be cautious in attempting to impose too strongly our views and our present policies on future generations of Alaskans. The dead hand of the past should not attempt to rule the living present. Likewise, we should avoid the presumption that we are in a better position today to define the needs of future generations than they will be able to do themselves.

In expressing my reservations to the use of the constitution as a means of limiting state government growth, I do not wish in any way to detract from the seriousness of the issue your proposal would address. I would, however, encourage the use of legislation as the more appropriate means of identifying and resolving this issue. I think that the democratic institutions of representative government are fundamentally well designed for and intended to, shoulder these responsibilities. If we too frequently bypass these institutions and reduce the role of representative government, we seriously jeopardize the flexibility of our system of government and the cohesion of our society.

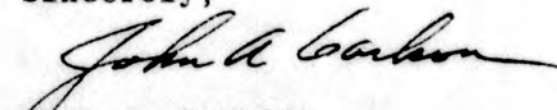
I cannot offer any easy solutions or recommendations to remedy the danger of excessive spending. I think, though, that the issue--and its attendant difficulties--are inherent to the democratic process, and in the abilities of free people to exercise their right of self-government. To attempt to establish too rigid a mechanism to circumscribe this right could be seen as an indication of a lack of faith in our abilities to govern ourselves. I know that this is not the case in Alaska and that Alaskans have on the whole a vibrant confidence in their future.

In closing, then, I would refer to the belief that an informed public is the best guarantee of liberty and of self-government. I would urge you, therefore, and other concerned state leaders to make a concerted effort to inform the public in Alaska of the real requirement to put a reasonable restraint on spending, and

LETTER to Governor Hammond  
May 15, 1981  
PAGE THREE

for responsible legislative programs and state programs to meet the genuine needs of this state. This would not be an easy task, nor could it be accomplished in a short period of time. In my opinion, however, a fully alerted and informed public is the soundest foundation for establishing a prudent and fiscally responsible policy of state spending in Alaska.

Sincerely,

  
JOHN A. CARLSON  
Borough Mayor

JAC/sek

cc: Interior Legislative Delegation

J. SHELBY STASTNY, CPA  
730 "I" Street  
Anchorage, Alaska 99501

May 21, 1981

The Honorable Jay Hammond  
Office of the Governor  
State of Alaska  
Juneau, Alaska 99811

Dear Governor Hammond:

On March 27, 1981 you wrote a letter to me and to other Alaskan's concerning your proposal to limit government growth through a constitutional limit on state spending. A recent Dittman Survey, sponsored by Common Sense for Alaska, indicates that 65% of Alaskan's share your concern and would support a constitutional amendment to limit state spending. I am certain that these concerned Alaskan's are pleased to see that a limit on state spending is among your four priority issues as enumerated in the press last week.

While a constitutional limit on state spending for the future is an admirable goal, there seems to be no reason to allow state spending to accelerate at its alarmingly rapid pace during the interim. During the last year, the increase in cost of living in Alaska was approximately 10%. Using your proposed average growth in population from the prior two census, population growth would be around 3%. The total of these two increases would allow, under your formula, an increase in this years operating budget over the prior years operating budget of 13%. The House and Senate Finance Committees have both completed, or are nearing completion, budgets for the fiscal year 1981-82 which would amount to approximately \$1.8 billion or a 24% increase over the prior year. Press reports also indicated that the proposed budgets would allow for an increase of approximately 700 state employees.

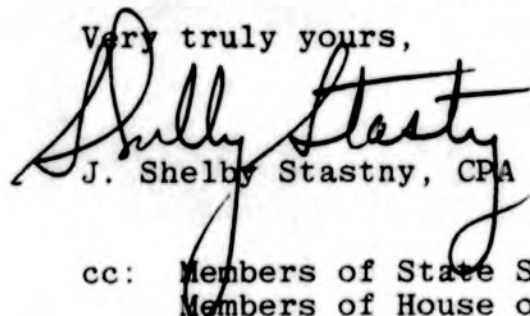
As Governor of the State, you are in the prime position to exercise strong leadership and to set an example for others to follow in the future. The time has come to turn political rhetoric into positive action. Since free conference committee's have the opportunity to cut as well as add to budgets passed by the House and the Senate, I strongly urge that you issue a message to the free conference committee that any budget emerging from the legislature which is in excess of the budget which would be allowed under your proposed constitutional amendment, would be vetoed by you.

May 21, 1981  
Governor Jay Hammond  
Page 2

Given your strong leadership in this area, and the feelings of the large majority of citizens of Alaska regarding fiscal responsibility, the probabilities are that the free conference committee will realize that such a veto could not be overridden. With decisive action on your part, Alaska can be back on the road to sane fiscal growth.

I would be happy to talk with you or your representatives if I can be of any help on this issue.

Very truly yours,



J. Shelby Stastny, CPA

cc: Members of State Senate  
Members of House of Representatives

JSS/cs

*In Reply  
ask me to  
contribute this to you  
Bob Handberg*

An Open Letter To

April 30, 1981

SR 4

Governor Jay Hammond  
Juneau, Alaska 99801

Dear Governor Hammond:

Thank you for your letter of March 27th, postmarked March 31, 1981, in which you seek our support for S. J. R. #4.

After careful study of the enclosed papers, we have come to the conclusion that we do agree with you only on one point; to curb government spending. We suggest that reduction of waste, duplication and the elimination of the driftwood from the various State department offices should be an absolute priority item on your agenda. We do not, however, support S. J. R. #4 in it's present form.

We find that as long as our primary highway system remains in the deplorable condition it is in, as long as a great number of our rural airports serving communities not linked to the highway systems remains in the deplorable and marginal safety conditions they are in, any constitutional amendment, such as S. J. R. #4 proposing reductions in capitol improvement spending, would be most irresponsible.

We further took special note of your proposed exception #10, allowing the Governor absolute veto power, something the President of the USA doesn't even have. To allow any Governor absolute veto power in any matter, would defeat our democratic way of government, and would encourage the creation of a dictatorship. It is therefore we strongly urge the rejection of S. J. R. #4 as introduced on January 13, 1981.

Sincerely,

*Albert H. Royer*

Albert H. Royer  
St. Rt. Box 470  
Mile 64 Slomo - Tok Hwy.  
Gakona, Alaska 99586

Name

Address

- |                          |                            |                                |
|--------------------------|----------------------------|--------------------------------|
| <i>Bill Ellis</i>        | <i>SR Box 370</i>          | <i>GAKONA, AK 99586</i>        |
| <i>Jean Royer</i>        | <i>SR Box 470</i>          | <i>Gakona, AK 99586</i>        |
| <i>Lorene Ellis</i>      | <i>SR. Box 370</i>         | <i>Gakona, Ak. 99586</i>       |
| <i>Thelma Schriener</i>  | <i>S.R. Box 380</i>        | <i>Gakona, Ak. 99586</i>       |
| <i>Murray Seng</i>       | <i>71.8 TOK CUTOFF</i>     | <i>TOK AK 99780</i>            |
| <i>Donna Seng</i>        | <i>" " " "</i>             | <i>" " " "</i>                 |
| <i>Donald L. Whiting</i> | <i>7 1/2 Tok Hwy.</i>      | <i>GAKONA AK. 99586</i>        |
| <i>Michael Longard</i>   | <i>Mile 182 Gakona Hwy</i> | <i>Glenallen, ALASKA 99586</i> |
| <i>Blaine R. Walker</i>  | <i>mile 111 Richardson</i> | <i>" " " "</i>                 |
| <i>Fred Lee</i>          | <i>Box 272 Glenallen</i>   | <i>Alaska 99588</i>            |
| <i>Killian Marc</i>      | <i>Mile 57 N. B. Road,</i> | <i>ALASKA 99586</i>            |
| <i>Rim F. Roy</i>        | <i>Mi. 5 1/2 Tok Rd.</i>   | <i>GAKONA 99586</i>            |
| <i>Mary H. Frazier</i>   | <i>MILE 5 1/2 TOK RD.</i>  | <i>GAKONA 99586</i>            |
| <i>Mrs. D. Seng</i>      | <i>MILE 5 1/2 Box 930</i>  | <i>SLAND ALASKA 99586</i>      |



**Copper River Native Association**  
**ATNA' TAENE NENE'**

New Phone Number  
(907) 822-5241

Drawer H • Copper Center, Alaska 99573 • Phone (907) 822-3949  
Health Department • Phone (907) 822-3521

AD-81-1007

April 29, 1981

Arliss Sturgulewski  
Pouch V  
Juneau, Alaska 99811

RE: SENATE JOINT RESOLUTION NO. 4

Dear Senator Sturgulewski:

Attached please find a letter we have written to Governor Hammond related to the above referenced subject.

We hope careful consideration will be given to the future of rural Alaska under this proposed constitutional amendment.

Your time and consideration of these matters is appreciated.

Sincerely,

COPPER RIVER NATIVE ASSOCIATION

Tom Craig  
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus



Copper River Native Association

ATNA' TAENE NENE'

New Phone Number  
(907) 822-5241

Drawer H • Copper Center, Alaska 99573 • Phone (907) 822-3949  
Health Department • Phone (907) 822-3521

AD-81-1002

April 29, 1981

Governor Jay S. Hammond  
State of Alaska  
Pouch A  
Juneau, Alaska 99811

RE: SENATE JOINT RESOLUTION NO. 4

Dear Governor Hammond:

Thank you very much for your letter stating your position on your proposed amendment to the Alaska State Constitution. I am very much in support of the spirit of your proposal. I agree it is time the government begins to be more responsible with public revenues. For this reason, I applaud your action. However, as a representative of rural Alaskans, I am also compelled to condition my support of this amendment on a more equitable proposal for all Alaskans.

As I read your proposal, there are two related aspects of your proposal that concern me. First, I will accept your presumption that the private sector will be encouraged to expand under this proposal. However, if historical patterns are followed, then the bulk of the private sector investments will be centered in the urban areas. Generally speaking, the private sector invests where it can get the highest return. What this boils down to is that in rural Alaska, the private sector will invest in capital intensive projects. This could be a severe blow to rural Alaska, which already suffers from disproportionately high unemployment rate. Obviously, this is merely an observation of the operation of the free market system. However, this phenomenon, when coupled with my second concern could cause irreparable harm to the rural economy.

My second concern relates to the fourth exception under the second section. As I read this exception, State Government expenditures for capital improvements will be limited by this amendment if they are not specifically approved by the voters. Realizing the disproportionate population concentration in the railbelt area, this leaves me with only

conclusion. That conclusion is: If a major expenditure is proposed for the railbelt area, it most likely will win voter approval. If however, one is proposed for a rural area it will very likely be defeated.


Under recent government policy, capital expenditures have been a valuable tool for encouraging private expansion into otherwise unattractive depressed areas. Thus, under this policy, docks, airports, and road systems have been financed in our sister states to encourage private investments in depressed areas. However, under this proposed amendment, rural Alaska is effectively being foreclosed from future expansion where the expansion would require the outlay of substantial public funds.

As I stated at the beginning of this letter, I am in favor of the spirit of this amendment. Consequently, I would like to propose the following amendment to the proposal: First, a tax relief to private industry that provides employment for ten or more employees in rural Alaska. Secondly, a fund should be created for capital improvement in rural Alaska. The source of these funds should be tied to voter approved capital improvements in the railbelt area. Thus, if money were approved by the State voters for capital improvements in the railbelt area, then a prorated amount would simultaneously be placed in a rural development fund.

My concern restated is as follows: Under this proposed amendment, the private sector will automatically create a disproportionate amount of jobs in the urban areas, and under section two, exception four, state capital expenditures have been effectively precluded from rural Alaska just when they will most be needed to encourage private investment. If amendments can be included to protect rural Alaska, we are happy to wholeheartedly support this idea.

Sincerely,

COPPER RIVER NATIVE ASSOCIATION

  
Tom Craig  
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus

STR 4



# STATE CHAMBER of COMMERCE

310 Second Street  
Juneau, Alaska 99801  
Phone 586-2323

January 5, 1981

## 1981 LEGISLATIVE GOALS OF THE ALASKA STATE CHAMBER OF COMMERCE

### STATE SPENDING LIMIT, TAX RELIEF, BONDING

1. Limit state spending as proposed in the Alaska State Chamber of Commerce's current initiative by establishing Fiscal Year 1981 as the base year and tying future expenditures to population and per capita income.
2. Exempt the first \$250,000 in taxable corporate profits for all Alaskan corporations.
3. Eliminate future bonding and support capital improvements from the general fund as long as revenues are available. Require all projects over one million dollars to have voter approval so as to create public awareness.
4. Increase state revenue sharing to municipalities to cut or end property taxes.
5. Conduct comprehensive review of all oil and gas taxes, including a study of the windfall tax exemption for oil and gas companies.

### ECONOMIC DEVELOPMENT GOALS

1. Establish a permanent power fund for statewide power projects.
2. Appropriate funds for electrical grid interties to stabilize power supplies statewide.
3. Support state encouragement for petrochemical industry development in Alaska.
4. Implement long term sales of state royalty oil and gas at prevailing rates to supply in-state refineries at maximum capacity.
5. Support full public use of the state highway from the Yukon River to Dietrich Pass (commonly called the "haul road") effective June 1, 1981. Support immediate action to provide adequate funding to bring this highway up to secondary road standards and properly maintained for the full length of the highway. Paving of this entire highway as soon as possible is in the best public interest.

(continued)

6. Recommends that integrated policy boards be established to administer the International Airport Revenue Fund composed of a majority of private business interests with the authority and responsibility to provide technical and policy direction in the development, planning, and operation of the airports to the Department of Transportation and Public Facilities. Further, that a comprehensive capital improvements program be established and funded through the general fund to support the facilities necessary for current demands as well as latent potential.
7. Endorse accelerated coal development in Alaska.
8. Propose the Department of Natural Resources rewrite state regulations to encourage timber, petroleum and mining development.
9. Request a rewrite of the U. S. Interior Department regulations to allow tourism, mineral, and oil exploration on national monuments.
10. Urge the state take a firm stand to encourage all possible domestic manufacture of forest products from public lands. Exceptions to primary manufacture should only be made when it can be clearly shown through the hearing process there are no possible domestic markets.

#### LABOR LEGISLATION

Encouraged by the preliminary work of the legislature's Workers' Compensation Study Commission, we support their efforts to improve the administration of the system and make the compensation program more competitive.

The Chamber further believes that their recommendations must also encourage realistic benefit revisions necessary to restore the incentive for injured workers to return to productive employment and to remove the excesses in employers workers' compensation costs.

#### GENERAL LEGISLATION

1. Institute a national campaign to improve Alaska's image and boost Alaska tourism.
2. Develop without delay a ten year capital improvement plan
3. Increase vocational training at the University of Alaska.
4. Abolish the Alaska Public Offices Commission.
5. Encourage state government to assist and support private enterprise in meeting the needs of the public. We further encourage state government to provide direct services only when it has been proven that private enterprise cannot fill the needs of the public.
6. Recommend the Alaska Renewable Resources Corporation be limited to equity or venture capital investment and grants, not loans in connection with equity capital investments. Allow not just renewable, but also non-renewable equity participation. The investment agreement should be more specific in the buy-out option (Example - Salamontof Seafood problem). ARRC should develop a banker-borrower relationship, not be both.

October 4, 1980 DRAFT

WHEREAS during the 1980's, Alaska faces the dual challenge of either the precipitous decline of revenue, or the possibility of new resource production and a continuing high volume of revenue; and . . .

WHEREAS either of the above cases requires the state to mobilize substantial restraint to control the rate of state spending and thus the burgeoning size of state bureaucracy and governmental influence; and . . .

WHEREAS governmental spending has grown to higher levels in Alaska than any other state in the nation using virtually any standard of comparison, including: per capita costs of the state legislature, per capita number of full-time state employees, rate of growth of government employment, rate of government salary increases, per capita costs of state government in general; and . . .

WHEREAS public support for statutory limits on state spending has been demonstrated by public opinion polls; and . . .

WHEREAS some legislative leaders and the state administration have shown support of a limit on state spending; and . . .

WHEREAS numerous public and civic organizations throughout Alaska have endorsed the need for controlling state spending; and . . .

WHEREAS the level of service established by state government in FY 1981 is considered adequate for our citizens' needs, and that year is appropriate to serve as the base year upon which to establish future budget limits;

NOW THEREFORE be it resolved that the Alaska State Chamber of Commerce endorses the concept of a limitation on government growth in statutory if not constitutional form; and . . .

BE IT FURTHER RESOLVED that the attached initiative is endorsed as an appropriate first step toward establishing a control on the growth of Alaska state government.

AN ACT ENTITLED: "An Act limiting state government spending."

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

Section 1. AS 37.07 is amended by adding the following sections to read:

AS 37.07.102. State Spending Limit. In no year shall the total annual operating appropriations of the state government exceed the total annual operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population.

AS 37.07.105. Additional State Spending Limit Adjustments. The annual operating appropriations limit provided for in Section 102 of this chapter shall be further adjusted as follows:

(a) If the legislature or any state agency transfers the financial responsibility of providing services, in whole or in part, from the state government to any local government, or mandates a new program or higher level of service on any local government, the state shall provide subvention of funds to reimburse such local government for the costs of the program or increased level of service.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the state government, the appropriations limit may be exceeded, provided that the appropriations limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

AS 37.07.107. Contingency Funding. Each entity of state government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar fund as it shall deem reasonable and proper. Excepting contributions to the

Permanent Fund and payment for bonded debt, contributions to any such fund shall, for purposes of Section 102 of this chapter, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such funds nor expenditures of such withdrawals, nor transfers between or among such funds shall constitute appropriations subject to limitation.

Section 2. AS 37.07.120 is amended by adding the following subsections:

(7) "Total annual operating appropriations of the state government" shall be established by reference to the fiscal year 1981 "total annual operating appropriations of the state government", exclusive of budget surpluses.

(8) "Total annual operating appropriations of the state government" shall mean any authorization to expend during a fiscal year the proceeds of taxes, income, or other revenues collected by or for the state other than the following:

- (a) refunds and/or reduction of taxes;
- (b) benefit payments from unemployment, unemployment insurance, and disability funds;
- (c) payments for bond debt;
- (d) constitutional or legislative appropriations to the Permanent Fund as established by Article IX, Section 15, of the Alaska Constitution;
- (e) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government rendered after adoption of Sections 102-107 of this chapter, which, without discretion, require expenditure for additional services or which unavoidably make the provision of existing services more costly;
- (f) appropriations to local governments which mandate and result in a reduction of real property taxes.

(9) "Subvention" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

(10) "Alaska per capita personal income" shall mean the personal income of individuals residing within the state as determined and reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(11) "Population" shall mean permanent resident individuals of the state and shall be determined by method prescribed by the legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States government.

Section 3. This Act does not repeal or affect any appropriation made or existing at the time it takes place.

Section 4. This Act does not and shall not be construed to impair the ability of the state to meet its obligations with respect to existing or future bonded indebtedness.

Section 5. This Act takes effect in accordance with AS 15.45.220.

2024

RESOLUTION OF THE ALASKA LOGGERS ASSOCIATION

WHEREAS, the rate of increase in the size and the cost of State government has increased dramatically over the last several years, and

WHEREAS, the rate of capital expenditures by the Alaska Legislature threatens to exhaust the State's oil wealth long before it can be of use to future generations of Alaskans,

NOW THEREFORE, the Alaska Loggers' Association hereby urges the Alaska Legislature to approve a ballot proposition for the 1982 general election which would allow the people to vote on a Constitutional spending provision limiting the State's operating and capitol budgets.

cc: Governor Hammond

All State Legislators

STATE OF ALASKA  
THE LEGISLATURE  
LEGISLATIVE AFFAIRS

*Steve* } *Please*  
*then set a*  
*copy for my*  
*finance file -*  
*copy for doing* *Jan 9*

MEMORANDUM

SUBJECT: V [unclear] [unclear]  
( [unclear] [unclear] )

TO: Senator Arliss Stugulewski

FROM: Richard A. Bradley *B*  
Legislative Counsel

You advise that the administration intends to place on the November, 1982 ballot the capital budget appropriations for FY 1984 in anticipation of passage of the proposed constitutional spending limit, at least to the extent that such voter approval would be required under the proposed constitutional amendment. LR 1, adopted at the First Special Session of the Legislature, 1981 (FCCS-FCCSSJR 4).

In my opinion, the executive branch is without power to put issues on the general election ballot without specific direction from the constitution or the legislature in general or special law. To my knowledge, the only occasions where the vote of the people decides a question put to them by the legislature arises out of capital bond questions and constitutional amendments. Note that each follows a direct act of the legislature.

I suggest that the governor's budget message did not quite state that the issues would be put on the ballot. In two places that I noted the concept, it is discussed in terms of a "proposal". (See the second full paragraph, page 7 and the second full paragraph, page 8.)

You also ask whether placing the fiscal year 1983 capital appropriations on the November, 1982 ballot would constitute a violation of Article XI, section 7 of the Alaska Constitution?

Senator Arliss Sturgulewski  
Page 2  
January 20, 1982

The cited provision provides in part:

The initiative shall not be used to \* \* \* make or repeal appropriations . . . \* \* \* The referendum shall not be applied to \* \* \* appropriations. . . (Emphasis added)

Note that to the extent that the legislature places the question on the ballot, no "initiative" or "referendum" requested by the voters under Article XI is involved and no violation of the particular provision of the constitution is reached.

But the answer does not dispose of your question.

This office has always assumed that the provisions of Article II of the constitution, the legislative article, when read with the provisions of Article XI, the initiative and referendum article, explicitly precluded the sharing by the legislature of its power to enact legislation with anyone else, including the voters of the state. To the extent that Article XI constitutes an opportunity for direct legislation, it clearly requires that the responsibility for originating the proposal derive from the voters. Thus the legislature could not enact legislation subject to a condition subsequent such as the ratification of the legislation by the voters of the state.

If I may assist further, please advise.

RAB:ljb



Official Business

# Alaska State Legislature

*Senate*

*Committee on Finance*

Pouch V  
State Capitol  
Juneau, Alaska 99811

January 9, 1982

TO: Senator Dankworth

FROM: Pete Jeans

SUBJECT: Definition of "Capital" for budget purposes

At your request, here is a simple definition of "Capital" that could be used to determine if a specific item should be included in the capital budget. Anything not fitting this definition should be considered in the operating budget.

A Capital item is any expenditure for land acquisition, equipment, structural improvement or construction that equals or exceeds \$25,000. This includes planning, engineering and design for a single project when the proposed project cost will exceed \$1,000,000.

# TASK FORCE Recommendations

Commercial  
Spending Limit

## STATE OF ALASKA

### THE LEGISLATURE

1981

Source:

FSS-FCSSJR 4

Legislative  
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

**SECTION 16. APPROPRIATION LIMIT.** Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, (including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

DELETE

2

DELETE AND INSERT:

... multiplied by the sum of the percentage of Alaska state population change and the percentage of annual per capita income change since 1981.

? how much  
12910

3

DELETE AND INSERT:

... and passed by a two-thirds majority vote of the members elected to and serving in each house of the Legislature.

4

DELETE AND INSERT:

... Any unexpended or unappropriated balance shall be placed in a special reserve fund to be utilized at least biannually for tax relief for citizens of the state and/or a capital investment fund as may be provided by law.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

**SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.** If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

**SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS.** If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

**SECTION 28. APPLICATION OF AMENDMENT.** The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

AFC  
say  
business  
tax  
relief

Chapter 18

1 Alaska Permanent Fund Corporation.

2 \* Sec. 9. TRANSITION. The commissioner of revenue shall transfer the  
3 Alaska permanent fund to the Alaska Permanent Fund Corporation established by  
4 this Act after request for transfer is made by the board of trustees of the  
5 corporation. Notwithstanding AS 37.10.065(a), the commissioner of revenue  
6 may invest the money in the Alaska permanent fund in the investments de-  
7 scribed in AS 37.13.120(g) subject to the limitations of AS 37.13.120(h) and  
8 (i).

9 \* Sec. 10. AS 37.10.065 is repealed.

10 \* Sec. 11. Section 10 of this Act takes effect upon transfer of the  
11 Alaska permanent fund to the Alaska Permanent Fund Corporation as provided in  
12 sec. 9 of this Act. The remainder of this Act takes effect immediately in  
13 accordance with AS 01.10.070(c).

14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

contradictory. For example, a reduction in the budget deficit is likely to have a beneficial effect on the inflation rate. But decisions to increase taxes, or lower spending, were both politically difficult (especially so in an election year) and carried with them the likelihood of prolonging the economic recession and thereby paradoxically, further worsening the budget position. At the same time, Congress was considering proposals to reduce taxes as a means of spurring investment and addressing long-term productivity problems. Such a course of action, however, is likely to be inflationary at least in the short run.

Budget formulation is ever more difficult as the uncontrollable portion of the budget increases. Largely responsible for this situation are the formula-based entitlement programs which guarantee recipients a certain level of

benefits. Social Security is the largest of the entitlement programs. Equity arguments, the political clout of special interest groups, the desire of some authorizing committees to end-run the appropriations committees, changing demographics (the aging of the population) and difficult economic conditions, have combined to result in a two-thirds growth in the entitlement programs' share of the budget in 13 years—from 36.1% in 1967 to 59.1% in 1980.

In reality, however, entitlements are not truly an uncontrollable aspect of the budget. Despite the political obstacles, Congress can alter an entitlement law to reduce eligibility and/or benefit levels, thereby producing budget savings. In the 96th Congress Senator Biden (DE) introduced S. 1434, legislation that if enacted would have ended the entitlement status of all programs except Social

## Budget Process Under Stress

The budget President Carter submitted to Congress in January 1980 included more money for defense, modest continued growth in social programs but higher taxes. The pledge of a balanced budget was forsaken, but the deficit figure was relatively small at \$15.8 billion. This plan, however, soon ran afoul of economic facts. To paraphrase Irving Kristol, the first budget offering was "mugged by the reality" of an ailing economy. Inflation wreaked havoc with the early estimates, sparking a flurry of meetings between Administration officials and the leaders of Congress in early March.

Following the lengthy and much publicized March deliberations, President Carter in mid-month announced his revised budget for fiscal 1981, including \$13 to \$14 billion in budget cuts and \$13 billion in new revenue measures, resulting in a \$15.8 billion deficit being transformed into a \$16.5 billion surplus. The interest groups representing state and local governments recognized the need for spending reductions and were generally supportive as long as the reductions were meted out in an even-handed manner. But there was great concern, too, because in March the state share of General Revenue Sharing was slated for elimination and it was unclear where remaining cuts actually would be made. Stephen B. Farber, Director of the National Governors' Association, was prescient when at this point he declared, "I think this is just the beginning of a long process."

Armed with the President's revised budget and a Congressional Budget Office report indicating 75 ways to cut the budget, the Congress set to work. Their efforts were ill-starred, however, as the first budget resolution was not passed until June 12, nearly two months after the March 15 deadline. Additionally, all hope for the small surplus written into this agreement was dashed when the mid-year economic statistics were issued, indicating that the recession was deeper than expected. With inflation and unemployment figures up, and productivity down, the deficit estimate leapt upward. Protracted budget negotiations ensued once again, with the result that the second and binding budget resolution due on September 15 was not delivered until mid-November. Moreover, the *Budget Act* requirement that all spending and tax bills be enacted by the week after Labor Day had been flouted as well. By September 15, the House had passed 11 of 13 appropriations bills and the Senate only one.

Possibly a greater threat to the future of the process is

the growing gap between the Congressional budgets and the outlay and revenue figures. In the first three years of the budget process, actual outlays fell within the Congressionally set spending ceilings. In 1980, however, they exceeded the limits by billions of dollars and in all likelihood this will be repeated in 1981. Should Congress continue to disregard its own limits on spending, tougher approaches may be taken to reassert discipline in the process. While some in Congress have suggested making the target spending ceilings binding, others would prefer to limit federal spending to a gradually declining percentage of the gross national product.

An important element in the deliberations again last year was the process of reconciliation, whereby the House and Senate budget committees can order the reduction of already passed appropriations bills to conform with the budget resolution. The Senate attempted the process in 1979, but the House balked and the tool was not used. Last year, both houses employed it. Advocates of reconciliation point to the discipline it imposes on the development of the budget by forcing decisions on all budget reductions simultaneously, rather than the traditionally incremental approach. Additionally, it encourages a healthy debate over future spending choices, a debate some say would not have occurred otherwise. Critics of the process say it is inefficient and shifts too much fiscal power from committee chairmen with expertise in their program areas to budget committee members who lack such sophisticated understanding.

While the practical effect of reconciliation at this juncture is to slow the budget process drastically, passage of the *Reconciliation Act* in November bodes well for the future. A precedent was established that the Budget Committees could direct the tax-writing and authorizing committees to change laws so as to bring expenditures in line with chosen budget parameters. This is a crucial step toward controlling the "uncontrollables" and exercising budget discipline.

Because of repeated delays and missed deadlines, most of the appropriations bills had not passed the Congress by the end of the last fiscal year. A continuing appropriations resolution to fund the operations of the federal government wasn't passed until 16 hours after the beginning of the new fiscal year, technically leaving most federal departments without funding for that period of time. This resolution expired on December 15, necessitating adoption of another continuing resolution based largely on House-passed appropriations levels to carry programs into the new calendar year.

# STATE OF ALASKA

## THE LEGISLATURE BUDGET AND AUDIT COMMITTEE


ROOM 508  
CAPITOL BUILDING  
POUCH V  
JUNEAU, ALASKA 99811

907-465-3818  
907-465-3810

MEMORANDUM

28 July 1981

TO: Jay Hogan, Director  
Legislative Finance Division

FROM: Senator Arliss Sturgulewski   
Chairman, Legislative Budget & Audit Committee

RE: Information Request

I am interested in receiving information on the likely fiscal effects of the constitutional spending limit as passed during the special session. Specifically, I am interested in your best professional judgement on the rate of increase in expenditures for those items excluded from limitation, possible changes in the budget processes and structure due to excluded items (for example, will there be increases and of what magnitude in the public corporation budgets and what are the effects on the existing budget process of these changes), and the effect on the percentages of total revenues spent for governmental activities.

I have requested a legal opinion of Billy Berrier on the definition of some of the items in the constitutional spending limit bill (notably, "capital projects"). Based on his response to my questions, I would also appreciate your financial analysis of the impact of the spending limit on those items, as defined. In addition, I would be interested to learn your identification of other fiscal issues relevant to the spending limit.

Your attention to this matter is appreciated. If you or your staff have any questions regarding this request, please contact Margo Waring of my staff.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

*Emergency*

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

*copy sent to  
of the state  
legislature*

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

MEMORANDUM

June 10, 1981

TO: Senator Mike Colletta

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

SUBJECT: Expenditure Limits

I am enclosing SSSJR 52 and SB 558 which you introduced last session.

There is little backup material in the file since we used material I had gathered at a seminar in Salem, Oregon on the subject. Most of that material is now brought up to date by the Tax and Expenditures Limitation booklet issued by the Council of State Government which sponsored the seminar. I am enclosing that booklet, the Tennessee Constitution and statute which was used as a base and a copy of a newspaper article discussing the municipalities in California under Proposition 13.

BGB:blg

Enclosures

*Limit Growth - emergency  
only emergency in each 3 years  
all difference between total  
budget & total new debt  
Callant population - lower per share*

## Catch-13

# Californians Discover Tax-Cut Mania Has A Corollary: Fee Fever

## A Year After the Big Slash, Localities Soak Citizens For All Kinds of Services

### Pricing Poor Out of Parks?

By STEPHEN J. SANSWELT

Staff Reporter of THE WALL STREET JOURNAL

Students in Glendale, Calif., who need to brush up on their skills at summer school this year will have to pay as much as \$110 for the sessions. Last year they were free.

Los Angeles art and nature lovers put up with recently imposed admission charges of up to \$1.50 for once-free visits to county museums and botanic gardens.

Builders in the San Diego suburb of La Mesa find that the cost of fees and permits for an average house has rocketed to \$1,283 from just \$43 in early 1975.

In the year since Californians voted themselves a deep cut in property-tax payments under Proposition 13, they have been increasingly confronted with new or rapidly escalating fees, charges and other costs for services and programs local governments previously paid for from general revenue. So far, the average homeowner is still coming out ahead, but the gap is narrowing. And the non-tax-deductible fees are a particular blow for the large number of renters in the state who received little, if any, benefit from last year's initiative.

### Prostituting 13

"The real meaning of Proposition 13 is being prostituted right and left by local government," charges Paul Gann, cosponsor of the initiative that ignited national tax-cutting fever when California passed it last June 6. "We got the property taxes cut, but they immediately took the dough back in another way."

Mr. Gann's response has been to join in several suits challenging fees, as well as to sponsor a new initiative, the "Spirit of '82," that would limit spending by the state and local governments. The measure will be on the ballot by June 1980 at the latest, and political observers think it has a good chance of enactment.

But regardless of whether the "Spirit of '82" passes, the original '13 has wrought a fundamental and probably irreversible change in the way Californians pay for services, programs and utilities provided by the state's 58 counties, 47 cities and 4,750 special districts. Many have revised the law to allow them to raise fees. Others have imposed new charges on such groups as low- or middle-income people and first-time home buyers.

### Cities Recoup 19%

Proposition 13, which limited property taxes to 1% of the 1975-76 assessed market value and restricted assessment increases, cut about \$550 million from city revenues. According to the latest available statistics, compiled last fall, the cities made up 19% of this, or \$103 million, from new or higher fees and service charges in the months just before and after Proposition 13 took effect. (Much of the rest was made up by bail-out legislation that distributed surplus state revenue.)

Counties, which lost nearly \$1.5 billion in property-tax revenue, added only \$22 million in fees. An incomplete survey of special districts, each of which is set up to raise money for a purpose such as sewers or hospitals, showed higher fees and charges of around \$70 million, compared with a property-tax loss of \$291 million.

Most observers believe that the initial rush to impose fees was only the beginning. "If state bail-out funds decrease as projected . . . local government officials will be increasingly tempted to raise existing fees and create new ones," a state task force that studied the situation predicts. "Fees are one of the few mechanisms open to local governments for raising added revenues."

### Fees for Sidewalk Repair

After lengthy debate and several changes of mind, the Los Angeles city council recently passed a residential trash-collection fee ranging from \$1.50 to \$5 a month. There wasn't any agonizing earlier when the city imposed or raised fees for such things as dog licenses, use of recreation facilities, emergency ambulance transportation, fire-safety inspections and repair of cracks in sidewalks, to name a few.

Besides Mr. Gann's "Spirit of '82" and the numerous lawsuits, other attempts are being made to stem the upward spiral of fees. Several bills pending in the California legislature would restrict the kinds of fees that could be levied and limit each fee to the cost of the service provided. Also, state attorney general George Deukmejian has just issued an advisory opinion that several new fees are actually special taxes and thus require approval of two-thirds of the electorate under terms of Proposition 13.

The residential-construction industry has been hit with an especially large number of fee increases. Prior to Proposition 13, existing homeowners in a community, in effect, partially subsidized new development, because their property taxes helped pay for such things as sewer hookups and new streets. With the taxes reduced, localities have switched the cost of new developments to builders, who, in turn, have passed it on to home buyers. Fees are up in more than a dozen items ranging from filing of plans to on-site inspections.

"There's no question that higher fees are pricing moderate-income Californians out of the new housing market," says Fred Case, professor of urban and economics at the University of California at Los Angeles. "Any individual fee increase may not seem like a lot, but when you add them together they can be staggering. And unlike property taxes, higher fees can't be deducted from in-

Please Turn to Page 15, Column 1

# Catch-13: A Year After Tax Cut, Californians Run Into Fee Fever

Continued From First Page

come taxes," Mr. Case says his study of construction in Los Angeles shows 36 new requirements that produce higher costs for builders.

The California Building Industry Association says the median bill for construction-related fees and service charges across the state has risen 55% in the last year, but the range is all the way from zero to \$3,000 for an average three-bedroom house. "Builders are in a difficult position," says Norman Jaehens, spokesman for the trade group. "We don't want to be blamed for local governments being unable to fund improvements for new housing. But we don't want to be easy pickings to make up for Proposition 13 losses either."

Even simple modifications or additions to existing homes "have become a rich man's game," says Donald E. Cunningham, a Los Angeles land-use consultant. "It costs \$1,200 to \$1,500 in fees before you even walk up to the counter with your final plans, and the city and county are about to raise the fees again."

## Focus on Sales Taxes

Some communities are using the fund crunch to further their "no-growth" policies. One state survey concludes that many localities aren't any longer interested in luring residential or industrial development because of the low property-tax revenue relative to the cost of capital improvements and services. Instead, they are competing more vigorously for commercial establishments, which generate sales-tax revenue.

Raymond Jallow, senior vice president and economist at United California Bank, is concerned at what he sees as a rush to impose or raise business and licensing fees without knowing the consequences. Beverly Hills businessmen, for example, are faced with business-fee increases of up to 1,500%, and Los Angeles County is raising license fees for everyone from weed eradicators to "massage technicians."

"While the economy is still expanding, there might not be much impact," says Mr. Jallow. "But in any slowdown, many of the fees will prove detrimental, because they will drive away business and professional people. Some fees haven't been changed in 100 years and certainly should be raised, but others are going up without any direct justification, just to raise revenue."

## Effects on the Poor

Many officials concede that tying the level of a fee to the cost of the service performed would often be guesswork. Because of archaic accounting and bookkeeping systems and the difficulty in allocating overhead expenses, service charges frequently bear little relation to service costs. "They usually get on the high side, and the money just goes to the general fund anyway," he says. "Los Angeles raised outlying-permit fees but still laid off people in the department, so we're paying more money for less service."

on Government Reform, appointed by Gov. Edmund G. Brown Jr. to suggest ways to cope with Proposition 13, is the effect of new and higher fees on the quality of life, particularly that of the lower-income groups that tend to use public facilities the most.

"Low-income residents may find fees prohibitive to the enjoyment of a park or a community swimming pool as these fees are

increased," a commission task force warns. Attempts to set a rate structure subsidizing such groups would require a bureaucracy that in itself would lead to even higher costs, the report adds.

"We don't want to turn parks and swimming pools into country clubs for the middle-class and the rich," says Larry Naake, executive director of the California Park and Recreation Society, a professional group. "Fees may increase total revenue, but already attendance is down everywhere from the Sacramento zoo to inner-city pools and parks." Mr. Naake says a recent survey by his group shows that 85% of the park and recreation agencies in the state have raised

fees, the boosts ranging from 50% to 400%.

Fees have been instituted at previously free museums, while charges at beaches and campgrounds are up substantially and fines for overdue library books have doubled or tripled in many cases. Community colleges, almost wholly dependent on property-tax revenue, have started charging for formerly free classes and services. As a result, attendance at noncredit courses — mainly recreation, crafts and courses for senior citizens — dropped 26% this past semester. Some 20% of 4,600 noncredit courses were shelved.

Localities have come up with some innovative ways to replenish their coffers. Oakland enacted an employe license fee based on salary earned in the city. Inglewood has

instituted a fire-service fee based on the relative fire risk of each structure and the amount of water, personnel and equipment that would be needed to extinguish a major blaze there. Pasadena's board of directors enacted an ordinance that will adjust all taxes, fees and charges annually based on the preceding year's consumer price index. The directors retain the option to veto any particular increase.

Theoretically, communities could raise fees and charges to cover all their property-tax losses. But political realities, strong lobbying by interest groups and public opinion have helped to mitigate the increases. When put to the test of advisory or actual votes,

proposed fee increases have failed in cities ranging from San Francisco to Palms Verdes Estates.

The ultimate tool of the angry taxpayer, the recall election, also has been used successfully. Voters recalled two members of the Simi Valley city council who were identified as leaders of the move that raised the annual sanitation service charge to \$96 a home from \$60. And voters in Sacramento County recalled four members of the San Juan Unified School District who had voted to contribute \$1,000 in district funds for a lawsuit challenging Proposition 13.



Proposition 13 author Howard Jarvis holds birthday cake during its first anniversary yesterday

AP

## Proposition 13's Final Impact Is Still An Unknown Quantity

SACRAMENTO, Calif. (AP) — Proposition 13, the tax cut measure that set off a nationwide tax revolt, hasn't lived up to the promises of supporters or to the warnings of foes — at least not yet.

Californians approved the \$7 billion property tax cut a year ago yesterday, but it still is a largely unknown quantity, its impact blunted by massive state aid to local governments.

That doesn't mean that some government workers haven't lost jobs and some government programs haven't been cut. The state's school system has been wounded but remains afloat. There have been no significant cuts in police and fire services. Recreation programs were cut sharply, and in many cases fees were imposed.

Still, the aid financed by a state budget surplus has reduced the full impact of Proposition 13. And although shrinking, the surplus is still big enough to soften 13's impact for another year. What happens after that depends on the health of California's economy, efforts to reform government financing and pending new voter initiatives.

"The fallout from 13 is going to be long-term fallout," says Raven Flynn, executive director of the California Tea-

chers Association. "It's not going to be an instant whop over the head."

Cuts so far have often hit those least able to care for themselves: the poor, the elderly, and the young.

But many Proposition 13 supporters see it as only a first step to cut waste in government, and they are pushing new proposals aimed at restricting taxes and government spending.

Those measures include separate initiatives by Proposition 13 co-authors Howard Jarvis and Paul Gann.

Gann's proposal, which has qualified for the ballot later this year or in 1980, limits government spending on a formula based on price increases and population growth. Jarvis' pending initiative would cut the state income tax in half, a \$3 billion annual tax cut.

Although Proposition 13 didn't force an overall cut in spending by local governments in 1973-79, it kept spending increases below inflation and average increases for recent years.

It also produced a significant reduction in the state and local government workforce.

In human terms, the statistics represent people such as Gloria Davis, who spent eight years teaching in San Fran-

cisco schools and was described by school board member Myra Kopit as "one of the best we have ... a very rare teacher."

But in April, Ms. Davis resigned rather than fight a layoff notice, one of about 2,200 sent out by the district. She now works for a bank.

For Debra Walker, Proposition 13 means getting by without a cost-of-living increase in welfare. Ms. Walker, 22, was receiving \$287 a month when the rent for her San Jose apartment she shares with a 2-year-old son went up \$73 a month.

"It was a matter of eating and not paying my rent. So now I am getting evicted," she said.

The other side of the Proposition 13 story is told by Paula Fatjo, who owns 7,000 acres of farm land near Los Banos on the hilly western edge of the San Joaquin Valley.

The land has been in Ms. Fatjo's family since her great-great-grandfather Francisco Pacheco obtained it in an 1847 Mexican land grant.

She said before 13 cut property taxes 57 percent, she was paying \$4 an acre in taxes on land that brought in \$6 an acre lease income, not enough to enable her to keep the land.

MEMORANDUM

May 5, 1986

SUBJECT: Spending limitations - SSSJR 52 and SB 552

TO: Senator Mike Colletta

FROM: Billy G. Berrier  
Director  
Division of Legal Services

You have requested a synopsis of the proposed constitutional amendment, SSSJR 52, and the companion bill, SB 552, relating to limitation on spending by the state.

The basic thrust of the constitutional amendment is the prohibition against the rate of growth of appropriations from state revenues exceeding the rate of growth of the economy of the state. Appropriations for the permanent fund and for capital improvements are excepted from this prohibition.

The amendment allows this growth rate in appropriations to be exceeded if a state of emergency is declared to exist as provided by law. It provides that for the three succeeding years the appropriations limit be adjusted equally so that for the four-year period, consisting of the year in which the emergency existed and the following three years, total appropriations may not exceed the amount that would have been available had there been no emergency.

The amendment provides that revenue in excess of the appropriation limit shall be distributed to the taxpayers of the state as provided by law. It also prohibits laws which require increased expenditures by political subdivisions from becoming effective unless the legislature has provided that the state bear the added cost.

The limiting phrase "estimated growth of the economy of the state" as used to set the maximum for appropriation growth must be defined by law.

Senator Mike Colletta

Page 2

May 5, 1980

Under SB 558 the growth rate is based upon projected changes in Alaska personal income. The components of Alaska personal income are those included in the United States Department of Commerce's definition of personal income. The Commissioner of Commerce and Economic Development must, before January 30th of each year, certify to the legislature the projected income, the change from the present fiscal year income and the percentage of change.

BGB:jdn

Introduced: 4/11/80  
Referred: Judiciary and  
Finance

1 IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP,  
KERTTULA AND HACKNEY

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 52

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate  
16 of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article  
18 and excepting appropriations for capital improvements, exceed the esti-  
19 mated rate of growth of the economy of the State as determined by law.  
20 An appropriation in excess of this limit shall not be made unless a  
21 state of emergency is declared to exist, as provided by law. The appro-  
22 priation limit for each of the three years following the declaration of  
23 emergency shall be adjusted equally so that the total appropriations for  
24 the year of the emergency and the succeeding three years do not exceed  
25 the appropriations which could have been made under this section if no  
26 emergency had been declared. The limit on rate of growth of appropria-  
27 tions for each year shall be calculated without regard to a declared  
28 emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by

1 the State in excess of the amount appropriated in compliance with this  
2 article during a fiscal year shall be distributed to the taxpayers of  
3 the State as provided by law. No appropriation is required for a dis-  
4 tribution under this section within the succeeding fiscal year.

5 \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
8 law requiring increased expenditures by a political subdivision shall  
9 become effective unless the legislature has provided that the State pay  
10 the amount of increased cost to the political subdivision.

11 \* Sec. 3. The amendments proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
14 laws of the state.

Introduced: 2/18/80  
Referred: Judiciary and  
Finance

BY COLLETTA, BENNETT, FAHRENKAMP,  
KERTTULA AND HACKNEY

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO. 52

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate  
16 of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article,  
18 exceed the estimated rate of growth of the economy of the State as  
19 determined by law. An appropriation in excess of this limit shall not  
20 be made unless a state of emergency is declared to exist, as provided by  
21 law. A state of emergency may not be declared if a state of emergency  
22 has been declared within the preceding three years. The appropriation  
23 limit for each of the three years following the declaration of emergency  
24 shall be adjusted equally so that the total appropriations for the year  
25 of the emergency and the succeeding three years do not exceed the appro-  
26 priations which could have been made under this section if no emergency  
27 had been declared. The limit on rate of growth of appropriations for  
28 each year shall be calculated without regard to a declared emergency or  
29 the subsequent three-year adjustment.

1 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by  
2 the State in excess of the amount appropriated in compliance with this  
3 article during a fiscal year shall be distributed to the taxpayers of  
4 the State as provided by law. No appropriation is required for a dis-  
5 tribution under this section within the succeeding fiscal year.

6 \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
7 adding a new section to read:

8 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
9 law requiring increased expenditures by a political subdivision shall  
10 become effective unless the legislature has provided that the State pay  
11 the amount of increased cost to the political subdivision.

12 \* Sec. 3. The amendments proposed by this resolution shall be placed  
13 before the voters of the state at the next general election in conformity  
14 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
15 laws of the state.

Introduced: 4/11/80  
Referred: State Affairs

1 IN THE SENATE

BY THE RULES COMMITTEE

2 SENATE BILL NO. 558

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to estimation of the rate of growth of  
7 the Alaska economy; and providing for an effective  
8 date."

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

10 \* Section 1. AS 37.25 is amended by adding a new section to read:

11 Sec. 37.25.020. BASIS FOR ESTIMATED RATE OF GROWTH OF ECONOMY.

12 The estimated rate of growth of the state's economy shall be based on  
13 the projected change in Alaska personal income. Alaska personal income  
14 consists of those sources of income included in the United States De-  
15 partment of Commerce's definition of personal income. Before January 30  
16 of each year the commissioner of commerce and economic development shall  
17 certify to the legislature the projected Alaska personal income for the  
18 following fiscal year, the change from the present fiscal year, and the  
19 percentage of change.

20 \* Sec. 2. This Act takes effect on the effective date of an amendment to  
21 the Constitution of the State of Alaska substantially as proposed in a ver-  
22 sion of Senate Joint Resolution No. 52.

*original submitted by chamber*

HOUSE JOINT RESOLUTION NO. \_\_\_\_\_

Section 1. The Constitution of the State of Alaska is amended by adding a new Article to read:

ARTICLE IX (A)

STATE GOVERNMENT SPENDING LIMITATION

SECTION 1. The purpose of this Article is to impose spending limits on the State government which reflect prevailing economic conditions. A liberal construction shall be given to this Article to achieve that purpose.

SECTION 2. As used in this Article and except as expressly otherwise provided herein:

(a) The "appropriations limit" of the State government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 3 and Section 4 of this Article. The "appropriations limit" of the State government for fiscal year 1979 shall be the total appropriations subject to limitation for that fiscal year, exclusive of budget surpluses.

(b) "Appropriations subject to limitation" shall mean any authorization to expend during a fiscal year the proceeds of taxes or other revenues levied and collected by or for the State, other than the following:

- (i) discretionary subventions made pursuant to Sections 5(a)(i)(ii) of this Article;
- (ii) refunds of taxes;
- (iii) benefit payments from retirement, unemployment insurance, and disability insurance funds;
- (iv) constitutional or legislative authorizations for investment of the Permanent Fund;

- (v) loan funds or indebtedness funds, investments (or authorizations to invest) funds of the State, in accounts at banks or savings and loan associations or in liquid securities;
- (vi) debt service;
- (vii) appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year; or
- (viii) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government (exclusive of payments mandated and not paid under the Alaska Native Claims Settlement Act) rendered after adoption of this Article, which, without discretion, require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

(c) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States government; provided, however, that for purposes of Section 3, the change in the Consumer Price Index from the preceding year shall in no event exceed the change in Alaska per capita income from said preceding year as reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(d) "Debt service" shall mean appropriations required to pay the cost of principal, interest, and related charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1980, or on bonded indebtedness thereafter approved according to law.

(e) "Local government" shall mean any entity, district, authority, or other political subdivision of or within the State created pursuant to Article X.

(f) "Net changes" in the Consumer Price Index, population, or Alaska per capita personal income shall equal the mathematical sum of the percentage change in applicable criteria between 1980 and the year in question. The change in the cost of living shall be determined by computing the percentage difference, if any, between the Consumer Price Index figure for 1980 and the Consumer Price Index figure for the year when such adjustment is made. The change in population shall be determined by computing the percentage difference, if any, between the population of the State in 1980 and the population for the year when such adjustment is made. The Alaska per capita personal income shall be substituted for changes in the Consumer Price Index if required by Section 2(c), and shall be determined by computing the percentage difference, if any, between the Alaska per capita personal income for 1980 and the Alaska per capita personal income for the year when such adjustment is made.

(g) "Other revenues" shall mean all money receipts to the State except those receipts from the sale of bonds or receipts of the State which are placed in the Permanent Fund, and private voluntary endowments.

(h) "Permanent Fund" shall mean the Alaska Permanent Fund as authorized and established by Article IX, Section 15.

(i) "Population" shall mean permanent resident individuals of the State and shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States Government.

(j) "Proceeds of taxes" shall include, but not be limited to, the receipts from all taxes imposed by the State of Alaska, subventions from any other government entity, and income therefrom received by the State.

(k) "Subventions" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

SECTION 3. The total annual appropriations subject to limitation of the State government shall not exceed the appropriations limit for the prior year adjusted for net changes in the cost of living and population except as otherwise provided in this Article.

SECTION 4. Revenues received by the State government in excess of that amount which is appropriated by it in compliance with this Article during a fiscal year shall be distributed, pro rata, to the taxpayers of the State within the next fiscal year. The refund due a taxpayer shall equal the product of excess revenues and the ratio of total taxes paid to the State of Alaska by all taxpayers to the taxes paid by that taxpayer receiving a refund.

SECTION 5. The appropriations limit for any fiscal year pursuant to Section 3 shall be adjusted as follows:

(a) If the Legislature or any State agency transfers the financial responsibility of providing services, in whole or in part, from the State government to any local government, or mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention funds for:

- (i) legislative mandates defining a new crime or changing an existing definition of a crime; or
- (ii) legislative mandates enacted prior to January 1, 1975, or Executive Orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of State government to a private entity, or the financial source for the provision of services is transferred, in

whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the State government, the appropriations limit may be exceeded, provided that the appropriation limits in the following three (3) years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency. No state of emergency may be declared that requires the appropriations limit to be exceeded if a state of emergency has been declared within the preceding three (3) years or if the State government has failed to make the appropriations reduction required by this Section.

SECTION 6. Each entity of State government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust or similar fund as it shall deem reasonable and proper. Excepting contributions to the Permanent Fund, contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes or other revenues, shall, for purposes of this Article, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

SECTION 7. Nothing in this Article shall be construed to impair the ability of the State to meet its obligations with respect to existing or future bonded indebtedness.

SECTION 8. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

SECTION 9. If any appropriations category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause, or phrase of this Article is for any reason held invalid or unconstitutional, the remaining portion shall not be affected but shall remain in full force and effect.

Section 2. The amendment proposed by this Resolution shall be placed before the voters at the next general election in conformity with Article XIII, Section 1, Constitution of the State of Alaska, and the election laws of the State.

become a law, until it shall have been read and passed, on three different days in each House, and shall have received, on its final passage in each House, the assent of a majority of all the members to which that House shall be entitled under this constitution; and shall have been signed by the respective speakers in open session, the fact of such signing to be noted on the Journal; and shall have received the approval of the Governor, or shall have been otherwise passed under the provisions of this constitution.

#### PROPOSED AMENDMENT

A bill shall become law when it has been considered and passed on three different days in each House and on third and final consideration has received the assent of a majority of all the members to which each House is entitled under this Constitution, when the respective speakers have signed the bill with the date of such signing appearing in the Journal, and when the bill has been approved by the Governor or otherwise passed under the provisions of this Constitution.

#### ARTICLE II

SECTION 21—Relative to devising a method by which the state of Tennessee reaches a position of making annual appropriations from funds in hand as opposed to appropriations against estimated revenues, with any ceiling provided on appropriations being expressed in some terms other than dollar amounts:

#### EXISTING LANGUAGE

SECTION 24. Appropriations of public moneys.—No money shall be drawn from the treasury but in consequence of appropriations made by law; and an accurate statement of the receipts and expenditures of the public money shall be attached to and published with the laws at the rise of each stated session of the General Assembly:

#### PROPOSED AMENDMENT

SECTION 24. Appropriation of public moneys.—No public money shall be expended except pursuant to appropriations made by law. Expenditures for any fiscal year shall not exceed the state's revenues and reserves, including the proceeds of any debt obligation, for that year. No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be authorized for the current operation of any state service or program.

State Spender  
(1978)

TENNESSEE



nor shall the proceeds of any debt obligation be expended for a purpose other than that for which it was authorized.

In no case shall the rate of growth of appropriations from state resources exceed the estimated rate of growth of the state's economy as determined by law. No appropriation in excess of this limitation shall be made unless the General Assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the limit will be exceeded.

Any law requiring the expenditure of state funds shall be null and void unless, during the session in which the act receives final passage, an appropriation is made for the estimated first year's funding.

No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.

An accurate financial statement of the state's fiscal condition shall be published annually.

### ARTICLE III

SECTION 4—Relative to the governor's term of service:

#### EXISTING LANGUAGE

SECTION 4. Governor's term of service.—The Governor hereafter elected shall hold office for four years, and until his successor shall be elected and qualified. One succeeding to the vacated office during the first eighteen calendar months of such term shall hold office until his successor to such vacated office is elected at the following election for members of the General Assembly and qualified for the remainder of the term, as provided in Section 2 of this Article and Section 3 of Article II; and one succeeding to said vacated office subsequent to the first eighteen months of the term shall continue to hold office for the remainder of the full term. No Governor elected and qualified for a four year term shall be eligible for the succeeding term. [As Amended: Adopted in Convention May 19, 1953; Approved at election November 3, 1953; Proclaimed by Governor November 19, 1953.]

#### PROPOSED AMENDMENT

SECTION 4. Governor's term.—The Governor shall be elected to hold office for four years and until a successor is elected and qualified. A person may be eligible to succeed in office for additional four-year terms, provided that no person

9-617 -- 9-620. [Reserved.]

9-621. **Basis for estimated rate of growth of economy.** -- The estimated rate of growth of the state's economy shall be based upon the projected change in Tennessee personal income. Tennessee personal income shall consist of those sources of income included in the United States department of commerce's definition of personal income. [Acts 1979, ch. 408, § 1.]

Effective Dates. Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-622. **Reports of estimated rate of growth of economy -- Duties of state funding board.** -- (a) At least once each year, and whenever requested to do so by the commissioner of finance and administration or by the joint request of the chairmen of the finance, ways and means committees of the senate and house of representatives, the state funding board shall secure from the Tennessee econometric model a report of the estimated rate of growth of the state's economy. Such report shall include the major assumptions and the methodology used in arriving at such estimate.

(b) Upon receiving the report specified in subsection (a), the state funding board shall make comments relating to the reasonableness of the estimate including any different estimate the board deems necessary.

The board shall also enclose a list identifying state tax revenue sources and nontax revenue sources, approved by the attorney general. The department of finance and administration shall provide to the board revenue estimates for each source.

(c) In the event data from Tennessee econometric model is unavailable, the funding board, after consulting with the finance, ways and means committees of the senate and house of representatives shall obtain and/or prepare a report of the estimated rate of growth of the state's economy.

(d) The reports specified in subsections (a), (b) and (c) shall be forwarded to the commissioner of finance and administration and to each member of the general assembly, after review and definitive comment by the finance, ways and means committees of the senate and house of representatives. [Acts 1979, ch. 408, § 2.]

Effective Dates. Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-623. **Governor's budget document -- Bill to permit appropriation to exceed economic index.** -- (a)(1) The budget document presented by the governor to the general assembly shall include a statement or summary showing projected Tennessee personal income for the calendar year in progress, estimated Tennessee personal income for the latest completed calendar year, 1977 Tennessee personal income, and a recommended economic index for the calendar year in progress and for the latest

completed calendar year estimate by 1977 Tennessee personal income (100), recommended economic index from state tax revenue adjusted economic index calculations of the recommended economic index.

(2) The budget document or summary revenues for the estimated recommended such a 1977-78 fiscal year recommended appropriate fiscal year and for the dividing each year's revenues from state tax revenue

(b) In any year in which revenues index exceeds part of the financial plan law, shall submit a bill to the general assembly to permit the index to exceed the amount by which the ch. 408, § 3.]

Compiler's Notes. Section ch. 408 provided: "The provisions shall not apply until fiscal year 1979. The commissioner of finance and administration shall, in consultation with the chairmen of the finance,

9-624. **Indexes to appropriations not to exceed rate of growth of appropriations in the state's economy.** -- A bill to be enacted as required by the Constitution of the state shall be used:

(1) Economic index to Tennessee personal income (100) each year. The estimated rate of change in the index shall be approved by the general assembly. Revisions to the index shall not exceed one hundred (100) percent of the Tennessee personal income for the latest completed calendar year with the Tennessee

completed calendar year, such index to be calculated by dividing each year's estimate by 1977 Tennessee personal income and multiplying the results by one hundred (100), provided, however, that in no year shall the recommended economic index exceed the recommended appropriations from state tax revenues index by more than five percent (5%), and such adjusted economic index shall become the base for subsequent years' calculations of the recommended economic index.

(2) The budget document presented by the governor shall also include a statement or summary showing recommended appropriations from state tax revenues for the ensuing fiscal year, actual such appropriations plus recommended such appropriations for the fiscal year in progress, the 1977-78 fiscal year appropriations from state tax revenues, and a recommended appropriation from state tax revenues index for the ensuing fiscal year and for the fiscal year in progress, such index to be calculated by dividing each year's estimate by fiscal year 1977-78 actual appropriations from state tax revenues and multiplying the results by one hundred (100).

(b) In any year in which the recommended appropriations from state tax revenues index exceeds the recommended economic index, the governor, as part of the financial plan submitted to the general assembly as required by law, shall submit a bill or bills for introduction in both houses of the general assembly to permit the recommended appropriation from state tax revenues index to exceed the economic index. Such bill shall state the rate and amount by which the economic index is proposed to be exceeded. [Acts 1979, ch. 408, § 3.]

Compiler's Notes. Section 5 of Acts 1979, ch. 408 provided: "The provisions of Section 3 shall not apply until fiscal year 1979-80, but the commissioner of finance and administration shall, in consultation with the chairmen of the finance, ways and means

committees of the senate and house of representatives, provide a report which furnishes the information required by § 3."

Effective Dates. Acts 1979, ch. 408, § 6. May 31, 1979.

9-624. Indexes to be used in comparing rates of growth — Index of appropriations not to exceed economic index. — (a) In comparing the rate of growth of appropriations from state tax revenues with the rate of growth in the state's economy for the purpose of determining if a separate law shall be enacted as required by the second paragraph of article II, § 24 of the Constitution of the state of Tennessee, the following two (2) indexes shall be used:

(1) Economic index shall be that factor obtained by considering 1977 Tennessee personal income as one hundred (100) and adjusting the one hundred (100) each time the general assembly by law shall approve an estimated rate of change in the state's economy. The general assembly may approve revisions to the estimated rate of change in the state's economy. The one hundred (100) shall be adjusted by the percentage change of Tennessee personal income for each year for which estimates are approved compared with the Tennessee personal income for calendar year 1977, provided,

however, that in no year shall the economic index exceed the index of appropriations from state tax revenues, as calculated in subsection (a)(2) of this section, by more than five percent (5%) and the adjusted economic index shall become the base for subsequent years' calculations of the economic index.

(2) The index of appropriations from state tax revenues shall be that factor obtained by considering fiscal year 1977-78 appropriations from state tax revenues as one hundred (100) and adjusting the one hundred (100) for the total appropriation from state tax revenues the general assembly makes for any given fiscal year, including an estimate of such appropriations which are not for a specific sum of money. The one hundred (100) shall be adjusted by such estimated percentage change of appropriation from state tax revenues from fiscal year 1977-78 for each year for which such appropriations are made.

(b) In no fiscal year shall the index of appropriations from state tax revenues exceed the economic index for the comparable year or period unless the general assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the economic index will be exceeded. Comparable year or period shall consist of any calendar year for the economic index and the corresponding fiscal year which begins during that calendar year. [Acts 1979, ch. 408, § 4.]

Effective Dates. Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-625 -- 9-630. [Reserved.]

9-631. Statutes providing base apportionment for determining additional state revenues. — Funds apportioned as state-shared taxes to county and municipal governments for any fiscal year under authority of the following statutes shall provide the base apportionment for the purpose of determining the availability of additional state revenues to meet the requirement of article II, § 24, of the Constitution of Tennessee that the state share in the cost of any law of general application imposing increased expenditure requirements on cities and counties:

(1) Retailers' sales tax, as authorized by chapter 30 of title 67 and apportioned by § 67-3047.

(2) Gross receipts taxes, such portions as are authorized as payments to the state from the Tennessee Valley Authority under section 13 of the act of congress creating the authority, as amended, and apportioned under §§ 67-2401(b) and 67-2402(a).

(3) Income tax on dividends and interest, as authorized by chapter 26 of title 67 and apportioned by § 67-2633.

(4) Special privilege tax on beer, as authorized by chapter 2 of title 57 and apportioned by § 57-217.

(5) Gross receipts tax on sales of tangible personal property, as authorized by chapter 2 of title 57, and

(6) Tax on sales of tangible personal property, as authorized by chapter 1 of title 57, and

Compiler's Notes.  
Tennessee Valley Authority  
referred to in subdivision  
16 U.S.C. § 831l.  
Effective Dates. Acts  
June 5, 1979.

9-632. Governmental entities. — Amount of increase in state tax revenues for fiscal year 1980-81 shall be apportioned to general assembly and municipalities as follows: (a) The amount of increase shall be available to municipalities as provided in article II, § 24, of the Constitution of Tennessee. (b) The amount of increase shall be available to general governments as provided in article II, § 24, of the Constitution of Tennessee. (c) The amount of increase shall be available to special governments as provided in article II, § 24, of the Constitution of Tennessee. (d) The amount of increase shall be available to counties as provided in article II, § 24, of the Constitution of Tennessee. (e) The amount of increase shall be available to cities as provided in article II, § 24, of the Constitution of Tennessee. (f) The amount of increase shall be available to counties and municipalities as provided in article II, § 24, of the Constitution of Tennessee. (g) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (h) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (i) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (j) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (k) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (l) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (m) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (n) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (o) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (p) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (q) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (r) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (s) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (t) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (u) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (v) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (w) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (x) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (y) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (z) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee.

Effective Dates.  
June 5, 1979.

9-633. List of committees. — Report of a committee of the general assembly shall be available to the senate and administrative committees as provided in article II, § 24, of the Constitution of Tennessee. (b) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (c) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (d) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (e) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (f) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (g) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (h) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (i) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (j) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (k) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (l) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (m) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (n) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (o) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (p) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (q) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (r) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (s) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (t) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (u) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (v) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (w) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (x) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (y) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee. (z) The amount of increase shall be available to counties, municipalities, and cities as provided in article II, § 24, of the Constitution of Tennessee.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman  
Legislative Budget and Audit Committee

FROM: Steven Rieger, Special Assistant  
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Two-Formula Limit

This memorandum is to outline some thoughts on the general nature of the constitutional limit on spending.

First, it is important to remember that the main purpose of the constitutional limit is to provide for responsibility. The limit is to guard against dramatic increase in government activity during the boom portions of our boom-bust economy, and to guard against government spending taking too large a portion of the total State economy during the other phases of Alaska's economic cycles.

Second, a constitutional limit should be appropriate for a long period of time. We should not be distracted from a long-term perspective by the present conditions. There must be a flexible limit which will work in good times and bad, and in the near term and the long term.

## Philosophy of State Spending Limit

Providing that we use a reasonably generous base, I advocate the following two limits on State spending:

1. State spending should not be a greater percentage of gross State product than it is in the base;
2. State spending per capita should not be greater than it is in the base.

The first of the above two limits is to provide for the more depressed eras of the State's economy. This limit is necessary because of a weakness in the per-capita limit: given our small population, there can be a wild variation in the limit accompanying exoduses and inflows of people, and there is no close relationship between population and ability to pay.

The second limit -- the per capita limit -- is to provide for the boom cycles in the State's economy. This limit is necessary because of a weakness in the percentage-of-State-product formula: any limit which can rise as rapidly as the economy can get the State into fiscal trouble in short order.

Therefore, both limits are necessary, and can coexist in the Constitution with the limit being the lesser of the two formulae.

Cont'd

## DISCUSSION

### Inflation

Any limit should allow for inflation. The percentage limit is unaffected by inflation, but any <sup>specific</sup> dollar limit must be in adjusted-dollar terms.

Inflation is too great to make any other formula workable over a long period. However, I believe that a Constitutional limit should have a more general reference to inflation than the Anchorage CPI. The Constitution may refer to "an appropriate index of [REDACTED]"

Cumulative Increase. Implicit in the two-measure limit is that both limits would be cumulative from an original base level. I assume that the amendment would choose a base in which we are content with the percentage it represents of the State economy, and the real-dollar amount it represents of per-capita spending. The limit will always be at least as high as one of the two measures.

As an aside, a single-formula limit on spending is much more amenable to being applied to the immediately preceding year as a base, rather than to a single original base level. This allows one year's underspending to establish a new, lower, constitutional limit for subsequent years. However, as pointed out earlier, I do not know of a single-formula limit without the serious fiscal dangers outlined above.

## SCOPE OF THE CONSTITUTIONAL LIMIT

The approach advocated in this paper is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) Genuine emergencies;
- 2) Provisions to take care of excess State income during boom periods.

I advocate including within the limit several items which some of the versions before us would exclude. These are debt service, capital appropriations, user fees, Permanent Fund dividends, and most federal receipts.

### Debt Service:

My main reason for including this is that it is a formula-funding element of State spending. Items such as these are particularly risky for a State which has an uneven revenue stream, since they can get the State into fiscal trouble during the downturns.

To take care of the fears of the bond market, <sup>if necessary we can</sup> ~~add~~ add the following

language to the constitutional limit: "All general obligations of the State shall have first call on all funds authorized by the limit on state spending."

Debt service on revenue bonds would also be included, if it is a State revenue bond. The reasons for this is to limit the total amount of State activity in the economy, in accordance with the general philosophy stated above. Please note that municipal governments or other non-State entities can issue revenue bonds, and therefore the constitutional limit does not absolutely limit financially feasible projects.

Capital Appropriations: There are a variety of reasons for including capital appropriations in the constitutional limit. First, the government should be free to choose the balance between capital expenditures and operating expenditures in the total of State spending, and therefore both should be treated equally by the constitutional limit. Second, this item, if it were an exception, may become a loophole to hide non-capital expenditures. Third, capital expenditures are too large an item to be excluded if one of the purposes of the limit is to control the impact of government spending on the State's economy.

Note that between the two inclusions, "capital expenditures" and "debt service," the cost of all capital projects undertaken by the State will flow through the constitutional limit once.

User Fees: The main reason for including user fees is that it can become a tremendous loophole. Taxes and other State revenues can be relabeled or replaced by user fees, and government can once again grow without limit.

Bona fide user fees can still pay for various projects or activities, but the user fees <sup>outside of the limit</sup> must go to a municipal government or other non-State agency. Note that the treatment of user fees and the treatment of revenue bond debt service, which are similar items, are consistent.

Permanent Fund Dividends: I think that the Permanent Fund and the income from the fund should be treated under the provision in the limit which allows for excess State revenue during boom periods. This provision should read as follows, as it puts the most general wording possible into the Constitution:

"Appropriations to funds which serve only to produce income at market rates (ad) which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

Federal Research: Federal receipts too often become formula items because State employees are involved, and a cutback in federal receipts too often causes an automatic replacement by general funds. Therefore, I would include the appropriation of federal receipts in the limit, with the following wording as an exception:

"The State may pass through federal funds to ~~other~~ municipal or non-State government agencies without such passed-through funds being subject to the State spending limit."

## EMERGENCIES

The only exception to the State spending limit, other than the provision to take care of excess State revenues mentioned above, should be for emergencies. I would include in a definition of emergencies such things as:

- 1) Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs.
- 2) War or similar threats against the State.
- 3) A need to spend money to prevent an even greater financial loss to the State, such as a potential default on a bond, or emergency repairs to forestall an imminent failure of a structure, or expenditures to protect sources of State income.

To all cases of emergency, the situation should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

I suggest general wording such as follows, leaving to the courts and the Legislature the establishment of more specific criteria defining emergencies.

"An ~~un~~usual and unforeseen situation which presents a compelling and immediate reason for the State to expend moneys is exempt from the State spending limit.

When such a situation exists, the State spending limit may be exceeded upon a declaration of State spending emergency by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate."

Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

Section 16 Appropriation Limit

- (a) The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed an amount equal to \$8000 [see footnote below] per capita, adjusted by the cumulative increase in an appropriate index of general price increases in the State; nor may the amount of State money the Governor may request or the Legislature may appropriate exceed 25 percent [see footnote below] of the gross State product.
- (b) Federal funds which do not pay for any State<sup>government</sup> activity may be passed through the State government to a municipal government or other non-State agency without being subject to the limit on State appropriations in Section 16(a) of the Constitution.
- (c) An unusual and unforeseen situation which creates a compelling reason for the immediate expenditure of State funds is a State spending emergency. The Legislature, by a two-thirds vote of both the House of Representatives and the Senate, may appropriate moneys directly related to the State spending emergency if the Governor declares that a State spending emergency exists, and such appropriated moneys shall not be subject to the limit on State appropriations in Section 16(a).

- (d) Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the limit on State appropriations in Section 16(a) are not subject to the limit on State appropriations in Section 16(a).

Section 2. The amendment proposed by this resolution shall be placed before the voters of the State at the next general election in conformity with Art. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

FOOTNOTE: These are sample numbers -- actual numbers to be decided after discussion.

*At liss*

*It may also be necessary to state that for the purposes of Section 16 of the Constitution, municipal governments are not agencies of the State government, except for tax exempt privileges.*

*At*

M E M O R A N D U M

DATE: June 4, 1981

TO: Margo Waring

FROM: Kevin K. Bruce

RE: Constitutional Limit on Spending (SIR4)

I have reviewed your memorandum on expenditure limitations and have found it to be informative and a good synopsis of the issues involved.

Speaking from a personal standpoint, the notion of applying fiscal policy through constitutional amendment is troublesome at best. The implication is that representatives are incapable of crafting sound fiscal policies for the state and must rely on inflexible limits indicates a breach of faith with the system.

In addition to the problems you have addressed, several considerations come to mind with constitutional limitations on expenditures:

- 1.) Unlike any other state, Alaskans enjoy a wide range of state-sponsored benefits for which they pay nothing. Under these conditions, demand for services will continue to be high, forcing legislators to tailor capital projects to include operating costs, in effect, hiding costs.
- 2.) A limit of expenditures in reality is no limit at all when all the exemptions are totalled. Disregarding the need to hide operating costs—every capital project does have resulting costs for maintenance or service, unless, of course, the state is willing to build capital projects and turn them over to local governments for operation. The problem here is that many local governments would be unable to absorb the added expenditures without state assistance.
- 3.) A policy consideration to examine is the relationship between the state and the federal government under an expenditure limitation. If indeed, the limit is successful (I do not believe it would be) the result would be larger amounts of money being placed in the permanent fund or other savings programs. Since our argument against federal confiscation of state revenues is the unique service needs of the state, salting away money in saving programs is likely to fuel congressional action towards revenue redistribution.

HOUSE PROPOSAL

EXCEPTIONS

general obligation bond payments  
money in trust

~~Under Limitation~~ (LIMITATION)

FORMULA

cumulative change in population and inflation as designated by law

LIMITATION

money amount  
specification of 37½ percent to cover capital projects and loan subsidies

EXCESS ALLOWED SPECIFICALLY FOR

appropriations to permanent fund  
appropriations for "permanent or per capita personal loans from treasury"  
capital projects : voter approval , same type, voters to be informed of o&m cost  
disasters

SURPLUS

"invested at market rates"

COMMENTS

In addition to the formula problem, the main difficulty lies with the construction of the "limitation". First, a set percentage is set aside for capital and loan subsidies, meaning that future legislatures will be constrained in terms of allocation under the limitation . The 37½ is a floor, not a ceiling.

Secondly, altho 37½ at a minimum is set aside for capital and loan subsidies, the usual process for appropriation bills is to be followed for those appropriations in "excess" of the limit. By the regular voting process (majority, governor approval, 3/4 override) appropriations can be made for capital projects and for "per capita personal loans", whatever this may be (there is nothing here about market rates or anything).

The net effect of this proposal is a strict limit on the operating budget of the state and no limit on any of the items that appear in the capital budget-- capital projects, loan subsidies, etc. There is no particularly stringent process set for the extraordinary appropriations.

This is not a spending limit in the sense that we have discussed it.

SECTION 26 exempts money to move the capital. No comment.

Why not just exempt everyone's pet projects?

1.7  
1-5

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

BASE  
dollar amount  
fiscal year

FORMULA FOR ADJUSTMENT

"cumulative inflation and population growth or decline as defined by law" HCS CSSJR4 (Fin) amH

"increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget...plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or reenumerations." CSSJR 4 (Fin) am

"estimated rate of growth of the economy of the state as determined by law" SJR 3

~~XXXXXXXXXXXX~~

"federal index for inflation in Alaska for the calendar year preceding the governor's submission of the budget plus or minus a percentage equal to the average yearly growth or loss in the state's population as shown by the federal census." (draft)

"operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population" (St. Chamber Commerce)

# Permanent Fund

ok

to the Alaska permanent fund and/

.. Except for appropriations

HJR 57 HCS CSSJR 4 (Fin) am  
and CS SJR 4 (Fin) am

to appropriations of money to be deposited in the permanent fund;

+ HJR 5 Gov. bill

tations on increases in appropriations do not apply to appropriations of money to be deposited in the permanent fund;

The limit-

CSSJR 4 (Fin)

proprations to the permanent fund established in Section 15 of this article

HJR 4

... excepting appropria-  
tions to the permanent fund established in Section 15 of this article

SJ

(iv) constitutional or legislative author-  
izations for investment of the Permanent  
Fund;

St. Chamber

money appropriated to pay permanent fund dividends;

CSSJR 4 (Jud)  
HJR 5

appropriations required to pay the  
principal and interest on general obligation bonds,

HCS CSSJR 4(Fin) and H  
HJR 57

money appropriated  
to escrow accounts or otherwise to repay general obligation  
bonds;

Gov's  
bill

to money appropriated to pay principal and interest on general obligation bonds;  
CSSJR 4(Fin)

money appropriated to escrow accounts or otherwise to  
repay general obligation bonds;

CSSJR 4  
(Jud)  
HJR 5

SECTION 7. Nothing in this Article shall be construed  
to impair the ability of the State to meet its obligations  
with respect to existing or future bonded indebtedness.

St  
Chamber

# Court Orders

OK

money appropriated to meet increases in costs to the State resulting from court orders;

money appropriated to meet increases in costs to the State resulting from court orders or a transfer of authority or responsibility to the State from the federal government; /

Gov's  
bill  
| CSSJRY  
(Jud)  
| HJR 5

) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom,

| St. Chamber

or of legally binding mandates of the federal government (exclusive of payments mandated and not paid under the Alaska Native Claims Settlement Act) rendered after adoption of this Article, which, without discretion, require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

| St. Chamber

# LOANS

~~the~~ #

money appropriated to capitalize loan funds,  
but only if the money to subsidize these loans at below  
market interest rates is appropriated separately under the  
limitations; /

Gov's  
bill

money appropriated to capitalize loan  
funds, but the money to subsidize low interest loans must be appro-  
priated separately and is subject to the limitations;

CS SJR 4  
(Jud)  
HJR 5

to money appropriated to capitalize loan  
funds, but only if the money to subsidize these loans at below market  
interest rates is appropriated separately under the limitations; \*

CS SJR 4  
(FIN)

and excepting appropriations made for the purpose of loans to  
be made by the State; /

HJR 4

St. Chamber

loan funds or indebtedness funds,

or to appropriations to other funds that produce income at market rates (draft)

# Capital

7.

money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

Gov's bill

money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

CSSJR4  
(Jud)  
HJR 5

money not to exceed \$1,500 per capita appropriated by the affirmative vote of two-thirds of the membership of each house, whether of bond proceeds or otherwise, to construct capital improvements;

CS SSR 4  
(FIN)

and excepting appropriations for capital improvements.

SJR 3

appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year; or

St. Chamber

appropriations required to pay the principal and interest on general obligation bonds,

HCS CS SJR4  
(FIN) am H

Other related concepts: see extraordinary majority needed for exemption; single purpose, single appropriation

# Money in Trust

OK

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations established in Section 16 of this article do not apply to money received in trust for a specific purpose; /CS SJR 4 (FIN) am

The limitations on increases in appropriations do not apply to money received <sup>from another</sup> in trust for a specific purpose;

Gov's bill

- (iii) benefit payments from retirement, unemployment insurance, and disability insurance funds;

St. Chamber

money received in trust from a non-state source for a specific purpose (draft)  
beneficial trusts established by a non-state source for a specific purpose (draft)

membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

-1-

CSSJR 4(Fin) am

OK

or money appropriated by a vote of two-thirds of the membership of each house and

Gov's bill

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

money appropriated as a reserve for disasters of natural or human origin or other emergencies; HJR 5

CSSJR 4 (Jud)

or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

CSSJR 4 (Jud)  
HJR 5

to money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor. CS SJR 4 (FIN)

Case law - disaster family clear  
emergency - large grey area for  
ct interpretation

~~EMERGENCIES~~

An appropriation in excess of this limit shall not be made unless a state of emergency is declared to exist, as provided by law. The appropriation limit for each of the three years following the declaration of emergency shall be adjusted equally so that the total appropriations for the year of the emergency and the succeeding three years do not exceed the appropriations which could have been made under this section if no emergency had been declared. The limit on rate of growth of appropriations for each year shall be calculated without regard to a declared emergency or the subsequent three-year adjustment.

HJR4  
SJR3  
State  
Chamber

No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

HSCSSJR4  
(Fin)AMH

# Investments

St. Chamber

in-  
vestments (or authorizations to invest)  
funds of the State, in accounts at  
banks or savings and loan associations  
or in liquid securities;

or to appropriations to other funds that produce income at market rates (draft)

# MISCELLANEOUS

money appro- CS SJR 4 | + HJR 5  
(Jud)

|| appropriated to coincide with increases in user fees;  
||

money derived from one-quarter of the income from those contributions made to the permanent fund which exceed the minimum required by this constitution:

CS SJR 4  
(Jud)  
HJR 5

Revenues received |

by the State in excess of the amount appropriated in compliance with this article during a fiscal year shall be distributed to the taxpayers of the State as provided by law. No appropriation is required for a distribution under this section within the succeeding fiscal year.

SJR 3  
state  
chamber

The governor shall cause any unappropriated balance to be invested at market rates. HJR 57

SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general law requiring increased expenditures by a political subdivision shall become effective unless the legislature has provided that the State pay the amount of increased cost to the political subdivision.

SJR 3

- (i) discretionary subventions made pursuant to Sections 5(a)(i)(ii) of this Article; *he = transfers of authority to local governments*
- (ii) refunds of taxes; *St. Chamber*

|| appropri-

|| ations to other funds that produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and is subject to the appropriation limita-

CS SJR 4 (Jud)

Money appropriated under any exception prescribed by  
Section 17 of this article shall not be included in the base for deter-  
mining the allowable increase from year to year. *CS SJR 4 (Fin) AM,*  
*CS SJR 4 (FIN)*

.. Money appropriated under any exception  
prescribed by section 17 of this article shall not be  
included in the base for determining the allowable increase  
from year to year. *Governor's Bill-proposed + HJR 5*

## Override of Spending Limitation

The legislature may, by affirmative vote of two-thirds of the membership of each house, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose but the excess appropriations, if any, shall not be included in calculating the limit for the next fiscal year. / HJR 57

The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation without regard to the appropriation limitation under Section 16 of this article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Sections 15 and 16 of Article II, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. The governor may not propose an extraordinary appropriation in the budget submitted under Section 12 of this article. Extraordinary appropriations shall not be included in calculating the appropriation limitation for the next fiscal year. Draft CS SJR 4 (FIN)

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

APPROPRIATION LIMITATIONS: Except for appropriations to the Alaska Permanent Fund and appropriations ~~xxxxxx~~ of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year for the operating expenses of government shall not exceed \$1. 7 by more than the cumulative change in federal indexes of population and inflation, as defined by law, since July 1, 1981. ~~xxxxadxxxx~~ 30% of the adjusted base may be appropriated for additional purposes. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.



# Alaska State Legislature

## HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

ONE HUNDRED FIFTY-EIGHTH DAY

Thursday

Chaplain: Intern Perry C. Francis  
Resurrection Lutheran Church

June 18, 1981  
Convenes: 10:00 a.m.

---

### SECOND READING OF HOUSE BILLS

- HB 318 "An Act relating to the control of bee disease."  
-Resources report w/CS(Res) (same title), p. 1753  
- Resources Fiscal Note, H. Supplement No. 49  
-Finance w/CS(Res), p. 2052

### SECOND READING OF SENATE BILLS

- SB 392 "An Act continuing the existence of the Board of  
am Governors of the Alaska Bar Association and amending  
the statutes relating to the practice of law in the  
state; and providing for an effective date."  
-Judiciary report w/HCS(Jud) (new title), p. 2008:  
HCS(Jud): Continuing the existence of the  
Board of Governors of the Alaska Bar Association  
and amending the statutes relating to the  
practice of law in the state; amending Alaska  
State Supreme Court Bar Rule 2; repealing  
section 3 of Alaska State Supreme Court Bar  
Rule 2 and section 7 of Alaska State Supreme  
Court Bar Rule 3; effective date
- SB 422 "An Act amending grant limits for certain programs  
of the Department of Community and Regional Affairs;  
and providing for an effective date."  
-C&RA report, p. 1753  
-Finance report, p. 2008

### SECOND READING OF SENATE RESOLUTIONS

- CS  
SCR 13 Relating to the preservation of the House of  
(SA) Wickersham.
- SJR 47 Relating to the extension of the Voting Rights Act.  
am -State Affairs report, p. 1853

except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve ~~without increase~~ each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.

except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve without increase in the amount of appropriation each bill by a two thirds vote of each house. To override a veto on a bill for appropriations for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.



# Alaska State Legislature

## HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE  
ONE HUNDRED FIFTY-NINTH DAY

Friday

Chaplain: Intern Perry C. Francis  
Resurrection Lutheran Church

June 19, 1981  
Convenes: 10:00 a.m.

*Rescheduled to 5:15p m.*

### SECOND READING OF HOUSE BILLS

*Passed*  
*27-12*  
*eff.*  
*Intent adopted*

CS  
HB 565 (FIN) "An Act establishing an Alaska Silver Anniversary Commission; and providing for an effective date."  
-Finance report w/CS(Fin) (same title), p. 2239  
-Finance Letter of Intent, p. 2239

### SECOND READING OF SENATE BILLS

*Passed*  
*29-9*  
*eff. Dec 19 + 20*  
*See B(35-4)*

HCS  
CSSB 29 (Jud) "An Act relating to nuclear materials."  
-Resources report w/HCS(Res) (new title), p. 597:  
HCS(Res): Nuclear materials and extremely hazardous wastes effective date  
-Judiciary report w/HCS(Jud) (new title), p. 2005:  
HCS(Jud): Hazardous wastes and to nuclear and radioactive facilities and materials; eff date  
-Judiciary Fiscal Note, H. Supplement No. 53  
-Finance w/HCS(Jud), p. 2235  
-Finance Fiscal Note, H. Supplement No. 59

*Passed*  
*31-5*  
*eff.*

CS  
SSSB 36 (Rls) "An Act establishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."  
-Resources report, p. 1429  
-Finance report, p. 2236  
-Finance Fiscal Note, H. Supplement No. 59

*Passed*  
*34-0*  
*eff.*

CSSB 100 (Jud) "An Act relating to mentally ill persons; and providing for an effective date."  
-Judiciary report, p. 2005  
-Finance report, p. 2236  
-Finance Fiscal Note, H. Supplement No. 59

### SECOND READING OF SENATE RESOLUTIONS

515

CS  
SJR 4 (Fin)am Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.  
-Finance report w/HCS(Fin) (new title), p. 2234  
HCS(Fin): Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations

~~Citations on back~~

*Passed*  
*38-1* *Reconsideration*  
*HB 187 - went back to 3. & am*

*CSSB 390(FIN)*

*CSSB 392 (Jud) H*

LANGUAGE

federal index for inflation and population change as defined by law

EXCEPT

the governor may propose a single appropriation for a single project in excess of this limit and the legislature may approve it by a two-thirds vote of each house

appropriations for capitalization of loans may be made in excess of the limit so long as the interest rate is either at competitive rates or the difference between the competitive rate and the rate charged is appropriated ~~from~~ under the appropriation limitation

~~No other appropriation~~

No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor.

appropriations of funds received as a beneficial trust established by a non-state source for a specific purpose

The governor shall cause any unappropriated funds to be invested at competitive rates

Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

OR Income from appropriations excepted from the appropriation limitation shall be exempted from the appropriation limitation.

Original sponsor: Rules/Governor

IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2,000,000,000 by more than the cumulative change <sup>in a Federal index of</sup> ~~in~~ population and inflation, as defined by law, since July 1, 1979. The governor may propose bills for appropriations in excess of this limit for capital

~~improvements of the same type in separate bills for each type of capital improvement, and the legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are of the same type as the capital improvements proposed in the governor's bill and the total amount of appropriation is not increased. The legislature may approve each bill by a two-thirds vote of each house. To override a veto on a bill of appropriations for capital improvements in excess of the appropriation limit requires a three-quarters vote of each house. No other appropriation in~~ ~~approved by the~~

legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity

kind. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are *similar in kind to* ~~of the same type as~~ the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house.



# Alaska State Legislature

## HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

PROPOSED

SUPPLEMENTAL CALENDAR

ONE HUNDRED FIFTY EIGHTH DAY

---

### SECOND READING OF HOUSE BILLS

- HB 187 "An Act relating to the penalty on tax."  
-Judiciary report w/CS(Jud) (same title), p. 598  
-Finance report w/CS(Jud), p. 1431

### SECOND READING OF SENATE BILLS

- SB 83 "An Act restricting the authority of the Department of Natural Resources to regulate certain activities in state recreation areas; and providing for an effective date."  
am  
-Resources report w/HCS(Res) (new title), p. 1958:  
HCS(Res): Restricting the authority of the Department of Natural Resources to regulate certain activities in the Chena River State Recreation Area; effective date  
-Judiciary report w/HCS(Jud) (new title), p. 2175:  
HCS(Jud): Restricting the authority of the Department of Natural Resources to regulate certain activities in the Chena River State Recreation Area; effective date
- CSSB 390 "An Act establishing a medical facilities special bond guarantee account in the Alaska Medical Facility Authority; and providing for an effective date."  
(Fin)  
-Finance report, p. 2067  
-Finance Fiscal Note, House Supplement No. 54

### SECOND READING OF SENATE RESOLUTIONS

- SJR 27 Requesting the federal government to increase its efforts to account for American servicemen still missing in Southeast Asia.  
-State Affairs report, p. 2156
- SJR 29 Requesting the United States Postal Service to construct a new post office building for Dillingham.  
-State Affairs report, p. 1622
- SJR 31 Requesting the United States government to honor the unidentified dead from the Vietnam war at the Tomb of the Unknown Soldier in the national cemetery at Arlington, Virginia.  
-State Affairs report, p. 2156

COMMITTEE REPORT FCC SJR 4

⊕ This report reflects the agreement and understanding of committee members regarding the content of the proposed constitutional amendment.

⊕ Regarding the base figure of \$ 2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the committee approved the concept of a variety of governmental services and public needs competing under the spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

⊕ The base is to be adjusted to reflect changes in Alaska's population and inflation rate. The committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation change but rejected this approach on the basis of consistency with existing constitutional language. However, it is the committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to pressures to change either the formula or the agency political

conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of state funds. The committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

⊕ Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the committee agreed that payments for debt service on general obligation bonds of the state should be exempted in order not to jeopardize the state's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the legislature, Governor, and people of the state to offer, approve and vote in favor or disapproval of bond propositions. This constitutionally provided for process remains unchanged by the amendment offered by the committee.

⊕ Regarding the exemption of "money received from a non-state source in trust for a specific purpose," the committee excluded this item to specifically distinguish it from "appropriations from the treasury." It is intended that the words represent those funds which might be received by the state from a variety of outside sources for specific purposes. ~~For example, a personal testamentary bequest for a chair at the university~~

The amendment excludes, among other things, money received in trust for a specific purpose. This is a term of art derived from the case law on the subject of appropriations and refers to a fairly wide variety of revenues which each state obtains from a variety of <sup>outside</sup> sources to be used for a given purpose and which cannot be used for another purpose. The revenues range from paying a boiler inspector's travel expenses to endowing a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the legislature has authorized the agency to handle. In each instance, the state receives the money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used.

*However, it is clearly the intention of the committee to exclude the possibility of state funded endowments as an appropriate exemption.*

*OP costs - as part of AS  
bond issue  
leg. to control of cap to voters*

SECTION 16. APPROPRIATION LIMITATIONS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of \$            billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropriations of funds received as a beneficial trust from a non-state source for a specific purpose, appropriations requested by the governor for a single ~~appropriation~~ for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~from the~~ separately ~~from the~~ under the appropriation limitation. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor, *as defined by law.*  
The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

*revised to pap & will change*

41

Amendment to HCS 531K 4

PROPOSED FCC SUBSTITUTE FOR SJR 4

by FREEMAN

*Spending limit*

SECTION 16. ~~APPROPRIATION LIMITATIONS~~. Except for

appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to special accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed \$ \_\_\_\_\_ by more than the ~~cumulative~~ <sup>change</sup> population and inflation, as defined by law, except that the governor may propose a single capital appropriation in excess

of this limit and the legislature may approve it by a two-thirds vote of <sup>all members of</sup> each house. No other appropriation in excess of this

limit may be proposed by the governor or approved by the legislature unless a state of emergency is declared by the governor as defined by law.

*one single*

*for a single project*

*oral - natural*

*Blank \$ -*

*unless to meet a state of disaster declared by the Gov.*

*single capital appropriation \$ - Project*

*operating capital Loans*

\$2.55	1.9		
	- .125	at. serv	<i>oral</i>
	+ 500	loans	
	+ 100 <sup>150</sup>	new leg	
	+ 275	cap	
		ptd	
Any un	<u>2.65</u>		

*shall be inserted so as to yield to the treasury*

Introduced: 1/13/81  
Referred: Transportation,  
Judiciary and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 appropriated during a fiscal year shall not exceed the amount appropri-  
14 ated in the preceding fiscal year by more than the increase in the fed-  
15 eral consumer price index for the state for the calendar year preceding  
16 the governor's submission of the budget under section 12 of this arti-  
17 cle plus a percentage equal to the average yearly growth in the State's  
18 population as shown by the last two federal censuses or renumerations.  
19 Money appropriated under any exception prescribed by section 17 of this  
20 article shall not be included in the base for determining the allowable  
21 increase from year to year.

22 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
23 tations on increases in appropriations do not apply to appropriations  
24 of money to be deposited in the permanent fund; money appropriated to  
25 *money appropriated to the power development fund of the* pay permanent fund dividends; *Alaska* money appropriated to capitalize loan  
26 funds, but the money to subsidize low interest loans must be appro- *Power*  
27 priated separately and is subject to the limitations; money appropriated *Authority*  
28 to construct capital improvements, whether of bond proceeds or other-  
29 wise, where the appropriation for the capital improvements is approved

6/24/81

TO: REP. MONTGOMERY

FROM: MARGO WARING *WW*

Senator Sturgulewski asked me to give you these copies of the amendment.

We just had Legal Services (Berrier) re-draft the bill.

This version is exactly the same as the one approved yesterday by the committee except that:

1. the \$2 billion is now \$2,000,000
2. Line 19 is divided into two sentences by placing a period after 1979, deleting "except that" and capitalizing the "t" to read "The".

Everything else is the same.

FCC  
HCS CS SJR 4 (Final) am H

DRAFT  
Law  
45 #  
6/23/81  
#5371

now practice  
of set carpet  
legisl could  
change specify  
if not spect.

1030

3867

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion by more than the cumulative change in population and inflation, <sup>as defined by law,</sup> since July 1, 1980, ~~as defined by law,~~ except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve <sup>without amendment, a vote of</sup> ~~each bill by the affirmative vote of~~ ~~two-thirds of the membership~~ <sup>vote</sup> of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

100 + copies  
Mortg  
2 changes  
bill text night

(Lawrence)

6/24 9 AM

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in appro-  
8 priations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the Alaska permanent fund, appropriations required to pay the princi-  
14 pal and interest on general obligation bonds, and appropriations of  
15 money received from a non-state source in trust for a specific purpose,  
16 appropriations from the treasury for a fiscal year shall not exceed  
17 \$2,000,000,000 by more than the cumulative change in population and  
18 inflation, as defined by law, since July 1, 1979. The governor may  
19 propose bills for appropriations in excess of this limit for capital  
20 improvements with each bill confined to capital improvements that are  
21 similar in kind, and the legislature may approve, without amendment,  
22 each bill by a two-thirds vote of the membership of each house. No  
23 other appropriation in excess of this limit may be proposed by the  
24 governor or approved by the legislature unless to meet a state of  
25 disaster declared by the governor as prescribed by law. The governor  
26 shall cause any unappropriated balance to be invested so as to yield  
27 competitive market rates to the treasury.

28 \* Sec. 2. The amendment proposed by this resolution shall be placed  
29 before the voters of the state at the next general election in conformity

1 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
2 tion laws of the state.

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

4j #  
6/23/81  
#5371

Revised  
Language  
by Pequees

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 <sup>000,000,000</sup> billion by more than the cumulative change in population and inflation, since July 1, 1980, <sup>1979</sup> as defined by law, except that the governor may propose <sup>in separate bills</sup> appropriations in excess of this limit for capital improvements <sup>with each bill limited to capital improvements which are similar in kind</sup> of the same type <sup>in separate bills</sup> in separate bills for each type of capital improvement, and the legislature may approve, <sup>without amendment,</sup> each bill by <sup>a</sup> the affirmative vote of two-thirds <sup>vote</sup> of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

DRAFT  
Law

YJ #  
6/23/81  
#5371

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion by more than the cumulative change in population and inflation, <sup>as defined by law,</sup> since July 1, <sup>1979,</sup> ~~1980,~~ as defined by law, ~~except that~~ The governor may propose <sup>bills for</sup> ~~appropriations~~ <sup>OK</sup> in excess of this limit for capital improvements <sup>with each bill confined to</sup> ~~of the same type in separate bills for each type of capital improvement,~~ <sup>types of capital improvement without amendment,</sup> and the legislature <sup>vote</sup> may approve, each bill by <sup>which are similar in kind,</sup> the affirmative vote of two-thirds <sup>vote</sup> of ~~the membership of~~ each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU 99801

### COMPARISON OF GENERAL APPROPRIATIONS ACT APPROPRIATIONS GENERAL FUND

The following table shows the fiscal year-to-year dollar and percentage increase (decrease) in General Fund appropriations contained in the General Appropriations Acts.

<u>Fiscal Year</u>	<i>GENERAL FUND APPROPRIATIONS</i>			<u>Year-to-Year Increase/Decrease</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>		
1960	\$28,126,346	\$ 3,137,988	\$ 31,264,334	\$ 14,521,984	46.4%
1961	37,795,908	7,990,410	45,786,318	7,150,107	15.6
1962	46,151,097	6,785,328	52,936,425	11,611,855	21.9
1963	57,713,070	6,835,210	64,548,280	14,548,450	22.5
1964	70,942,330	8,154,400	79,096,730	(3,750,355)	-4.7
1965	74,397,375	949,000	75,346,375	10,777,625	14.3
1966	84,120,600	2,003,400	86,124,000	7,678,250	8.9
1967	92,503,800	1,298,450	93,802,250	10,003,650	10.7
1968	101,997,200	1,808,700	103,805,900	20,299,300	19.6
1969	121,834,600	2,270,600	124,105,200	29,987,400	24.2
1970	152,076,000	2,016,600	154,092,600	160,027,900	103.9

COMPARISON OF GENERAL APPROPRIATIONS ACT APPROPRIATIONS -  
 GENERAL FUND

PAGE 2

Fiscal Year	GENERAL FUND APPROPRIATIONS			Year-to-Year Increase/Decrease	
	Operating	Capital	Total		
1971	\$252,966,400	\$61,154,100	\$314,120,500	\$( 22,016,500)	-7.0
1972	283,683,000	8,421,000	292,104,000	38,302,000	13.1
1973	318,771,100	11,634,900	330,406,000	22,577,000	6.8
1974	345,462,400	7,520,600	352,983,000	104,001,200	29.5
1975	444,575,100	12,409,100	456,984,200	96,579,800	21.1
1976	537,346,300	16,217,700	553,564,000	125,625,300	22.7
1977	668,278,100	10,911,200	679,189,300	118,570,000	17.5
1978	768,009,800	29,750,100	797,759,900	106,385,700	13.3
1979	880,653,500	23,492,100	904,145,600	138,287,300	15.3
1980	955,630,700	86,802,200	1,042,432,900	818,209,300	78.5
1981	1,493,207,800	367,434,400	1,860,642,200		

FY 81 APPROPRIATIONS SUMMARY

<u>APPROPRIATION CATEGORY</u>	<u>APPROPRIATED BY THE LEGISLATURE</u> <u>GENERAL FUND</u>	<u>TOTAL</u>	<u>ENACTED (Less Governor's Vetoes)</u> <u>GENERAL FUND</u>	<u>TOTAL</u>
General Appropriations Act				
Operating	\$1,192,252,852	\$1,575,260,652	\$1,186,634,200	\$1,569,398,800
New Legislation	314,704,600	317,208,500	306,573,600	308,900,000
Capital	374,849,300	832,210,300	367,434,400	779,655,100
	<hr/>	<hr/>	<hr/>	<hr/>
	1,881,806,752	2,724,679,452	1,860,642,200	2,657,953,900
Loan Funds (Secs. 1-13)	699,335,000	699,335,000	696,335,000	696,335,000
Misc. Front Sec- tions (14-49)	8,304,000	24,291,000	8,304,000	8,304,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	\$2,589,445,752	\$3,448,305,452	\$2,565,281,200	\$3,362,592,900
Special Appropriations (See (1) below)	\$1,385,497,923	\$1,447,028,923	\$1,374,738,231	\$1,428,084,231
	<hr/>	<hr/>	<hr/>	<hr/>
GRAND TOTAL	\$3,974,943,675	\$4,895,334,375	\$3,940,019,431	\$4,790,677,131

(1) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1980 legislative session and enacted into law.

BOND MEASURES

General Obligation Bonds	\$328,500,000
Alaska Power Authority Revenue Bonds	\$358,890,000

FY 80 APPROPRIATIONS SUMMARY

	<u>Enacted into Law</u>		<u>Assumed Full Funding</u>	
	<u>General Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Total</u>
General Appropriations Act				
Operating (1) (2)	\$915,278,168	\$1,258,000,559	\$952,548,900	\$1,300,637,600
New Legislation	3,081,800	3,425,700	3,081,800	3,425,700
Capital	<u>86,802,200</u>	<u>192,113,100</u>	<u>86,802,200</u>	<u>192,113,100</u>
TOTAL	\$1,005,162,168	\$1,453,539,359	\$1,042,432,900	\$1,496,176,400
Special Appropriations Acts (3)	<u>19,887,559</u>	<u>20,795,559</u>	<u>19,887,559</u>	<u>20,795,559</u>
GRAND TOTAL	\$1,025,049,727	\$1,474,334,918	\$1,062,320,459	\$1,516,971,959

- (1) The operating figures in "assumed full funding" differ from the figures as passed by the Legislature in that they reflect full year funding for the Natural Resources, Administration of Justice, Transportation and General Government categories instead of partial year funding as contained in the General Appropriations Act.
- (2) The single numeric item veto from this year's legislation was the veto of the reduction of an amount in Section 15 of the General Appropriations Act (Chapter 80, SLA 1979). The net effect of this veto was to increase General Fund appropriations by \$265,000, the amount originally reappropriated in subsection (b) of Section 15.
- (3) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1979 legislative session and enacted into law.

REVENUE BOND AUTHORIZATIONS

Alaska Power Authority	\$140,000,000
Fairbanks Int'l Airport	<u>8,500,000</u>
TOTAL	\$148,500,000

FY 79 APPROPRIATIONS SUMMARY

	<u>Passed by the Legislature</u>		<u>Vetoed</u> <u>General Fund</u>	<u>Signed by the Governor</u>	
	<u>General Fund</u>	<u>Total</u>		<u>General Fund</u>	<u>Total</u>
General Appropriations Act					
Operating <sup>(1)</sup>	\$877,629,600	\$1,158,639,400	\$17,315,200	\$860,314,400	\$1,141,255,500
New Legislation <sup>(2)</sup>	29,704,500	33,237,300	9,365,400	20,339,100	23,814,500
Capital	40,312,700	370,192,400	16,820,600	23,492,100	353,014,400
TOTAL:	\$947,646,800	\$1,562,069,100	\$43,501,200	\$904,145,600	\$1,518,084,000
Special Appropriation Acts <sup>(3)</sup>	<u>188,475,849</u>	<u>218,405,549</u>	<u>20,961,436</u>	<u>167,514,413</u>	<u>197,444,133</u>
GRAND TOTAL:	\$1,136,122,649	\$1,780,474,649	\$64,462,636	\$1,071,660,013	\$1,715,528,513

- (1) The operating figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect full year funding for the Department of Transportation instead of three-quarters of a year contained in the General Appropriations Act.
- (2) The new legislation figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect reductions resulting from the failure of certain measures to pass or failure of their substance to be incorporated in some other measure.
- (3) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1978 legislative session and enacted into law.

BOND AUTHORIZATIONS

General Obligation Bonds	\$1,241,000,000
Revenue Bonds	<u>329,400,000</u>
TOTAL:	\$1,570,400,000

FY 78 APPROPRIATIONS SUMMARY

	<u>Passed by the Legislature</u>		<u>Difference Gen. Fund</u>	<u>Signed by the Governor</u>	
	<u>General Fund</u>	<u>Total</u>		<u>General Fund</u>	<u>Total</u>
General Appropriations Act					
Operating	\$761,631,100	\$1,017,969,800	(\$ 5,714,400)	\$755,916,700	\$1,012,252,000
New Legislation <sup>(1)</sup>	14,687,900	17,090,700	( 2,594,800)	12,093,100	14,042,900
Capital	<u>47,492,100</u>	<u>75,276,800</u>	<u>( 17,742,000)</u>	<u>29,750,100</u>	<u>57,516,800</u>
TOTAL:	\$823,811,100	\$1,110,337,300	(\$26,051,200)	\$797,759,900	\$1,083,811,700
Special Appropriation Acts <sup>(2)</sup>	<u>\$ 27,255,500</u>	<u>\$ 27,255,500</u>	<u>(\$ 5,908,400)</u>	<u>\$ 21,347,100</u>	<u>\$ 21,347,100</u>
GRAND TOTAL:	\$851,066,600	\$1,137,592,800	(\$31,959,600)	\$819,107,000	\$1,105,158,800

(1) The final figures differ from the figures as passed by the Legislature in that they reflect reductions resulting from the failure of certain legislation to pass.

(2) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1977 legislative session and enacted into law.

The appropriations passed by the Legislature were based upon the following assumptions:

\$652.7 million would be the general fund balance available for appropriation as of 7/1/77 (Executive Budget fiscal 1978, Budget & Management, page 6).

\$854.0 million would be the anticipated general fund revenues available for appropriation during fiscal year 1978 (Revenue Sources FY 76 - 78, Department of Revenue, pages 18 & 19).

## SENATE FINANCE

### EXPENDITURE LIMITATION ISSUES

#### WHAT SHOULD BE USED AS THE BASE?

Should we pick a FY budget? What should be exempted from the budget? Should they be the same items exempted from the ceiling or others? If the base is too low, how will agencies handle budget cutbacks? If there are few ceiling exemptions, should the base contain room for innovative new programs (Energy Center, Delta Barley, Etc.)? How will the base account for assistance/revenue sharing for local governments? Should a number be used instead of a base year to allow for adjustments of, for example, income tax refunds, etc. If so, what should the number be?

#### WHAT FORMULA SHOULD BE USED TO CALCULATE INCREASES?

Should the formula for calculating the increase be a cumulative index applying to a single original base, or should the formula apply as an adjustment to the previous year's actual appropriation?

Should the formula be tied to population growth as well as inflation? Are there alternative indices?

Should the formula have a factor which will reduce the real per-capita spending limit overtime (such as only using .95 of the annual CPI increase)?

#### WHICH APPROPRIATIONS AND EXPENDITURES SHOULD BE COVERED BY THE LIMITATION?

Should the limit apply to both state and federal funds?

Should increases in user fees be covered? If exempted, what oversight should be available to keep increases reasonable?

Most likely revenue bonds should be excluded, but should General Obligation Bonds? Bond debt service?

Should capital projects be excluded and, if so, how can we manage the operating budget impacts of capital projects?

Should loan capitalization be excluded?

There is agreement that contributions to the Permanent Fund should be excluded, but should Permanent Fund dividends? Should arrangement be made for the possibility of the State losing the law suit, if so of what sort? Should a portion of permanent fund income (or real income) be exempted? Should the Permanent Fund be the only recipient of "surplus" funds, and if so, how can this be insured?

If the base is very inclusive, then the exemptions should be very limited. If the base is restricted, what level of exemptions are reasonable?

Should provision be made for exceeding the limit? If so, should it be by legislative vote--by what majority? Should a referendum be provided for? If provision is made for exceeding the limit, what should be voted on--single appropriations or multiple ones? If provision is made for exceeding the limit, should there be a special prohibition against voting to exceed the limit on items which had previously been appropriated within the limit?

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

June 23, 1981

### MEMORANDUM

TO: Honorable Al Adams  
House Finance Committee

FROM: Milt Barker<sup>MB</sup>, Fiscal Analyst  
Legislative Finance Division

SUBJECT: Total General Fund Appropriations (Revised)

Estimated general fund appropriations that will be passed by the Legislature this session are (\$ millions):

General Appropriations Act (FCCS HB 50)		\$2622.8
Operating	1774.1	
Capital	764.4	
Fiscal Notes (excludes HB 4)	84.3	
Loans		425.8
AHFC mortgages	222.0	
AHFC mobile homes	18.0	
AHFC rural mortgages	20.0	
AHFC rural rental mortgages	5.0	
Non-conforming housing	40.0	
Dept. of C&ED loan funds	46.8	
Agriculture loan fund	14.0	
Medical facilities guarantee	52.0	
AIDA reserve funds	8.0	
Special Appropriations		2926.4
Permanent Fund	1800.0	
\$1000 per capita municipal grants	405.3	
Hydro	536.8	
Fish Pack Loans	40.0	
Other	144.3	
Debt Service		128.5
HB 460 Revenue Loss		9.1
Supplementals		<u>238.6</u>
		\$6351.2

The most recent estimate of the Department of Revenue of the amount of liquid general funds available for appropriation is \$5,746.4 million.

Total general fund appropriations exceed liquid funds available by \$604.8 million.

Illiquid general funds available for appropriation are \$320.9 prior to July 1, 1981 and \$380.0 on or after that date due to the lapse of approximately \$60 million appropriated in the 1980 session to the fish processing loan guarantee account.

No possibility of revenue loss on petroleum tax legislation is accounted for in this memo.

MBB:pw

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

June 1, 1981

### MEMORANDUM

TO: Honorable Hugh Malone  
House Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJECT: General Funds Available for Appropriation

Based on revised petroleum revenue estimates contained in this memo, Legislative Finance estimates the liquid general funds available for appropriation this session to be:

<u>Estimate</u>	<u>Available for Appropriation (\$ millions)</u>	<u>Reduction from March 1981 Estimate of \$6,061.6 (\$ millions)</u>
High	\$5,648.5	( 413.1)
Medium	5,165.2	( 896.4)
Low	4,959.7	(1,109.9)

Generally, these reduced estimates result from Saudi Arabian oil production in excess of world demand. The Saudis are doing so in an effort to force other OPEC producers to unify their prices and adopt an index for future price increases. The Saudis are concerned about the effect of upward spiralling prices on long-term demand.

The failure of the Saudis to achieve their goals at last week's meeting of OPEC means there will be continued overproduction by the Saudis and consequent softness in oil markets for some undetermined period of time. The market softness will be magnified by liquidation of inventories until such time as expectations of price declines are reversed.

There are several indications that some immediate reductions may be anticipated in Alaskan oil prices:

- 1) the spot market for comparable oil is tumbling as shown in Chart I (attached);
- 2) posted prices in the U.S. have generally been reduced \$2 in May;
- 3) the first April figure for Alaskan royalty oil sales has been reported by Exxon and shows a decrease of \$1.45 from March;
- 4) Alpetco is rumored to have offered Alaskan royalty oil for sale on the West Coast at \$3 under the market;

The informal OPEC plan that seems to have developed is that the OPEC moderates will freeze their prices at their current \$36 per barrel minimum price until the Saudis, at \$32 per barrel, catch up. How long the Saudis take to do this depends on when current demand for oil firms up and Saudi judgements about whether oil prices are now so high as to radically alter long-term demand.

#### Assumptions

The difference between the high, medium, and low estimates are attributable to assumptions about three factors:

- 1) the timing and amount of movement in Saudi oil prices;
- 2) the spread between Alaskan and Saudi prices (see Chart I);
- 3) the difference between Gulf Coast and West Coast prices for Alaskan oil. <sup>1/</sup> (see Chart II);

Specifically, the cases assume the following:

- 1) High estimate
  - a) Saudi official price for Arabian Light moves from \$32 to \$34 in July 1981 and to \$36 in January 1982;
  - b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by \$2 in May 1981;

<sup>1/</sup> In estimating the effect of increasing spreads between Gulf Coast and West Coast prices for Alaskan crude it is assumed that 900,000 barrels per day of North Slope production goes to the West Coast and 600,000 barrels per day to the Gulf Coast. Increasing spreads are assumed to occur through reductions of prices on the West Coast due to re-emergence of the "West Coast oil glut." The difference in tanker costs to these two markets forms a ceiling on potential reductions in West Coast prices.

- c) the spread between Gulf Coast and West Coast prices for Alaskan oil increases \$1 in May 1981;
- 2) Medium estimate
- a) Saudi official price for Arabian Light moves from \$32 to \$34 in January 1982;
  - b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by \$2 in May 1981 and is eliminated in July 1981;
  - c) the spread between Gulf Coast and West Coast prices for Alaskan oil increases by \$1 in May 1981 and by another \$1 in July 1981;
- 3) Low Estimate
- a) Saudi official price for Arabian Light remains at \$32 through FY 82;
  - b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by \$2 in May 1981 and is eliminated in July 1981; Alaskan crude falls below the official Saudi price by \$1 in January 1982;
  - c) the spread between Gulf Coast and West Coast prices for Alaskan crude increases by \$1 in May 1981, by another \$1 in July 1981, and by another \$1 in January 1982.

All the cases assume that the Saudis are willing and able to reduce their production to the extent necessary to sustain the price of Arabian Light at the assumed levels. In the event that this is not possible due to either Saudi budgetary pressures or falling world oil demand (see attached Wall Street Journal articles "Oil and the Saudi Fairy Tale" and "Oil-Pricing Blunders Now Have Saudis in a Jam"), State revenues could fall far below the amounts estimated in the high, medium and low cases.

MBB:pw

Attachments

**TABLE I**  
**GENERAL FUNDS AVAILABLE FOR APPROPRIATION**  
(\$ Millions)

	<u>Table II Estimates</u>			<u>Dept. of Revenue March 1981 Estimate</u>	<u>Difference</u>		
	<u>High</u>	<u>Medium</u>	<u>Low</u>		<u>High</u>	<u>Medium</u>	<u>Low</u>
<u>FY 81</u>							
Royalty (Net of Permanent Fund)	1128.7	1128.7	1128.7	1085.4	43.3	43.3	43.3
Severance	1179.7	1179.7	1179.7	1169.9	9.8	9.8	9.8
Petroleum Corporate Income Tax	767.6	767.6	767.6	839.3	<u>(71.7)</u>	<u>(71.7)</u>	<u>(71.7)</u>
TOTAL					(18.6)	(18.6)	(18.6)
<u>FY 82</u>							
Royalty (Net of Permanent Fund)	1513.8	1329.0	1236.6	1671.5	(157.7)	(342.5)	(434.9)
Severance	1487.9	1297.5	1202.3	1640.3	(152.4)	(342.8)	(438.0)
Petroleum Corporate Income Tax	1176.1	1068.0	1050.1	1260.5	<u>( 84.4)</u>	<u>(192.5)</u>	<u>(210.4)</u>
TOTAL					(394.5)	(877.8)	(1083.3)
TOTAL FY 81 and FY 82					(413.1)	(896.4)	(1101.9)
 <u>Amount Available for Appropriation (Liquid General Funds)</u>							
March 1981 Dept. of Revenue Estimate					6061.6	6061.6	6061.6
Current Legislative Finance Estimate					5648.5	5165.2	4959.7

TABLE II  
PROJECTED PETROLEUM REVENUES  
FY 81 and FY 82  
(\$ Millions)

	North Slope			Cook Inlet	Kuparuk	TAPS	Field Cost Settlement	Royalty Auction	Total		
	High	Medium	Low						High	Medium	Low
<u>FY 81</u>											
Royalty	1414.6	1414.6	1414.6	60.4	--	--	30.0	--	1505.0	1505.0	1505.0
Severance	1152.9	1152.9	1152.9	26.8	--	--	--	--	1179.7	1179.7	1179.7
Petroleum Corporate Income Tax	759.3	759.3	759.3	23.3	--	187.2	(2.8)	--	767.6	767.6	767.6
<u>FY 82</u>											
Royalty	1800.9	1554.5	1431.3	113.8	24.0	--	-	79.7	2018.4	1772.0	1648.8
Severance	1425.9	1235.5	1140.3	43.4	18.6	--	--	--	1487.9	1297.5	1202.3
Petroleum Corporate Income Tax	971.8	827.6	803.7	73.2	9.8	191.1	--	--	1176.1	1068.0	1050.1

- Sources:
1. North Slope royalty, severance, and income tax figures based on: production, prices, and field costs in Table III; severance tax ELF factors from Table 5 of "Fiscal Analysis of the Proposed Backstop Tax Legislation", May 1981, prepared for Department of Revenue by Gregg Erickson; and income tax deductions other than royalty and severance from "Erickson", Table 9.
  2. Cook Inlet, Kuparuk, and TAPS figures from Tables 12, 10 and 11 of "Erickson".
  3. Field cost settlement at 42¢ per barrel on 979 million barrels of pre-1980 production and 55¢ per barrel on 277 million barrels of production for first half of calendar 1980 compared to company charges of 64¢ per barrel.
  4. Royalty auction of 85,000 barrels per day during FY 82 at an average bonus over prevailing value of \$2.57.
  5. Income Tax total is the estimated collections for the fiscal year. For FY 81, the total is estimated at 4/3 the actual collections for the first nine months of the fiscal year. The FY 82 total is 3/4 of the estimated income tax liability for FY 82 plus 1/4 of the estimated income tax liability for FY 81.

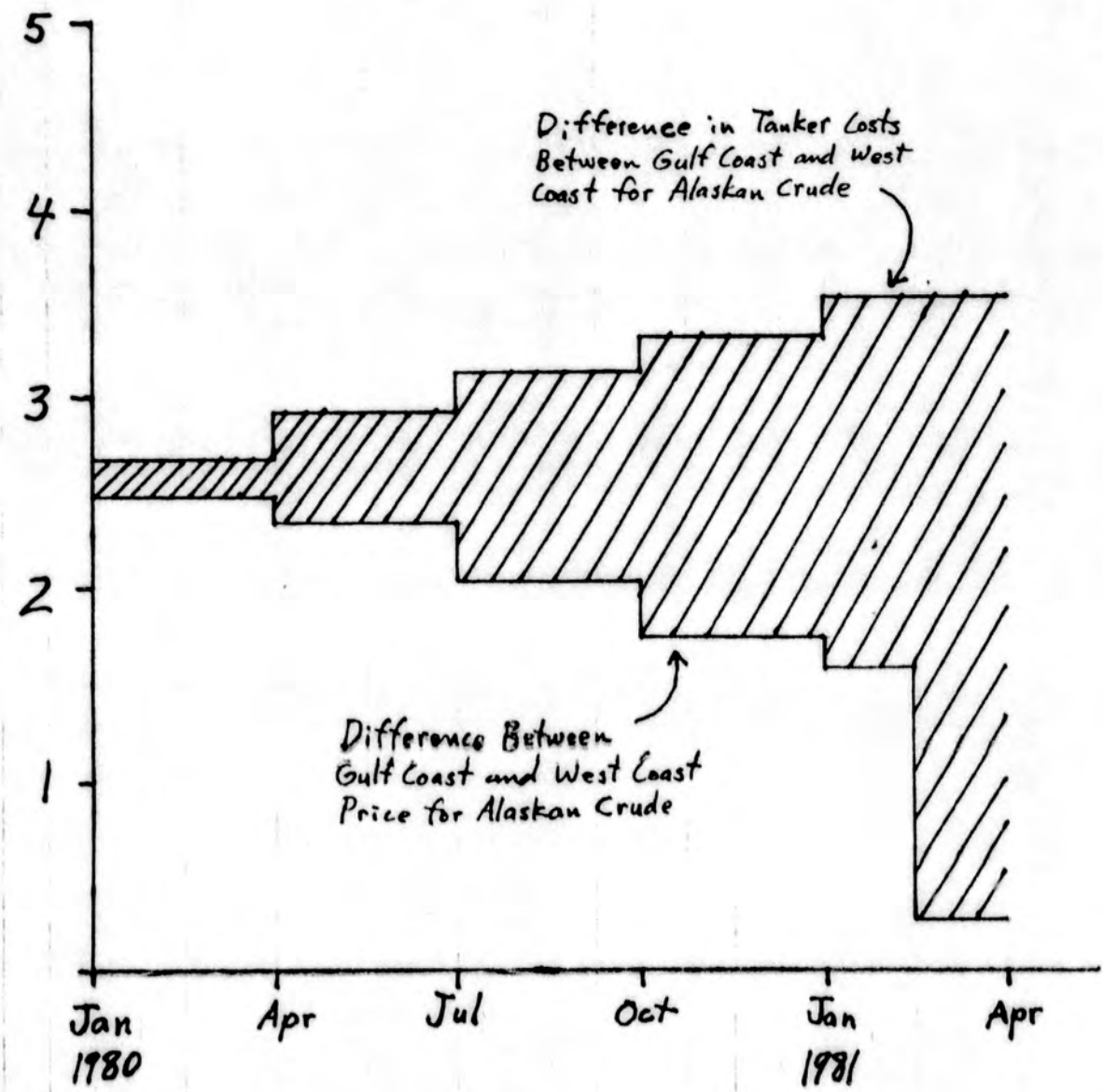
**TABLE III**  
**NORTH SLOPE CRUDE**  
**ACTUAL AND PROJECTED PRODUCTION AND PRICES**  
**FY 81 and FY 82**

	Actual <sup>1/</sup>			Projected			Field Costs	
	Production (Millions of Barrels)	Royalty Price	Field Cost	Production (Millions of Barrels)	Royalty Price High Medium Low			
<u>FY 81</u>								
July	46.9	\$15.43	\$ .55					
August	47.0	16.49	.55					
September	45.5	17.19	.55					
October	46.2	16.94	.55					
November	44.0	17.48	.55					
December	46.7	19.57	.55					
January	46.9	21.62	.62					
February	42.8	25.34	.62					
March	<u>47.5</u>	25.91	.62					
Total	413.7							
Weighted Average		\$19.53	\$ .57					
April - June				133.8	\$24.18	\$24.18	\$24.18	\$ .62
Total FY 81				547.5				
FY 81 Weighted Average					20.67	20.67	20.67	.58
<u>FY 82</u>								
July-September				136.9	25.31	21.71	21.71	.62
October-December				136.9	25.31	21.71	21.71	.62
January-March				136.9	27.31	23.71	20.11	.67
April-June				<u>136.9</u>	27.31	23.71	20.11	.67
Total FY 82				547.6				
FY 82 Weighted Average					\$ 26.31	\$ 22.71	\$ 20.91	\$ .65

<sup>1/</sup> Actual data from Division of Minerals and Energy Management, Alaska Department of Natural Resources

Potential Reduction in West Coast Price for Alaskan Crude  
 Which Would Yield the Same Wellhead Price as Gulf Coast Sales  
 (Shaded Area)

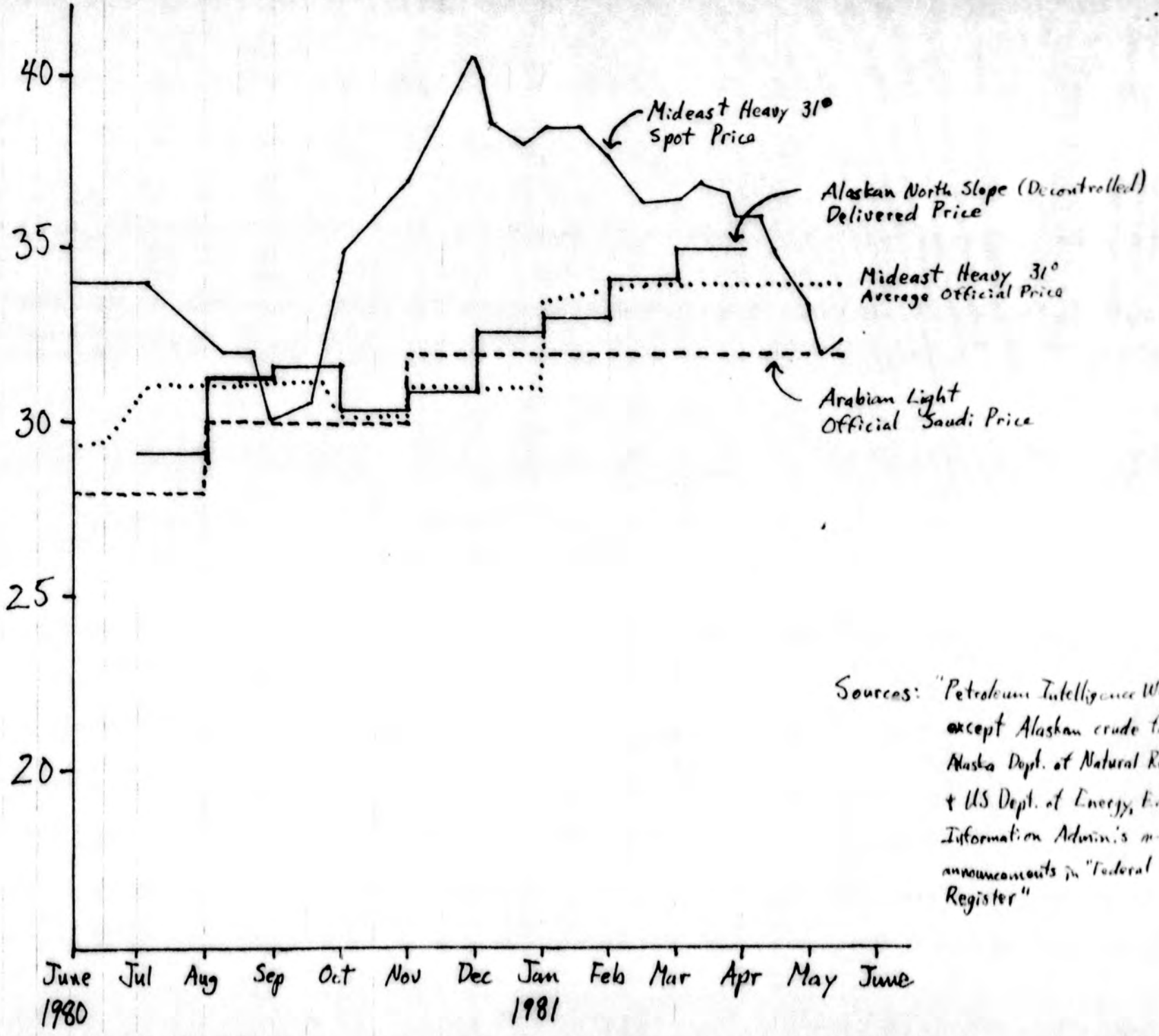
\$ / Barrel



Source: Petroleum Intelligence Weekly  
 March 16, 1981

# Oil Prices

\$/Barrel



Sources: "Petroleum Intelligence Weekly" except Alaskan crude from Alaska Dept. of Natural Resources & US Dept. of Energy, Energy Information Admin.'s monthly announcements in "Federal Register"

# Oil and the Saudi Fairy Tale

By EDVARD KANOVSKY

It is widely believed that Saudi Arabia has been doing the West a favor by sustaining its oil production at a high level of 10.3 million barrels a day and that by granting this favor the Saudis have created the world's current glut of crude oil. This grateful attitude toward the Saudis derives in great part from the fear that the Saudis will make good on their often-stated threat to use the "oil weapon" by cutting the country's oil production to 5 mbd.

What seems to undergird the persistence of these notions is the apparent belief that Saudi Arabia is a country, unlike any other, that it is a sort of fairy tale land in which Arab princes sit in grand palaces amidst bags of gold. One of the nice things about fairy tales is that one never has to look too closely at what is going on in the rest of the kingdom. Perhaps it is time to look clearly at the kingdom of Saudi Arabia.

Saudi Arabia is an underdeveloped country. The Saudi population, well aware of the oil revenue flowing into the country and of their rulers' opulence, have strong expectations of higher living standards. Since under the existing regime there is no prospect of income redistribution from the haves to the have-nots, the Saudi solution has been simply to buy the country's way into the developed world.

Saudi Arabia is a casebook study of a country whose expenditures chase — and push — its revenues. Its recently available budget figures indicate the Saudis' plan to spend \$90 billion during their current fiscal year, which began earlier this month. If these Saudi expenditure figures hold, their spending will have increased almost five-fold since fiscal 1976 (during its 1975-80 development plan, Saudi spending actually overshot planned figures by about 50%).

## Large-Scale Spending

After the Iranian revolution, some observers said the Saudis would realize that such large-scale spending tends to augment destabilizing social forces and that the Saudis would curtail spending. But in an interview with this paper last January the Saudi minister of planning said, "The problems in Iran weren't caused by economic development, but by the lack of it. . . . I don't think our development has been too fast. . . . If I had to do it over again, I would do it the same way."

Saudi Arabia's development began in earnest with the second development plan of 1975-80, which called for total expenditures of \$142 billion, an average annual outlay of \$28 billion.

What ensued was an influx of foreign contractors and a foreign labor force to build the plan's projects—roads, ports, airports, electric power plants, water desalination, telephones, schools, hospitals and so forth. The bureaucracy mushroomed. There were huge and expensive imports of military equipment and the construction of "military cities." Social welfare programs were expanded.

Various industries have been established, or are in process, and a special government commission was set up with a mandate to develop two major industrial complexes—in Jubail on the east coast and in Yanbo on the west coast. A 1979 U.S. congressional report estimated that the costs of construction in Saudi Arabia were 2.5 to 3 times those in the U.S.

The Saudi authorities were eager to persuade large multinationals to come in as partners in these ventures, to benefit from their managerial, technical and marketing expertise. But before 1979 (the year in

which the Saudis inherited extremely attractive participation interests in the companies), this strand of the Saudi strategy was snaggled on what has been one of the most difficult and costly drags on the country's development—its labor force.

The Saudi population and its potential labor force are small. Unofficial estimates of the population indicate about four million Saudis. Because women are almost completely excluded from the labor force, the potential force is about one million. And this includes the armed forces, internal security and the huge bureaucracy.

Thus, the authorities have laid the greatest emphasis on the development of capital-intensive industries, which require a high level of technical and managerial skill. Though individual Saudis have acquired education and administrative and

*Saudi Arabia's many financial 'needs' will do what the record shows they have always done — rise rapidly. And there is only one source for satisfying those needs—oil revenue.*

managerial competence, they are few in number. In this respect Saudi Arabia is similar to many other developing countries: Its huge oil revenues and the system they have created provide powerful disincentives to acquiring the sort of skills that enhance a country's long-term productive capacity.

The Saudis have built technical schools in the hope that Saudi youth would pass out of them and into industrial jobs for on-the-job training with foreign technicians, but few Saudis are interested. Far more lucrative alternatives exist for capable Saudis: One can enter government service and use "connections" for private gain, join business ventures with foreigners or act as middlemen for foreigners seeking contracts (Saudi laws require business ventures to have majority Saudi ownership, thus the need for local partners).

Determined to push forward with their development programs, the Saudis are increasingly dependent on a large, growing foreign labor force—unskilled and semi-skilled workers from the poor Arab countries, Asia and Africa. According to the director general of the Saudi labor ministry, three-fourths of the labor force was foreign by the end of 1979. Back in 1975 Saudi planners said that by 1980 only 35% of the labor force would be foreign. As with their spending plans, it was an optimistic projection.

Apprehensive about these foreigners, the Saudis from time to time appeased and expel tens of thousands of Muslims from poor countries, who enter as pilgrims and stay illegally, looking for jobs. The result of such measures is an upsurge in wage rates for laborers, another expense.

At the same time, the reluctance of highly skilled personnel, mainly from the West, to live in Saudi Arabia requires foreign contractors to pay three to four times the going rates in the U.S.

The country's work force difficulties put into serious question the viability of its diversification plans, and the Saudi leadership knows it. "The problem now in Saudi Arabia," the deputy minister of industry has said, "is manpower." Current plans call for a standstill in the size of the for-

mer labor force, with planned increments coming from the Saudi population but prospects appear dim. Under the best of circumstances it takes decades or generations to educate and train a modern, industrialized labor force.

All these problems notwithstanding, the Saudis' new five-year plan for 1980-85 is costlier still. Total planned expenditures, including military, are \$291 billion, a 275% increase over the previous plan. Actual spending for the last plan was about \$200 billion, with many projects cut back or dropped. It should come as no surprise if the new plan's actual expenditures again far exceed published estimates.

## Lifeblood of the Economy

In short, Saudi Arabia's many financial "needs" will do what the record shows they have always done—rise rapidly. And there is only one source for satisfying those needs—oil revenue, the lifeblood of the Saudi economy. It is this fact of life that lies at the root of Saudi Arabia's relative price moderation.

The Saudi leaders are well aware that the sharp oil-price increases in 1973 and 1974 induced trends in world oil and energy markets adverse to long-run Saudi interests. The far greater price increases of 1979-80 greatly accelerated the trend away from oil and toward conservation and energy substitutes like coal and nuclear power.

The Saudis have been very shrewd in successfully capturing a growing share of what is now clearly seen as a shrinking OPEC market. In sharp contrast with the situation in 1978, when others undersold them, the Saudis since 1979 have pursued a policy of keeping their official prices a few dollars below those of other oil exporters and low enough not to speed up the trend to substitutes.

The Saudis' possession of huge oil reserves and their ongoing, far-from-completed plans to diversify the economy—plans that will require a lot of money for a long time—makes them intent on assuring that the future of the oil market is consonant with their needs. In this light, Saudi Arabia would not gain from uniform oil pricing, which would induce a number of OPEC members to offer discounts, as they did in 1978, and capture part of the Saudi market.

The Saudis' "cushion" of accumulated official foreign assets is indeed much larger than in 1978 (some what over a year's public expenditures), but so are their needs. In the absence of any other significant source of income and in view of OPEC's genuinely shrinking market, the Saudis' most prudent option is to enhance oil production and exports, both to increase their current revenues and to moderate oil prices.

Secretary of State Haig and many writers in the American press may persist if they wish in believing that Saudi Arabia is doing the Western world a favor by holding its production at more than 10 mbd. But perhaps one would be paying the Saudis a more straightforward compliment by saying that by keeping production high and prices moderate, they are acting prudently and in the very best interests of a wealthy, underdeveloped country.

*Mr. Kanovsky is professor of economics at Bar Ilan University, Israel, and visiting professor at Queens College, New York. This article is adapted from a study to appear in the fall issue of "Middle East Contemporary Survey."*

# Oil-Pricing Blunders Now Have Saudis in a Jam

By S. FRED SINGER

It is now evident from the OPEC meeting just ended in Geneva that Saudi Arabia made a strategic blunder in 1979 by allowing the world oil price to more than double. With this jump, oil priced itself out of a large market.

Nearly two-thirds of the world's oil consumption of 60 million barrels per day (mbd) simply goes to make heat and steam; it can be replaced by cheaper substitutes. In the residential and commercial sectors, conservation, as well as fuel switching to natural gas and even electricity will now become increasingly important. Even before 1979, with oil at \$13 a barrel, coal and nuclear fuel provided a lower-cost boiler fuel for new plants.

Now, \$32 oil has finally made it worthwhile to retrofit existing oil-fired installations. For example, replacing the 10 million barrels of oil used every year by a 1,000 megawatt electric plant with coal-water mixtures would save nearly \$150 million a year.

Most countries are now making investments to replace high-priced oil. These changes are less noticeable in the United States, where over 50% of oil is used for transportation. Just the same, U.S. oil consumption is expected to decline in 1981 for the third consecutive year. U.S. oil imports will decline again, too—down to about 6 mbd, 30% below the 1977 peak of 8.8 mbd.

Similar trends in other consuming nations suggest that oil is being backed out at a rapid rate. Even the transportation sector will show a slight decline during the coming years because of more efficient fuel use; world oil use should be cut by a factor of two or more by the next decade.

The conservation of oil OPEC spokesmen so widely advocated—in public at least—has finally come to pass. The result: OPEC oil production has already dropped from a peak of 32 mbd in September 1978 to about 24 mbd by the end of 1980.

As world demand falls to below 30 mbd by the 1990s, and as the already emerging production inside countries around the world increases, the volume of exported oil must decline drastically. If North America produces 10 to 15 mbd (conservatively), and the East Bloc about 10 mbd, this leaves little for the rest of the world, including OPEC. The Geneva OPEC meeting gives us the flavor of their major problem for the future: whether and how to cut production or prices. In either case, OPEC faces a shrinking oil income.

On "Meet the Press" last month, the Saudi oil minister, Sheik Yamani, made light of these matters. He told his interviewers that talk of a drop in oil consumption was just "wishful thinking." But Mr. Yamani knows full well that Saudi Arabia, as the world's largest oil exporter and holder of the largest reserves, has the most to lose if the price becomes too high too soon.

The cause of the 1979 increase was psychological rather than structural (unlike the 1974 price increase), and was based on fear of shortages following the collapse of the Shah's regime. Supply never dropped; there was only an increase in purchases. The fall-off in Iranian exports that began in October 1978 was smoothly taken up by production increases, mainly by Saudi Arabia. Its share of OPEC oil jumped from 31% to over 40%.

According to M.A. Adelman of M.I.T., the Saudis could have prevented the panic that escalated spot prices, but their actions haven't squared with their oft-stated policy of maintaining low oil prices. As Mr. Adelman pointed out in a recent letter to the Journal, the Saudis slashed production in January 1979 and again at the end of March that year. In each instance spot prices leaped upward and, in the ensuing panic, purchasers accumulated larger stockpiles of oil.

Why did the Saudis let the price rise in 1979? The reasons for their miscalculation may be complex. It is likely that the fiscally conservative Saudi family was disturbed by the country's budget deficit in 1978, which followed years of large surpluses. It is also possible that Saudi planners misjudged the extent to which a price run-up would precipitate a drop in demand. If so, they were in tune with most Western economists at the time. James Eyssell, in a recently published paper, points out that adopting a more appropriate econometric analysis of the data gives elasticities twice as large as those published in studies during the past few years.

Whatever the reason for their actions, it is probably too late for the Saudis to correct their error. Any attempt to bring down the price now to discourage fuel switching would also bring down the wrath of their neighbors.

The 1979 doubling of prices in this way now poses three difficult hurdles for Saudi Arabia—short-term, medium-term (one to three years) and long-term (10 to 20 years).

Sometime soon it should become evident that oil prices really are no longer increasing. This will cause holders of excess oil stocks to sell these to reduce their carrying charges and avoid losses. The sell-off, in turn, will weaken prices further and induce a more rapid dumping of the stocks. (The downward spiral of prices corresponds to the upward spiral that was experienced when the stockpiles were laid in. This simple economic conclusion follows, since the 1979 price increase was not due to a permanent, sudden shift in either production or actual consumption.) To keep up the

price, pressure will be put on Saudi Arabia to reduce its output by 2 or 3 mbd. The Saudis, however, will be trying to persuade others to make more meaningful cuts from their current production levels. Riyadh apparently still believes that it is possible to institute a "uniform pricing strategy" in which prices can be raised.

The medium-term problem for Saudi Arabia is much more serious. Sometime within the next year or two, Iraq and Iran may decide to stop fighting and concentrate on selling oil. They need money to replace what has been destroyed, and they still want to buy more arms. But for them to re-enter the market, someone else will have to cut production. They are likely to pressure the Saudis.

The Saudis would have to cut production down to 4½ mbd, the "magic" level that they generally quote as allowing them to sustain an acceptable level of income. But with oil demand falling and world supplies rising, the cut may have to be deeper. If the Saudis cut oil income too much, however, they may not be able to contain their domestic tensions.

And finally, if the Saudis should survive the medium-term hurdle, they still face the long-term drop in oil demand. To maintain exports, they will probably want to cut prices, along with other exporters, to compete for a shrinking market. And at that stage the consuming nations may erect barriers, such as import quotas or tariffs, to protect the domestic energy investments they've made in response to high oil prices.

The U.S. will face the political pressure of thousands of small independent oil producers. Perhaps even more daunting is the fact that in Japan and other countries nuclear plants will have been built, representing sunk costs. For oil to regain this expanded nuclear market, it would have to be considerably cheaper than the marginal cost of nuclear power, and the cost of nuclear fuel now corresponds to about \$4 oil.

The Saudis have gotten themselves into a difficult dilemma. Their dramatic doubling of oil prices in 1979 is bound to kill the long-term oil market, and in time may be viewed as the proverbial straw that broke the camel's back.

Mr. Singer is a member of the Energy Policy Studies Center of the University of Virginia. He earlier served as deputy assistant secretary of the Interior and has studied oil economics and oil security problems as a consultant to the Energy and Treasury departments and to the energy industry.

WSJ 5-29-81

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

EXPENDITURE LIMITATION CHECKLIST

BASE

A fiscal year

A number                      Which number?

Only state funds?                      Federal funds?                      All?

FORMULA

Private sector growth

CPI plus population

other

COVERAGE

Should coverage be of operating budget only?

Should there be exemptions? and if so, should they be open-ended or enumerated?

Should general fund and federal funds be covered?

Should these be exemptions or override:

- Disasters - how to identify & who votes? (See Excess below)
- Disaster reserves
- Permanent Fund contributions
- Permanent Fund dividends
- Capital projects
- Loan capitalization - What to do about operational expenses and large maintenance costs?
- GBO repayment funds
- Increases in user fees
- Costs from court orders
- Costs from transfer of federal authority
- One-quarter of income from Permanent Fund
- Money in trust

OVERRIDE

By vote of Legislature                      2/3 or 3/4?

By vote of people                      Should this be limited by type?    New operating programs?

OTHER ISSUES

Local government

"Apple pie/pork" trade

Proportion of capital to operating

Unfunded obligations

EXCESS

Where can it go and how can it get there?

Permanent Fund only                      Allow "earmarking"?

Trust accounts

By whose vote?

Invest at market rate

PLAN A

<u>Lid</u>	<u>Except</u>	<u>Excess</u>
general fund only	(simple majority) other people's money	automatically into PF at market rates

In Plan A, the tradeoff is tightest in favor of holding the line - e.g. expenditure vs. expansion of new services.

PLAN B

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
State general fund only op/cap/etc	(simple majority) GOB PF User Fees Fed/other	2/3 or 3/4 legislative vote specified types very limited	?

MALONE

<u>Lid</u>	<u>Except</u>	<u>Override</u>
General fund & federal dollars op/cap/everything	(simple majority) PF GOB debt service	2/3 legislative majority everything else

GOVERNOR

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
General Fund only op/cap/etc	(simple majority w/ veto possible) money in trust PF PF dividends Loan capitalization GOB service disaster fund user fees court ordered dollars fed-state authority transfer 1/4 PF income	2/3 legislative majority disaster dollars	Excess capital projects

B. Costs from Transfer of Federal Authority.

Under SJR 4, costs related to transfer of authority or responsibility to the State from the Federal Government would be exempt from inclusion under the spending limitation. While on the surface it appears logical to exempt new, unforeseen services from the spending limitation, the intent and purpose of the spending limit may dictate otherwise.

First, the terms of the exemption should be well defined. A "transfer" of federal authority may include a range of possible interpretations, from a federal mandate for State action, to a non-mandatory transfer of program authority to the State level. At present, the Federal Government is considering termination of a number of federally administered programs; instead, block grants will be given to states to provide those services. Is this a "transfer" of responsibility from the Federal Government that would be exempt from budgeting under the spending limitation?

A key consideration should be whether the "transfer" of responsibility is voluntary on the part of the State. Again using the current block grant proposals as a case in point, the Federal Government is in effect telling the states that they may assume whatever mix of federal programs they wish to offer. The states may also contribute any state funds they wish to the federal block grants. The question is whether formerly federal services that are adopted by the state, at the state's discretion, should be exempted from the public oversight reflected in a spending limitation.

The danger is that separate accounting systems could develop one for services under the spending limitation and another for services excluded from the spending limitation.

Representatives from the Governor's Office have suggested that only first year costs be exempted from the expenditure limitation.

The problem with this suggestion is analogous to the present difficulty with the RP process. Once programs have been started, employees hired and client groups created, it is extremely hard to "eliminate" those programs. The criticism of the RP process is that formerly Federally funded positions are almost automatically taken over by the State upon termination of federal funds, even though the State has the option of letting those positions drop. A one-year exemption of new State programs from the expenditure limitation could quite easily result in the same pattern. The effect of this "vicious circle" is to constrain the options of future legislatures especially if the State's initial assumption of powers was funded by the Federal Government, and outside of a direct, conscious, policy determination by the Legislature.

If the approach taken to the spending limitation is to allow exemptions from the limit, I think that "transfer of authority from the Federal Government" should not be a named exemption, especially to the extent that State funds are involved. An exception might be for the costs initially required to respond to a federal statutory mandate. No discretionary "transfers" of program responsibility to the State level should be allowed outside of the expenditure limit.

C. Money Received in Trust for a Specific Purpose.

The meaning of this exemption needs to be clarified. First, appropriation of money to a trust for a specific purpose could be argued as an allowable exemption, to get general funds out of the capital and operating budget stream. However, unless it is specified that those funds are to be invested at market rates of return, this type of exemption could be used to subsidize a loan or investments project.

Second, it should be clear that the return from "trust fund" investments be returned to the General Fund for appropriations under the spending limit. This will prevent the operating expenses of any particular service from being removed from the expenditure ceiling through the creation of a "trust" or "endowment." If the purpose of an expenditure limit is in part to control the growth of government, program costs should not be exempted from limitation simply through the creation of an endowment.

#### MONEY RECEIVED IN TRUST

The intention of this exception is to allow for the acceptance and expenditure of bequests to the State; for example, support of the University. It seems appropriate to except from the limit other people's money given to the State for specific purposes.

#### LOAN CAPITALIZATION

This is one of the most difficult problems. On the one hand, the State has created a large constituency for loans. Subsidized loans distribute State benefits unequally. No one is recommending that the subsidy portion be placed outside the limit. However, if the capitalization is placed outside, then it is predictable that large sums will flow into those loan programs, whether they are needed or not. Additionally, the argument can be made that placing capitalization outside the limit will make it very difficult to identify the subsidy cost. Most of the return on loan funds go into the General Fund, although some of the "revolving loan" funds keep a level of capitalization (declining balance) within the fund. A strong argument can be made for placing loan capitalization under the limit: loans are but one way of achieving State goals; the Legislature should have the flexibility to determine the best way of achieving such goals. If loan capitalization is excepted, it should be clear that neither the subsidy portion nor the administrative costs are to be removed from the limit. In any event, the structure and control over the loan programs should be thoroughly explored.

## INCREASES IN USER FEES

On the one hand, there is a risk of a tax being relabeled a "user fee" and, therefore, any user fees collected by a State agency or the State itself should be subject to the limit. On the other hand, user fee increases could be subject to legislative approval (or disapproval).

It seems poor public policy to deny a government service to those who are willing to pay for it.

Is there anything that would prevent charge of debt service of revenue bonds as a user fee?

## PERMANENT FUND CONTRIBUTIONS

If the desire is to keep the Constitutional amendments wording as general as possible, "exemptions" could be handled as follows:

"Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

## DISASTERS

There seems to be agreement that "disasters" should be provided for outside the limitation. Questions, however, occur regarding the tightness of a definition or process that would restrict the use of this exemption to those situations truly qualifying.

If a situation is beyond question a "disaster," then it should be relatively simple to collect a super majority to override the spending limitation.

Restricting the definition to those disasters declared by the Governor and voted on by a super majority would also serve the purpose of preventing abuse.

## CAPITAL PROJECTS

"Appropriation" is debt service on State revenue-bonded capital projects is subject to the limit?

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say "no" to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 508  
CAPITOL BUILDING  
POUCH V  
JUNEAU, ALASKA 99811

907-465-3818

907-465-3810

### MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman  
Legislative Budget and Audit Committee

FROM: Glen L. Svendsen, Special Assistant *LS*  
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Local Government Issues related to State Expenditure Limitations

### Spending Limitation

Issues related to local government expenditures, and their relation to State expenditure limitations.

1. Property Tax Relief and State Policy on Repayment
  - A) may not be related to either inflation or population change, as municipal decisions to take on or upgrade services may be separate from new population growth.
  - B) If State does not repay full amount, political pressure may follow to do so, but the Legislature does not have to fully fund local property tax relief under present circumstances. That is, the Legislature has not formally taken on responsibility for local tax relief under municipal assistance or other programs.
  - C) If State, through other legislation, restricts the ability of local governments to raise revenue (i.e., repeal rules taxes, reduce mill levy limitation or changes in levies) the State has, in effect, voluntarily taken on the responsibility of funding local governments. This may, in turn, have impacts on the State budget that have nothing to do with the formula for adjustments to the base year's expenditures, as local resident demands for improved services are translated into legislative budget requests.

- D) Relation to resolutions before the Committee: Under HJR 57, increase appropriations for local tax relief that would be above the level otherwise allowed by expenditure limitation, but could be approved by a 2/3 majority vote of both houses. Under SJR 4, appropriations for property tax relief must fall under the limitation. Under the Governor proposed sponsor substitute for SJR 4, some form of "trust" could conceivably be established for property tax relief, and money directed to that trust could be exempt from inclusion in the expenditure formula. (P.S. - The ability to account for "trust funds" separately under the Governor's substitute encourages the creation of such trusts, which raises separate policy questions.)

## 2. Municipal Bonded Debt

- A) There is a good deal of interest in the Legislature's role toward municipal debt. A bill now in process would provide an appropriation to help subsidize municipal bonds by paying the difference between current market rates and the eight percent maximum rate of interest at which those municipal bonds would be sold. In addition, the Municipal Bond Bank purchases municipal bonds for resale; State funds are then used in sales, guarantees and to cover potential defaults by communities.
- B) If the State's policy is to continue support for municipal bonding, the spending limitation could create a problem in meeting the costs of increased levels of bonding. There is a major backlog of significant capital project needs in most Alaskan communities. It is conceivable that these projects could result in growth in State costs in excess of the growth allowed under either version of the spending limitation.
- C) The problem arises in fitting the State's subsidy of local bonds into the list of exempted expenditures. HJR 57 would allow a special appropriation upon 2/3 majority vote of both houses. The Senate version, SJR 4, would not allow such an exemption, although there may be some evidence of intent to do so. State bonds and capital construction funds approved by the voters would be exempt from the budget limitations; however, the State could not have the same budgetary freedom in regard to local projects that are approved by local voters. As noted above, the Governor's sponsor substitutes to SJR 4 would allow appropriations subsidizing local bond projects to exceed expenditure limitations if some sort of trust and dedication system were established.
- D) Local capital projects may result in higher local operating budgets, just as at the State level. What this means is a need for additional local revenue. Local citizen dissatisfaction with local tax rates, coupled with State level budget surpluses,

will be translated into more pressure on the Legislature to fund local governments. This will add operating costs to the State through local capital expenditures that might not originally be predicted in State expenditure forecasts.

3. Shifting of services from the State to the local level.

- A) One means of holding down State budget growth is to shift various program (and budget) responsibilities to the local level. This, obviously, increases the cost of local government while reducing the budget liabilities of State government. Without increased appropriations to local government, the shifting of responsibility to the local level would require an increase in revenue derived from local sources. Coming on the heels of a period of local tax reductions and demands for complete elimination of local taxation, such an increase in local tax rates would create strong pressures on the Legislature to increase funding of communities and curtail their ability to raise revenues. In effect, the State may not actually (i.e., politically) be able to shift major fiscal burdens to local governments.
- B) Shifting program responsibilities to local government and restricting the ability of local governments to raise revenue are mutually contradictory actions. The Legislature has, in effect, forced itself to choose between increased appropriations to local governments, or curtailment of the services it has shifted to the local level. (Curtilment of some services transferred to local control may be an option. It all depends upon whether the service is nonessential, or whether the State requires provision of a service after responsibility is transferred - such as requirements that locals adopt a permit system, etc.)

4. Local government expenditures in general.

- A) Implicit in the argument linking expenditure limitations to population growth and the rates of inflation is the assumption that the existing levels of service are adequate, or that there are enough "frills" in government expenditures that an adequate level of services can be provided if the budget is "properly" appropriated. This basic assumption, however, may not be true, especially for local governmental expenditures, for it is at the local level that the existence and quality of public services varies so markedly from what might be considered to be desired by most people. This means that there is a built-in capacity for local governments to use - and demand - more money than would be allowed under an expenditure limitation, if revenues were otherwise available.

- B) I think that the existence of large sums of money in the State treasury will lead to expectations for service improvements at the local level, as well as public resistance to paying higher local taxes. This will lead to pressures for the State to pick up not only State budget increases, but local government costs as well. The Legislature needs to have a clear policy toward local taxation from the outset. Presently, the Legislature seems to be accepting arguments that the State should pick up a portion of the local tax effort (i.e., full funding of revenue sharing and municipal assistance, local debt service subsidy, etc.). If the State adopts an expenditure limitation, it should reevaluate whether the State should pick up local tax effort (i.e., which result from expenditure decisions controlled at the local level.)

# STATE OF ALASKA

## THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

ROOM 508  
CAPITOL BUILDING  
POUCH V  
JUNEAU, ALASKA 99811

907-465-3818  
907-465-3810

### MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman  
Legislative Budget and Audit Committee

FROM: Glen L. Svendsen, Special Assistant *AS*  
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Local Government Issues related to State Expenditure Limitations

### Spending Limitation

Issues related to local government expenditures, and their relation to State expenditure limitations.

#### 1. Property Tax Relief and State Policy on Repayment

- A) may not be related to either inflation or population change, as municipal decisions to take on or upgrade services may be separate from new population growth.
- B) If State does not repay full amount, political pressure may follow to do so, but the Legislature does not have to fully fund local property tax relief under present circumstances. That is, the Legislature has not formally taken on responsibility for local tax relief under municipal assistance or other programs.
- C) If State, through other legislation, restricts the ability of local governments to raise revenue (i.e., repeal sales taxes, *sales* reduce mill levy limitation or changes in levies) the State has, in effect, voluntarily taken on the responsibility of funding local governments. This may, in turn, have impacts on the State budget that have nothing to do with the formula for adjustments to the base year's expenditures, as local resident demands for improved services are translated into legislative budget requests.

- D) Relation to resolutions before the Committee: Under HJR 57, increase appropriations for local tax relief that would be above the level otherwise allowed by expenditure limitation, but could be approved by a 2/3 majority vote of both houses. Under SJR 4, appropriations for property tax relief must fall under the limitation. **Under the Governor proposed sponsor substitute for SJR 4, some form of "trust" could conceivably be established for property tax relief, and money directed to that trust could be exempt from inclusion in the expenditure formula.** (P.S. - The ability to account for "trust funds" separately under the Governor's substitute encourages the creation of such trusts, which raises separate policy questions.)

2. Municipal Bonded Debt

- A) There is a good deal of interest in the Legislature's role toward municipal debt. A bill now in process would provide an appropriation to help subsidize municipal bonds by paying the difference between current market rates and the eight percent maximum rate of interest at which those municipal bonds would be sold. In addition, the Municipal Bond Bank purchases municipal bonds for resale; State funds are then used in sales, guarantees and to cover potential defaults by communities.
- B) If the State's policy is to continue support for municipal bonding, the spending limitation could create a problem in meeting the costs of increased levels of bonding. There is a major backlog of significant capital project needs in most Alaskan communities. It is conceivable that these projects could result in growth in State costs in excess of the growth allowed under either version of the spending limitation.
- C) **The problem arises in fitting the State's subsidy of local bonds into the list of exempted expenditures.** HJR 57 would allow a special appropriation upon 2/3 majority vote of both houses. The Senate version, SJR 4, would not allow such an exemption, although there may be some evidence of intent to do so. State bonds and capital construction funds approved by the voters would be exempt from the budget limitations; however, the State could not have the same budgetary freedom in regard to local projects that are approved by local voters. **As noted above, the Governor's sponsor substitutes to SJR 4 would allow appropriations subsidizing local bond projects to exceed expenditure limitations if some sort of trust and dedication system were established.**
- D) Local capital projects may result in higher local operating budgets, just as at the State level. What this means is a need for additional local revenue. Local citizen dissatisfaction with local tax rates, coupled with State level budget surpluses,

will be translated into more pressure on the Legislature to fund local governments. This will add operating costs to the State through local capital expenditures that might not originally be predicted in State expenditure forecasts.

3. Shifting of services from the State to the local level.

- A) **One means of holding down State budget growth is to shift various program (and budget) responsibilities to the local level.** This, obviously, increases the cost of local government while reducing the budget liabilities of State government. Without increased appropriations to local government, the shifting of responsibility to the local level would require an increase in revenue derived from local sources. Coming on the heels of a period of local tax reductions and demands for complete elimination of local taxation, such an increase in local tax rates would create strong pressures on the Legislature to increase funding of communities and curtail their ability to raise revenues. **In effect, the State may not actually (i.e., politically) be able to shift major fiscal burdens to local governments.**
- B) **Shifting program responsibilities to local government and restricting the ability of local governments to raise revenue are mutually contradictory actions.** The Legislature has, in effect, forced itself to choose between increased appropriations to local governments, or curtailment of the services it has shifted to the local level. (Curtailment of some services transferred to local control may be an option. It all depends upon whether the service is nonessential, or whether the State requires provision of a service after responsibility is transferred - such as requirements that locals adopt a permit system, etc.)

4. Local government expenditures in general.

- A) **Implicit in the argument linking expenditure limitations to population growth and the rates of inflation is the assumption that the existing levels of service are adequate, or that there are enough "frills" in government expenditures that an adequate level of services can be provided if the budget is "properly" appropriated.** This basic assumption, however, may not be true, especially for local governmental expenditures, for it is at the local level that the existence and quality of public services varies so markedly from what might be considered to be desired by most people. This means that there is a built-in capacity for local governments to use - and demand - more money than would be allowed under an expenditure limitation, if revenues were otherwise available.

June 5, 1981

- B) I think that the existence of large sums of money in the State treasury will lead to expectations for service improvements at the local level, as well as public resistance to paying higher local taxes. This will lead to pressures for the State to pick up not only State budget increases, but local government costs as well. **The Legislature needs to have a clear policy toward local taxation from the outset.** Presently, the Legislature seems to be accepting arguments that the State should pick up a portion of the local tax effort (i.e., full funding of revenue sharing and municipal assistance, local debt service subsidy, etc.). **If the State adopts an expenditure limitation, it should reevaluate whether the State should pick up local tax effort (i.e., which result from expenditure decisions controlled at the local level.)**

CS SJR 4 (FINANCE)

SUMMARY

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;
- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

CS SJR 4 (Pin)  
CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT  
EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;

- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

#### REASONS FOR THE FORMULA CHOSEN

##### Section 16

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the flexibility which we built into the limit, (as have almost all other advocates of a constitutional limit) was to allow for inflation. Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

The second element of flexibility was to allow for a dampened amount of swing in government spending levels to accompany swings in the economy. During times of economic expansion, the constitutional limit is allowed

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

It is important to note that the limit on spending refers to the previous year's appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

## SCOPE OF THE CONSTITUTIONAL LIMIT

### Section 17

The approach we follow is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) Extraordinary items
- 2) Provisions to take care of excess State income during boom periods, through the Permanent Fund and other investments.
- 3) Allowing for a controlled response to the State's development needs through loans and capital improvements.

### Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

### Permanent Fund

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

#### Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

#### Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

#### Capital Improvements

The limitation figure includes money for capital construction. The sum of \$1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

#### Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;  
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or enumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of \$2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these  
2 loans at below market interest rates is appropriated separately under  
3 the limitations; money appropriated by the affirmative vote of two-  
4 thirds of the membership of each house, whether of bond proceeds or  
5 otherwise, to construct capital improvements, not to exceed \$1,500 per  
6 capita; or money appropriated by a vote of two-thirds of the membership  
7 of each house and approved by the governor to meet disasters of natural  
8 or human origin which are declared by the governor.

9 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
10 fore the voters of the state at the next general election in conformity with  
11 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
12 laws of the state.

## Exemptions

~~\_\_\_\_\_~~ court orders.

The costs of complying with court orders seem, at first blush, limited to legal costs and onetime program costs to "remedy" some problem that may be addressed by the court. However, a court order might have long-term program cost implications. Also, it is not clear that an exemption would apply just to the the budget year in which a court order would initially import, or would exempt permanently program costs that were initially "added" to the budget by court order rather than by legislative action.

The "Molly Hootch" agreement is a case in point. (Technically, this was an agreement approved by the court, but could as easily have been a court directive.) This case resulted in tremendous capital construction for village schools, as well as the attendant operating budget expenditures, maintenance and operation. The construction of Molly Hootch school committed the State to a pattern of educational service delivery that had significant, ongoing capital and operating budget implications.

The question is - should these types of expenditure be exempted from State spending limitations? Should the State's education budget be split between "exempt" and "limited" types of expenditures?

The problem is basically a question of ultimate responsibility for expansion of governmental services. A court case may require the State to take on a new service or expand a current service significantly. While it may not be "fair" to have that service counted against the expenditure limitation, it also seems against the whole purpose of the expenditure limitation to allow for the complete exemption (or separate accounting) of services "added" by court order from any comparison with a spending limitation.

The concern is that court decisions may result in services that have a completely separate identity from those originally under a spending limitation. Such services, if exempt from the spending limit could grow, flourish and have life of their own.

While one-time legal costs resulting from a court order might logically be exempted from a spending limitation, any service delivery expenditures resulting for a court mandate should be included in the general mix of State services delivered to the public. A court mandated service becomes a service such as any other demanded by the public.

(While it is true that including a court mandated service (or any other new service) under the spending limitation places more pressure on that spending limit, this is not a reason to create a "dumping ground" for State services that are added after the adoption of the spending limit. An exemption should not be used simply to delay the time when an expenditure limitation simply becomes too tight.)

*Jan 6/6/81*

B. [REDACTED]

Under SJR 4, costs related to transfer of authority or responsibility to the State from the Federal Government would be exempt from inclusion under the spending limitation. While on the surface it appears logical to exempt new, unforeseen services from the spending limitation, the intent and purpose of the spending limit may dictate otherwise.

First, the terms of the exemption should be well defined. A "transfer" of federal authority may include a range of possible interpretations, from a federal mandate for State action, to a non-mandatory transfer of program authority to the State level. At present, the Federal Government is considering termination of a number of federally administered programs; instead, block grants will be given to states to provide those services. Is this a "transfer" of responsibility from the Federal Government that would be exempt from budgeting under the spending limitation?

A key consideration should be whether the "transfer" of responsibility is voluntary on the part of the State. Again using the current block grant proposals as a case in point, the Federal Government is in effect telling the states that they may assume whatever mix of federal programs they wish to offer. The states may also contribute any state funds they wish to the federal block grants. The question is whether formerly federal services that are adopted by the state, at the state's discretion, should be exempted from the public oversight reflected in a spending limitation.

The danger is that separate accounting systems could develop one for services under the spending limitation and another for services excluded from the spending limitation.

Representatives from the Governor's Office have suggested that only first year costs be exempted from the expenditure limitation.

The problem with this suggestion is analogous to the present difficulty with the RP process. Once programs have been started, employees hired and client groups created, it is extremely hard to "eliminate" those programs. The criticism of the RP process is that formerly Federally funded positions are almost automatically taken over by the State upon termination of federal funds, even though the State has the option of letting those positions drop. A one-year exemption of new State programs from the expenditure limitation could quite easily result in the same pattern. The effect of this "vicious circle" is to constrain the options of future legislatures especially if the State's initial assumption of powers was funded by the Federal Government, and outside of a direct, conscious, policy determination by the Legislature.

If the approach taken to the spending limitation is to allow exemptions from the limit, I think that "transfer of authority from the Federal Government" should not be a named exemption, especially to the extent that State funds are involved. An exception might be for the costs initially required to respond to a federal statutory mandate. No discretionary "transfers" of program responsibility to the State level should be allowed outside of the expenditure limit.

[REDACTED]

The meaning of this exemption needs to be clarified. First, appropriation of money to a trust for a specific purpose could be argued as an allowable exemption, to get general funds out of the capital and operating budget stream. However, unless it is specified that those funds are to be invested at market rates of return, this type of exemption could be used to subsidize a loan or investments project.

Second, it should be clear that the return from "trust fund" investments be returned to the General Fund for appropriations under the spending limit. This will prevent the operating expenses of any particular service from being removed from the expenditure ceiling through the creation of a "trust" or "endowment." If the purpose of an expenditure limit is in part to control the growth of government, program costs should not be exempted from limitation simply through the creation of an endowment.

## SENATE FINANCE

### EXPENDITURE LIMITATION ISSUES

#### WHAT SHOULD BE USED AS THE BASE?

Should we pick a FY budget? What should be exempted from the budget? Should they be the same items exempted from the ceiling or others? If the base is too low, how will agencies handle budget cutbacks? If there are few ceiling exemptions, should the base contain room for innovative new programs (Energy Center, Delta Barley, Etc.)? How will the base account for assistance/revenue sharing for local governments? Should a number be used instead of a base year to allow for adjustments of, for example, income tax refunds, etc. If so, what should the number be?

#### WHAT FORMULA SHOULD BE USED TO CALCULATE INCREASES?

Should the formula for calculating the increase be a cumulative index applying to a single original base, or should the formula apply as an adjustment to the previous year's actual appropriation?

Should the formula be tied to population growth as well as inflation? Are there alternative indices?

Should the formula have a factor which will reduce the real per-capita spending limit overtime (such as only using .95 of the annual CPI increase)?

#### WHICH APPROPRIATIONS AND EXPENDITURES SHOULD BE COVERED BY THE LIMITATION?

Should the limit apply to both state and federal funds?

Should increases in user fees be covered? If exempted, what oversight should be available to keep increases reasonable?

Most likely revenue bonds should be excluded, but should General Obligation Bonds? Bond debt service?

Should capital projects be excluded and, if so, how can we manage the operating budget impacts of capital projects?

Should loan capitalization be excluded?

There is agreement that contributions to the Permanent Fund should be excluded, but should Permanent Fund dividends? Should arrangement be made for the possibility of the State losing the law suit, if so of what sort? Should a portion of permanent fund income (or real income) be exempted? Should the Permanent Fund be the only recipient of "surplus" funds, and if so, how can this be insured?

If the base is very inclusive, then the exemptions should be very limited. If the base is restricted, what level of exemptions are reasonable?

Should provision be made for exceeding the limit? If so, should it be by legislative vote--by what majority? Should a referendum be provided for? If provision is made for exceeding the limit, what should be voted on--single appropriations or multiple ones? If provision is made for exceeding the limit, should there be a special prohibition against voting to exceed the limit on items which had previously been appropriated within the limit?

Ed - Q why permanent fund not go to voters.  
Y 900 2.5 <sup>billions</sup> for governor - had to  
\* \* \* resolve difference between operating /  
\* \* \* capital budget - <sup>top</sup> ~~operating language~~  
could lower no further limit capitalization  
or put rates /

Hugh Malone - all capital + operating  
in excess go to voters.

SCOMM

45:2

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in appro-  
8 priations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the Alaska permanent fund, appropriations required to pay the princi-  
14 pal and interest on general obligation bonds, and appropriations of  
15 money received from a non-state source in trust for a specific purpose,  
16 appropriations from the treasury for a fiscal year shall not exceed  
17 \$2,000,000,000 by more than the cumulative change in population and  
18 inflation, as defined by law, since July 1, 1979. The governor may  
19 propose bills for appropriations in excess of this limit for capital  
20 improvements of the same type in separate bills for each type of capital  
21 improvement, and the legislature may approve, without amendment, each  
22 bill by a two-thirds vote of each house. No other appropriation in  
23 excess of this limit may be proposed by the governor or approved by the  
24 legislature unless to meet a state of disaster declared by the governor  
25 as prescribed by law. The governor shall cause any unappropriated  
26 balance to be invested so as to yield competitive market rates to the  
27 treasury.

28 \* Sec. 2. The amendment proposed by this resolution shall be placed  
29 before the voters of the state at the next general election in conformity

1 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
2 tion laws of the state.  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

*Copy of original document / case file.  
Emergency*

*Copy file from  
State -  
if no private  
entirely  
was*

STATE OF ALASKA  
THE LEGISLATURE

POUCHY STATE GOVERNMENT  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 10, 1981

TO: Senator Mike Colletta  
FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services  
SUBJECT: Expenditure Limits

I am enclosing SSSJR 52 and SB 558 which you introduced last session.

There is little backup material in the file since we used material I had gathered at a seminar in Salem, Oregon on the subject. Most of that material is now brought up to date by the Tax and Expenditures Limitation booklet issued by the Council of State Government which sponsored the seminar. I am enclosing that booklet, the Tennessee Constitution and statute which was used as a base and a copy of a newspaper article discussing the municipalities in California under Proposition 13.

BGB:blg

Enclosures

## Catch-13

# Californians Discover Tax-Cut Mania Has A Corollary: Fee Fever

## A Year After the Big Slash, Localities Soak Citizens For All Kinds of Services

## Pricing Poor Out of Parks?

By STEPHEN J. SANNWERT

Staff Reporter of THE WALL STREET JOURNAL

Students in Glendale, Calif., who need to brush up on their skills at summer school this year will have to pay as much as \$110 for the sessions. Last year they were free.

Los Angeles art and nature lovers put up with recently imposed admission charges of up to \$1.50 for once-free visits to county museums and botanic gardens.

Builders in the San Diego suburb of La Mesa find that the cost of fees and permits for an average house has rocketed to \$1,253 from just \$43 in early 1975.

In the year since Californians voted themselves a deep cut in property-tax payments under Proposition 13, they have been increasingly confronted with new or rapidly escalating fees, charges and other costs for services and programs local governments previously paid for from general revenue. So far, the average homeowner is still coming out ahead, but the gap is narrowing. And the non-tax-deductible fees are a particular blow for the large number of renters in the state who received little, if any, benefit from last year's initiative.

### Prostituting 13

"The real meaning of Proposition 13 is being prostituted right and left by local government," charges Paul Gann, cosponsor of the initiative that ignited national tax-cutting fever when California passed it last June 8. "We got the property taxes cut, but they immediately took the dough back in another way."

Mr. Gann's response has been to join in several suits challenging fees, as well as to sponsor a new initiative, the "Spirit of 13," that would limit spending by the state and local governments. The measure will be on the ballot by June 1980 at the latest, and political observers think it has a good chance of enactment.

But regardless of whether the "Spirit of 13" passes, the original 13 had wrought a fundamental and generally irreversible change in the way Californians pay for services, programs and activities provided by the state's 58 counties, 47 cities and 4,750 special districts. "They have realized the law is here and they are reacting. They fear its possible negative effects on such groups as low- and middle-income people and war-time home buyers."

### Cities Recoup 19%

Proposition 13, which limited property taxes to 1% of the 1975-76 assessed market value and restricted assessment increases, cut about \$550 million from city revenues. According to the latest available statistics, compiled last fall, the cities made up 19% of this, or \$103 million, from new or higher fees and service charges in the months just before and after Proposition 13 took effect. (Much of the rest was made up by bail-out legislation that distributed surplus state revenue.)

Counties, which lost nearly \$1.5 billion in property-tax revenue, added only \$22 million in fees. An incomplete survey of special districts, each of which is set up to raise money for a purpose such as sewers or hospitals, showed higher fees and charges of around \$70 million, compared with a property-tax loss of \$291 million.

Most observers believe that the initial rush to impose fees was only the beginning. "If state bail-out funds decrease as projected . . . local government officials will be increasingly tempted to raise existing fees and create new ones," a state task force that studied the situation predicts. "Fees are one of the few mechanisms open to local governments for raising added revenues."

### Fees for Sidewalk Repair

After lengthy debate and several changes of mind, the Los Angeles city council recently passed a residential trash-collection fee ranging from \$1.50 to \$5 a month. There wasn't any agonizing earlier when the city imposed or raised fees for such things as dog licenses, use of recreation facilities, emergency ambulance transportation, fire-safety inspections and repair of cracks in sidewalks, to name a few.

Besides Mr. Gann's "Spirit of 13" and the numerous lawsuits, other attempts are being made to stem the upward spiral of fees. Several bills pending in the California legislature would restrict the kinds of fees that could be levied and limit each fee to the cost of the service provided. Also, state attorney general George Deukmejian has just issued an advisory opinion that several new fees are actually special taxes and thus require approval of two-thirds of the electorate under terms of Proposition 13.

The residential-construction industry has been hit with an especially large number of fee increases. Prior to Proposition 13, existing homeowners in a community, in effect, partially subsidized new development, because their property taxes helped pay for such things as sewer hookups and new streets. With the taxes reduced, localities have switched the cost of new developments to builders, who, in turn, have passed it on to home buyers. Fees are up in more than a dozen items ranging from filing of plans to on-site inspections.

"There is no question that higher fees are pricing moderate-income Californians out of the new housing market," says Fred Case, professor of urban and economics at the University of California at Los Angeles. "Any individual fee increase may not seem like a lot, but when you add them together they can be staggering. And unlike property taxes, higher fees can't be reduced through

Please Turn to Page 16, Column 1

# Catch-13: A Year After Tax Cut, Californians Run Into Fee Fever

Continued From First Page

come taxes." Mr. Case says his study of construction in Los Angeles shows 30 new requirements that produce higher costs for builders.

The California Building Industry Association says the median bill for construction-related fees and service charges across the state has risen 26% in the last year, but the range is all the way from zero to \$3,000 for an average three-bedroom house. "Builders are in a difficult position," says Norman Jachens, spokesman for the trade group. "We don't want to be blamed for local governments being unable to fund improvements for new housing. But we don't want to be easy pickings to make up for Proposition 13 losses either."

Even simple modifications or additions to existing homes "have become a rich man's game," says Donald E. Cunningham, a Los Angeles land-use consultant. "It costs \$1,200 to \$1,500 in fees before you even walk up to the counter with your final plans, and the city and county are about to raise the fees again."

## Focus on Sales Taxes

Some communities are using the fund crunch to further their "no-growth" policies. One state survey concludes that many localities aren't any longer interested in luring residential or industrial development because of the low property-tax revenue relative to the cost of capital improvements and services. Instead, they are competing more vigorously for commercial establishments, which generate sales-tax revenue.

Raymond Jallow, senior vice president and economist at United California Bank, is concerned at what he sees as a rush to impose or raise business and licensing fees without knowing the consequences. Beverly Hills businessmen, for example, are faced with business-fee increases of up to 1,300%, and Los Angeles County is raising license fees for everyone from weed eradicators to "massage technicians."

"While the economy is still expanding, there might not be much impact," says Mr. Jallow. "But in any slowdown, many of the fees will prove detrimental because they will drive away business and professional people. Some fees haven't been changed in 100 years and certainly should be raised, but others are going up without any direct justification, just to raise revenue."

## Effects on the Poor

Many officials concede that tying the level of a fee to the cost of the service performed would often be guesswork. Because of archaic accounting and bookkeeping systems and the difficulty in allocating overhead expenses, service charges frequently bear little relation to service costs. UCLA's Professor Case says, "They usually err on the high side, and the money just goes to the general fund anyway." He says, "Los Angeles raised building-permit fees but still laid off people in the department, so we're paying more money for less service."

on Government Reform, appointed by Gov. Edmund G. Brown Jr. to suggest ways to cope with Proposition 13, is the effect of new and higher fees on the quality of life, particularly that of the lower-income groups that tend to use public facilities the most.

"Low-income residents may find fees prohibitive to the enjoyment of a park or a community swimming pool as these fees are

increased," a commission task force warns. Attempts to set a rate structure subsidizing such groups would require a bureaucracy that in itself would lead to even higher costs, the report adds.

"We don't want to turn parks and swimming pools into country clubs for the middle-class and the rich," says Larry Naake, executive director of the California Park and Recreation Society, a professional group. "Fees may increase total revenue, but already attendance is down everywhere from the Sacramento zoo to inner-city pools and parks." Mr. Naake says a recent survey by his group shows that 85% of the park and recreation agencies in the state have raised

fees, the boosts ranging from 30% to 400%.

Fees have been instituted at previously free museums, while charges at beaches and campgrounds are up substantially and fines for overdue library books have doubled or tripled in many cases. Community colleges, almost wholly dependent on property-tax revenue, have started charging for formerly free classes and services. As a result, attendance at noncredit courses — mainly recreation, crafts and courses for senior citizens — dropped 26% this past semester. Some 20% of 4,600 noncredit courses were shelved.

Localities have come up with some innovative ways to replenish their coffers. Oakland enacted an employe license fee based on salary earned in the city. Inglewood has

instituted a fire-service fee based on the relative fire risk of each structure and the amount of water, personnel and equipment that would be needed to extinguish a major blaze there. Pasadena's board of directors enacted an ordinance that will adjust all taxes, fees and charges annually based on the preceding year's consumer price index. The directors retain the option to veto any particular increase.

Theoretically, communities could raise fees and charges to cover all their property-tax losses. But political realities, strong lobbying by interest groups and public opinion have helped to mitigate the increases. When put to the test of advisory or actual votes,

proposed fee increases have failed in cities ranging from San Francisco to Palms Verdes Estates.

The ultimate tool of the angry taxpayer, the recall election, also has been used successfully. Voters recalled two members of the Simi Valley city council who were identified as leaders of the move that raised the annual sanitation service charge to \$96 a home from \$68. And voters in Sacramento County recalled four members of the San Juan Unified School District who had voted to contribute \$1,000 in district funds for a lawsuit challenging Proposition 13.



Proposition 13 author Howard Jarvis holds birthday cake during its first anniversary yesterday

## Proposition 13's Final Impact Is Still An Unknown Quantity

SACRAMENTO, Calif. (AP) — Proposition 13, the tax cut measure that set off a nationwide tax revolt, hasn't lived up to the promises of supporters or to the warnings of foes — at least not yet.

Californians approved the \$7 billion property tax cut a year ago yesterday, but it still is a largely unknown quantity. Its impact blunted by massive state aid to local governments.

That doesn't mean that some government workers haven't lost jobs and some government programs haven't been cut. The state's school system has been wounded but remains afloat. There have been no significant cuts in police and fire services. Recreation programs were cut sharply, and in many cases fees were imposed.

Still, the aid financed by a state budget surplus has reduced the full impact of Proposition 13. And although shrinking, the surplus is still big enough to soften 13's impact for another year. What happens after that depends on the health of California's economy, efforts to reform government financing and pending new voter initiatives.

"The fallout from 13 is going to be long-term fallout," says Ralph Flynn, executive director of the California Tea-

chers Association. "It's not going to be an instant whop over the head."

Cuts so far have often hit those least able to care for themselves: the poor, the elderly, and the young.

But many Proposition 13 supporters see it as only a first step to cut waste in government, and they are pushing new proposals aimed at restricting taxes and government spending.

Those measures include separate initiatives by Proposition 13 co-authors Howard Jarvis and Paul Gann.

Gann's proposal, which has qualified for the ballot later this year or in 1980, limits government spending on a formula based on price increases and population growth. Jarvis' pending initiative would cut the state income tax in half, a \$3 billion annual tax cut.

Although Proposition 13 didn't force an overall cut in spending by local governments in 1973-79, it kept spending increases below inflation and average increases for recent years.

It also produced a significant reduction in the state and local government workforce.

In human terms, the statistics represent people such as Gloria Davis, who spent eight years teaching in San Fran-

cisco schools and was described by school board member Myra Kopft as "one of the best we have . . . a very rare teacher."

But in April, Ms. Davis resigned rather than fight a layoff notice, one of about 2,200 sent out by the district. She now works for a bank.

For Debra Walker, Proposition 13 means getting by without a cost-of-living increase in welfare. Ms. Walker, 22, was receiving \$287 a month when the rent for her San Jose apartment she shares with a 2-year-old son went up \$73 a month.

"It was a matter of eating and not paying my rent. So now I am getting evicted," she said.

The other side of the Proposition 13 story is told by Paula Farjo, who owns 7,000 acres of farm land near Los Banos on the hilly western edge of the San Joaquin Valley.

The land has been in Ms. Farjo's family since her great-great-grandfather Francisco Pacheco obtained it in an 1843 Mexican land grant.

She said before 13 cut property taxes 57 percent, she was paying \$4 an acre in taxes on land that brought in \$6 an acre lease income, not enough to enable her to keep the land.

MEMORANDUM

May 5, 1980

SUBJECT: Spending limitations - SSSJR 52 and SB 558  
TO: Senator Mike Colletta  
FROM: Billy G. Berrier  
Director  
Division of Legal Services

You have requested a synopsis of the proposed constitutional amendment, SSSJR 52, and the companion bill, SB 558, relating to limitation on spending by the state.

The basic thrust of the constitutional amendment is the prohibition against the rate of growth of appropriations from state revenues exceeding the rate of growth of the economy of the state. Appropriations for the permanent fund and for capital improvements are excepted from this prohibition.

The amendment allows this growth rate in appropriations to be exceeded if a state of emergency is declared to exist as provided by law. It provides that for the three succeeding years the appropriations limit be adjusted equally so that for the four-year period, consisting of the year in which the emergency existed and the following three years, total appropriations may not exceed the amount that would have been available had there been no emergency.

The amendment provides that revenue in excess of the appropriation limit shall be distributed to the taxpayers of the state as provided by law. It also prohibits laws which require increased expenditures by political subdivisions from becoming effective unless the legislature has provided that the state bear the added cost.

The limiting phrase "estimated growth of the economy of the state" as used to set the maximum for appropriation growth must be defined by law.

Senator Mike Colletta

Page 2

May 5, 1980

Under SB 558 the growth rate is based upon projected changes in Alaska personal income. The components of Alaska personal income are those included in the United States Department of Commerce's definition of personal income. The Commissioner of Commerce and Economic Development must, before January 30th of each year, certify to the legislature the projected income, the change from the present fiscal year income and the percentage of change.

BGB:jdn

Introduced: 4/11/80  
Referred: Judiciary and  
Finance

1 IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP,  
KERTTULA AND HACKNEY

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 52

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate  
16 of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article  
18 and excepting appropriations for capital improvements, exceed the esti-  
19 mated rate of growth of the economy of the State as determined by law.  
20 An appropriation in excess of this limit shall not be made unless a  
21 state of emergency is declared to exist, as provided by law. The appro-  
22 priation limit for each of the three years following the declaration of  
23 emergency shall be adjusted equally so that the total appropriations for  
24 the year of the emergency and the succeeding three years do not exceed  
25 the appropriations which could have been made under this section if no  
26 emergency had been declared. The limit on rate of growth of appropria-  
27 tions for each year shall be calculated without regard to a declared  
28 emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by

1 the State in excess of the amount appropriated in compliance with this  
2 article during a fiscal year shall be distributed to the taxpayers of  
3 the State as provided by law. No appropriation is required for a dis-  
4 tribution under this section within the succeeding fiscal year.

5 \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
8 law requiring increased expenditures by a political subdivision shall  
9 become effective unless the legislature has provided that the State pay  
10 the amount of increased cost to the political subdivision.

11 \* Sec. 3. The amendments proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
14 laws of the state.

Introduced: 2/18/80  
Referred: Judiciary and  
Finance

1 IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP,  
KERTTULA AND HACKNEY

2 SENATE JOINT RESOLUTION NO. 52  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate  
16 of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article,  
18 exceed the estimated rate of growth of the economy of the State as  
19 determined by law. An appropriation in excess of this limit shall not  
20 be made unless a state of emergency is declared to exist, as provided by  
21 law. A state of emergency may not be declared if a state of emergency  
22 has been declared within the preceding three years. The appropriation  
23 limit for each of the three years following the declaration of emergency  
24 shall be adjusted equally so that the total appropriations for the year  
25 of the emergency and the succeeding three years do not exceed the appro-  
26 priations which could have been made under this section if no emergency  
27 had been declared. The limit on rate of growth of appropriations for  
28 each year shall be calculated without regard to a declared emergency or  
29 the subsequent three-year adjustment.

1           SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by  
2 the State in excess of the amount appropriated in compliance with this  
3 article during a fiscal year shall be distributed to the taxpayers of  
4 the State as provided by law. No appropriation is required for a dis-  
5 tribution under this section within the succeeding fiscal year.

6       \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
7 adding a new section to read:

8           SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
9 law requiring increased expenditures by a political subdivision shall  
10 become effective unless the legislature has provided that the State pay  
11 the amount of increased cost to the political subdivision.

12       \* Sec. 3. The amendments proposed by this resolution shall be placed  
13 before the voters of the state at the next general election in conformity  
14 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
15 laws of the state.

Introduced: 4/11/80  
Referred: State Affairs

1 IN THE SENATE

BY THE RULES COMMITTEE

2 SENATE BILL NO. 558

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to estimation of the rate of growth of  
7 the Alaska economy; and providing for an effective  
8 date."

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

10 \* Section 1. AS 37.25 is amended by adding a new section to read:

11 Sec. 37.25.030. BASIS FOR ESTIMATED RATE OF GROWTH OF ECONOMY.

12 The estimated rate of growth of the state's economy shall be based on  
13 the projected change in Alaska personal income. Alaska personal income  
14 consists of those sources of income included in the United States De-  
15 partment of Commerce's definition of personal income. Before January 30  
16 of each year the commissioner of commerce and economic development shall  
17 certify to the legislature the projected Alaska personal income for the  
18 following fiscal year, the change from the present fiscal year, and the  
19 percentage of change.

20 \* Sec. 2. This Act takes effect on the effective date of an amendment to  
21 the Constitution of the State of Alaska substantially as proposed in a ver-  
22 sion of Senate Joint Resolution No. 52.

*original submission by chamber*

HOUSE JOINT RESOLUTION NO. \_\_\_\_\_

Section 1. The Constitution of the State of Alaska is amended by adding a new Article to read:

ARTICLE IX (A)

STATE GOVERNMENT SPENDING LIMITATION

SECTION 1. The purpose of this Article is to impose spending limits on the State government which reflect prevailing economic conditions. A liberal construction shall be given to this Article to achieve that purpose.

SECTION 2. As used in this Article and except as expressly otherwise provided herein:

(a) The "appropriations limit" of the State government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 3 and Section 4 of this Article. The "appropriations limit" of the State government for fiscal year 1979 shall be the total appropriations subject to limitation for that fiscal year, exclusive of budget surpluses.

(b) "Appropriations subject to limitation" shall mean any authorization to expend during a fiscal year the proceeds of taxes or other revenues levied and collected by or for the State, other than the following:

- (i) discretionary subventions made pursuant to Sections 5(a)(i)(ii) of this Article;
- (ii) refunds of taxes;
- (iii) benefit payments from retirement, unemployment insurance, and disability insurance funds;
- (iv) constitutional or legislative authorizations for investment of the Permanent Fund;

- (v) loan funds or indebtedness funds, investments (or authorizations to invest) funds of the State, in accounts at banks or savings and loan associations or in liquid securities;
- (vi) debt service;
- (vii) appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year; or
- (viii) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government (exclusive of payments mandated and not paid under the Alaska Native Claims Settlement Act) rendered after adoption of this Article, which, without discretion, require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

(c) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States government; provided, however, that for purposes of Section 3, the change in the Consumer Price Index from the preceding year shall in no event exceed the change in Alaska per capita income from said preceding year as reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(d) "Debt service" shall mean appropriations required to pay the cost of principal, interest, and related charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1980, or on bonded indebtedness thereafter approved according to law.

(e) "Local government" shall mean any entity, district, authority, or other political subdivision of or within the State created pursuant to Article X.

(f) "Net changes" in the Consumer Price Index, population, or Alaska per capita personal income shall equal the mathematical sum of the percentage change in applicable criteria between 1980 and the year in question. The change in the cost of living shall be determined by computing the percentage difference, if any, between the Consumer Price Index figure for 1980 and the Consumer Price Index figure for the year when such adjustment is made. The change in population shall be determined by computing the percentage difference, if any, between the population of the State in 1980 and the population for the year when such adjustment is made. The Alaska per capita personal income shall be substituted for changes in the Consumer Price Index if required by Section 2(c), and shall be determined by computing the percentage difference, if any, between the Alaska per capita personal income for 1980 and the Alaska per capita personal income for the year when such adjustment is made.

(g) "Other revenues" shall mean all money receipts to the State except those receipts from the sale of bonds or receipts of the State which are placed in the Permanent Fund, and private voluntary endowments.

(h) "Permanent Fund" shall mean the Alaska Permanent Fund as authorized and established by Article IX, Section 15.

(i) "Population" shall mean permanent resident individuals of the State and shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States Government.

(j) "Proceeds of taxes" shall include, but not be limited to, the receipts from all taxes imposed by the State of Alaska, subventions from any other government entity, and income therefrom received by the State.

(k) "Subventions" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

SECTION 3. The total annual appropriations subject to limitation of the State government shall not exceed the appropriations limit for the prior year adjusted for net changes in the cost of living and population except as otherwise provided in this Article.

SECTION 4. Revenues received by the State government in excess of that amount which is appropriated by it in compliance with this Article during a fiscal year shall be distributed, pro rata, to the taxpayers of the State within the next fiscal year. The refund due a taxpayer shall equal the product of excess revenues and the ratio of total taxes paid to the State of Alaska by all taxpayers to the taxes paid by that taxpayer receiving a refund.

SECTION 5. The appropriations limit for any fiscal year pursuant to Section 3 shall be adjusted as follows:

(a) If the Legislature or any State agency transfers the financial responsibility of providing services, in whole or in part, from the State government to any local government, or mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention funds for:

(i) legislative mandates defining a new crime or changing an existing definition of a crime; or

(ii) legislative mandates enacted prior to January 1, 1975, or Executive Orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of State government to a private entity, or the financial source for the provision of services is transferred, in

whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the State government, the appropriations limit may be exceeded, provided that the appropriation limits in the following three (3) years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency. No state of emergency may be declared that requires the appropriations limit to be exceeded if a state of emergency has been declared within the preceding three (3) years or if the State government has failed to make the appropriations reduction required by this Section.

SECTION 6. Each entity of State government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust or similar fund as it shall deem reasonable and proper. Excepting contributions to the Permanent Fund, contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes or other revenues, shall, for purposes of this Article, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

SECTION 7. Nothing in this Article shall be construed to impair the ability of the State to meet its obligations with respect to existing or future bonded indebtedness.

SECTION 8. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

SECTION 9. If any appropriations category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause, or phrase of this Article is for any reason held invalid or unconstitutional, the remaining portion shall not be affected but shall remain in full force and effect.

Section 2. The amendment proposed by this Resolution shall be placed before the voters at the next general election in conformity with Article XIII, Section 1, Constitution of the State of Alaska, and the election laws of the State.

become a law, until it shall have been read and passed, on three different days in each House, and shall have received, on its final passage in each House, the assent of a majority of all the members to which that House shall be entitled under this constitution; and shall have been signed by the respective speakers in open session, the fact of such signing to be noted on the Journal; and shall have received the approval of the Governor, or shall have been otherwise passed under the provisions of this constitution.

#### PROPOSED AMENDMENT

A bill shall become law when it has been considered and passed on three different days in each House and on third and final consideration has received the assent of a majority of all the members to which each House is entitled under this Constitution, when the respective speakers have signed the bill with the date of such signing appearing in the Journal, and when the bill has been approved by the Governor or otherwise passed under the provisions of this Constitution.

#### ARTICLE II

**SECTION 24**—Relative to devising a method by which the state of Tennessee reaches a position of making annual appropriations from funds in hand as opposed to appropriations against estimated revenues, with any ceiling provided on appropriations being expressed in some terms other than dollar amounts:

#### EXISTING LANGUAGE

**SECTION 24.** Appropriations of public moneys.—No money shall be drawn from the treasury but in consequence of appropriations made by law; and an accurate statement of the receipts and expenditures of the public money shall be attached to and published with the laws at the rise of each stated session of the General Assembly:

#### PROPOSED AMENDMENT

**SECTION 24.** Appropriation of public moneys.—No public money shall be expended except pursuant to appropriations made by law. Expenditures for any fiscal year shall not exceed the state's revenues and reserves, including the proceeds of any debt obligation, for that year. No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be authorized for the current operation of any state service or program.

State spending  
(1978)

TENNESSEE

nor shall the proceeds of any debt obligation be expended for a purpose other than that for which it was authorized.

In no year shall the rate of growth of appropriations from state tax revenues exceed the estimated rate of growth of the state's economy as determined by law. No appropriation in excess of this limitation shall be made unless the General Assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the limit will be exceeded.

Any law requiring the expenditure of state funds shall be null and void unless, during the session in which the act receives final passage, an appropriation is made for the estimated first year's funding.

No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.

An accurate financial statement of the state's fiscal condition shall be published annually.

### ARTICLE III

#### SECTION 4—Relative to the governor's term of service

##### EXISTING LANGUAGE

~~SECTION 4. Governor's term of service.—The Governor hereafter elected shall hold office for four years, and until his successor shall be elected and qualified. One succeeding to the vacated office during the first eighteen calendar months of such term shall hold office until his successor to such vacated office is elected at the following election for members of the General Assembly and qualified for the remainder of the term, as provided in Section 2 of this Article and Section 3 of Article II; and one succeeding to said vacated office subsequent to the first eighteen months of the term shall continue to hold office for the remainder of the full term. No Governor elected and qualified for a four year term shall be eligible for the succeeding term. [As Amended: Adopted in Convention May 19, 1953; Approved at election November 3, 1953; Proclaimed by Governor November 19, 1953.]~~

##### PROPOSED AMENDMENT

~~SECTION 4. Governor's term.—The Governor shall be elected to hold office for four years and until a successor is elected and qualified. A person may be eligible to succeed in office for additional four-year terms, provided that no person~~

## 9-617 — 9-620. [Reserved.]

9-621. **Basis for estimated rate of growth of economy.** — The estimated rate of growth of the state's economy shall be based upon the projected change in Tennessee personal income. Tennessee personal income shall consist of those sources of income included in the United States department of commerce's definition of personal income. [Acts 1979, ch. 408, § 1.]

**Effective Dates.** Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-622. **Reports of estimated rate of growth of economy — Duties of state funding board.** — (a) At least once each year, and whenever requested to do so by the commissioner of finance and administration or by the joint request of the chairmen of the finance, ways and means committees of the senate and house of representatives, the state funding board shall secure from the Tennessee econometric model a report of the estimated rate of growth of the state's economy. Such report shall include the major assumptions and the methodology used in arriving at such estimate.

(b) Upon receiving the report specified in subsection (a), the state funding board shall make comments relating to the reasonableness of the estimate including any different estimate the board deems necessary.

The board shall also enclose a list identifying state tax revenue sources and nontax revenue sources, approved by the attorney general. The department of finance and administration shall provide to the board revenue estimates for each source.

(c) In the event data from Tennessee econometric model is unavailable, the funding board, after consulting with the finance, ways and means committees of the senate and house of representatives shall obtain and/or prepare a report of the estimated rate of growth of the state's economy.

(d) The reports specified in subsections (a), (b) and (c) shall be forwarded to the commissioner of finance and administration and to each member of the general assembly, after review and definitive comment by the finance, ways and means committees of the senate and house of representatives. [Acts 1979, ch. 408, § 2.]

**Effective Dates.** Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-623. **Governor's budget document — Bill to permit appropriation to exceed economic index.** — (a)(1) The budget document presented by the governor to the general assembly shall include a statement or summary showing projected Tennessee personal income for the calendar year in progress, estimated Tennessee personal income for the latest completed calendar year, 1977 Tennessee personal income, and a recommended economic index for the calendar year in progress and for the latest

completed calendar year, estimate by 1977 Tennessee one hundred (100), plus recommended economic index from state tax revenues adjusted economic index calculations of the recom

(2) The budget document statement or summary of revenues for the ensuing recommended such as 1977-78 fiscal year and recommended appropriate fiscal year and for the fiscal year dividing each year's estimate from state tax revenues

(b) In any year in which revenues index exceeds part of the financial plan law, shall submit a bill to the general assembly to permit the index to exceed the economic amount by which the economic ch. 408, § 3.]

**Compiler's Notes.** Section ch. 408 provided: "The provisions shall not apply until fiscal year the commissioner of administration shall, in consultation with the chairmen of the finance, ways and means committees of the senate and house of representatives"

9-624. **Indexes to be appropriations not to exceed of growth of appropriate in the state's economy shall be enacted as required Constitution of the state used:**

(1) Economic index Tennessee personal income hundred (100) each time estimated rate of change approve revisions to the one hundred (100) shall personal income for each with the Tennessee personal

completed calendar year, such index to be calculated by dividing each year's estimate by 1977 Tennessee personal income and multiplying the results by one hundred (100), provided, however, that in no year shall the recommended economic index exceed the recommended appropriations from state tax revenues index by more than five percent (5%), and such adjusted economic index shall become the base for subsequent years' calculations of the recommended economic index.

(2) The budget document presented by the governor shall also include a statement or summary showing recommended appropriations from state tax revenues for the ensuing fiscal year, actual such appropriations plus recommended such appropriations for the fiscal year in progress, the 1977-78 fiscal year appropriations from state tax revenues, and a recommended appropriation from state tax revenues index for the ensuing fiscal year and for the fiscal year in progress, such index to be calculated by dividing each year's estimate by fiscal year 1977-78 actual appropriations from state tax revenues and multiplying the results by one hundred (100).

(b) In any year in which the recommended appropriations from state tax revenues index exceeds the recommended economic index, the governor, as part of the financial plan submitted to the general assembly as required by law, shall submit a bill or bills for introduction in both houses of the general assembly to permit the recommended appropriation from state tax revenues index to exceed the economic index. Such bill shall state the rate and amount by which the economic index is proposed to be exceeded. [Acts 1979, ch. 408, § 3.]

Compiler's Notes. Section 5 of Acts 1979, ch. 408 provided: "The provisions of Section 3 shall not apply until fiscal year 1979-80, but the commissioner of finance and administration shall, in consultation with the chairmen of the finance, ways and means

committees of the senate and house of representatives, provide a report which furnishes the information required by § 3." Effective Dates. Acts 1979, ch. 408, § 6. May 31, 1979.

9-624. Indexes to be used in comparing rates of growth — Index of appropriations not to exceed economic index. — (a) In comparing the rate of growth of appropriations from state tax revenues with the rate of growth in the state's economy for the purpose of determining if a separate law shall be enacted as required by the second paragraph of article II, § 24 of the Constitution of the state of Tennessee, the following two (2) indexes shall be used:

(1) Economic index shall be that factor obtained by considering 1977 Tennessee personal income as one hundred (100) and adjusting the one hundred (100) each time the general assembly by law shall approve an estimated rate of change in the state's economy. The general assembly may approve revisions to the estimated rate of change in the state's economy. The one hundred (100) shall be adjusted by the percentage change of Tennessee personal income for each year for which estimates are approved compared with the Tennessee personal income for calendar year 1977, provided,

however, that in no year shall the economic index exceed the index of appropriations from state tax revenues, as calculated in subsection (a)(2) of this section, by more than five percent (5%) and the adjusted economic index shall become the base for subsequent years' calculations of the economic index.

(2) The index of appropriations from state tax revenues shall be that factor obtained by considering fiscal year 1977-78 appropriations from state tax revenues as one hundred (100) and adjusting the one hundred (100) for the total appropriation from state tax revenues the general assembly makes for any given fiscal year, including an estimate of such appropriations which are not for a specific sum of money. The one hundred (100) shall be adjusted by such estimated percentage change of appropriation from state tax revenues from fiscal year 1977-78 for each year for which such appropriations are made.

(b) In no fiscal year shall the index of appropriations from state tax revenues exceed the economic index for the comparable year or period unless the general assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the economic index will be exceeded. Comparable year or period shall consist of any calendar year for the economic index and the corresponding fiscal year which begins during that calendar year. [Acts 1979, ch. 408, § 4.]

Effective Dates. Acts 1979, ch. 408, § 6.  
May 31, 1979.

9-625 — 9-630. [Reserved.]

9-631. Statutes providing base apportionment for determining additional state revenues. — Funds apportioned as state-shared taxes to county and municipal governments for any fiscal year under authority of the following statutes shall provide the base apportionment for the purpose of determining the availability of additional state revenues to meet the requirement of article II, § 24, of the Constitution of Tennessee that the state share in the cost of any law of general application imposing increased expenditure requirements on cities and counties:

(1) Retailers' sales tax, as authorized by chapter 30 of title 67 and apportioned by § 67-3047.

(2) Gross receipts taxes, such portions as are authorized as payments to the state from the Tennessee Valley Authority under section 13 of the act of congress creating the authority, as amended, and apportioned under §§ 67-2401(b) and 67-2402(a).

(3) Income tax on dividends and interest, as authorized by chapter 26 of title 67 and apportioned by § 67-2633.

(4) Special privilege tax on beer, as authorized by chapter 2 of title 57 and apportioned by § 57-217.

(5) Gross receipts tax on sales, as authorized by chapter 2 of title 57, and  
(6) Tax on sales, as authorized by chapter 2 of title 57, and

Compiler's Notes.  
Tennessee Valley Authority  
referred to in subdivision  
16 U.S.C. § 8311.  
Effective Dates. Acts 1979,  
June 5, 1979.

9-632. Governmental expenditures. — Amount of increase in expenditures for fiscal year 1980-81 shall be apportioned to general assembly and municipalities in the same proportion as the amount of increase in expenditures for the previous year. A list of the amount of increase shall be available to all municipal governments as required to fund their operations at the discretion of the general assembly, that expenditures are provided, however, that not more than fifty thousand dollars of funds shall be apportioned from the state for the same session.

Effective Dates. Acts 1979,  
June 5, 1979.

9-633. List of expenditures. — Report of the general assembly of the general assembly and administrative committees adopted and incorporated within the Constitution shall include costs attributed to the committee, and any amendments.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

2  
1-5  
2

FY 79 APPROPRIATIONS SUMMARY

	<u>Passed by the Legislature</u>			<u>Signed by the Governor</u>	
	<u>General Fund</u>	<u>Total</u>	<u>Vetoed General Fund</u>	<u>General Fund</u>	<u>Total</u>
General Appropriations Act					
Operating (1)	\$877,629,600	\$1,158,639,400	\$17,315,200	\$860,314,400	<sup>75%</sup> \$1,141,255,500
New Legislation (2)	29,704,500	33,237,300	9,365,400	20,339,100	23,814,500
Capital	40,312,700	370,192,400	16,820,600	23,492,100	<sup>23%</sup> 353,014,400
TOTAL:	\$947,646,800	\$1,562,069,100	\$43,501,200	\$904,145,600	\$1,518,084,000
Special Appropriation Acts (3)	<u>188,475,849</u>	<u>218,405,549</u>	<u>20,961,436</u>	<u>167,514,413</u>	<u>197,444,133</u>
GRAND TOTAL:	\$1,136,122,649	\$1,780,474,649	\$64,462,636	\$1,071,660,013	\$1,715,528,513

- (1) The operating figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect full year funding for the Department of Transportation instead of three-quarters of a year contained in the General Appropriations Act.
- (2) The new legislation figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect reductions resulting from the failure of certain measures to pass or failure of their substance to be incorporated in some other measure.
- (3) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1978 legislative session and enacted into law.

*including bonds + new leg,  
Capital could range from  
25% to*

BOND AUTHORIZATIONS

General Obligation Bonds	\$1,241,000,000
Revenue Bonds	329,400,000
TOTAL:	\$1,570,400,000

FY 80 APPROPRIATIONS SUMMARY

	<u>Enacted into Law</u>		<u>Assumed Full Funding</u>	
	<u>General Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Total</u>
General Appropriations Act				
Operating (1) (2)	\$915,278,168	\$1,258,000,559	\$952,548,900	\$1,300,637,600 <sup>27%</sup>
New Legislation	3,081,800	3,425,700	3,081,800	3,425,700
Capital	86,802,200	192,113,100	86,802,200	13% 192,113,100
TOTAL	\$1,005,162,168	\$1,453,539,359	\$1,042,432,900	\$1,496,176,400
Special Appropriations Acts (3)	19,887,559	20,795,559	19,887,559	20,795,559
GRAND TOTAL	\$1,025,049,727	\$1,474,334,918	\$1,062,320,459	\$1,516,971,959

- (1) The operating figures in "assumed full funding" differ from the figures as passed by the Legislature in that they reflect full year funding for the Natural Resources, Administration of Justice, Transportation and General Government categories instead of partial year funding as contained in the General Appropriations Act:
- (2) The single numeric item veto from this year's legislation was the veto of the reduction of an amount in Section 15 of the General Appropriations Act (Chapter 80, SLA 1979). The net effect of this veto was to increase General Fund appropriations by \$265,000, the amount originally reappropriated in subsection (b) of Section 15.
- (3) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1979 legislative session and enacted into law.

*Including bonds & new leg,  
Capital - could range from  
13% to 22%*

REVENUE BOND AUTHORIZATIONS

Alaska Power Authority	\$140,000,000
Fairbanks Int'l Airport	<u>8,500,000</u>
TOTAL	\$148,500,000

TABLE I

FY 81 GENERAL FUND OPERATING & CAPITAL BUDGETS  
(\$ MILLIONS)

Operating		\$1,186.6
New Legislation	\$ 306.6	
Less: Income Tax Refund	(90.2)	
Permanent Fund Dividends	<u>(129.3)</u>	
		87.1
Miscellaneous Front Sections Ch. 120		<u>8.3</u>
Total Operating		\$1,282.0
Capital	367.4	
Less: Native Claims	<u>(292.6)</u>	
		72.1
Special appropriations	1,374.7	
Less: Permanent Fund	( 900.0)	
General Fund Reserve	( 350.0)	
Fish Processing Loan		
Guarantee	<u>( 60.0)</u>	
		64.7
Loan Funds	696.3	
Less: Illiquid Assets	<u>( 452.0)</u>	
		244.3
HB 60		<u>580.8</u>
Total Capital		<u>961.9</u>
Total Operating & Capital		\$2,243.9
Plus: Renewable Resources		<u>125.0</u>
Total Budget		\$2,368.9
Less: HB 60		<u>(580.8)</u>
Total Budget excluding HB 60		\$1,788.1

Source: "FY 81 Free Conference Committee Report -  
Summary of Appropriations"

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU 99801

### COMPARISON OF GENERAL APPROPRIATIONS ACT APPROPRIATIONS GENERAL FUND

The following table shows the fiscal year-to-year dollar and percentage increase (decrease) in General Fund appropriations contained in the General Appropriations Acts.

<u>Fiscal Year</u>	<i>GENERAL FUND APPROPRIATIONS</i>			<u>Year-to-Year Increase/Decrease</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>		
1960	\$28,126,346	\$ 3,137,988	\$ 31,264,334	\$ 14,521,984	46.48
1961	37,795,908	7,990,410	45,786,318	7,150,107	15.6
1962	46,151,097	6,785,328	52,936,425	11,611,855	21.9
1963	57,713,070	6,835,210	64,548,280	14,548,450	22.5
1964	70,942,330	8,154,400	79,096,730	(3,750,355)	-4.7
1965	74,397,375	949,000	75,346,375	10,777,625	14.3
1966	84,120,600	2,003,400	86,124,000	7,678,250	8.9
1967	92,503,800	1,298,450	93,802,250	10,003,650	10.7
1968	101,997,200	1,808,700	103,805,900	20,299,300	19.6
1969	121,834,600	2,270,600	124,105,200	29,987,400	24.2
1970	152,076,000	2,016,600	154,092,600	160,027,900	103.9

COMPARISON OF GENERAL APPROPRIATIONS ACT APPROPRIATIONS -  
 GENERAL FUND

PAGE 2

Fiscal Year	GENERAL FUND APPROPRIATIONS			Year-to-Year Increase/Decrease	
	Operating	Capital	Total		
1971	\$252,966,400	\$61,154,100	\$314,120,500	\$( 22,016,500)	-7.0
1972	283,683,000	8,421,000	292,104,000	38,302,000	13.1
1973	318,771,100	11,634,900	330,406,000	22,577,000	6.8
1974	345,462,400	7,520,600	352,983,000	104,001,200	29.5
1975	444,575,100	12,409,100	456,984,200	96,579,800	21.1
1976	537,346,300	16,217,700	553,564,000	125,625,300	22.7
1977	668,278,100	10,911,200	679,189,300	118,570,600	17.5
1978	768,009,800	29,750,100	797,759,900	106,385,700	13.3
1979	880,653,500	23,492,100	904,145,600	138,287,300	15.3
1980	955,630,700	86,802,200	1,042,432,900	818,209,300	78.5
1981	1,493,207,800	367,434,400	1,860,642,200		

FY 80 APPROPRIATIONS SUMMARY

	<u>Enacted into Law</u>		<u>Assumed Full Funding</u>	
	<u>General Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Total</u>
General Appropriations Act				
Operating (1) (2)	\$915,278,168	\$1,258,000,559	\$952,548,900	\$1,300,637,600
New Legislation	3,081,800	3,425,700	3,081,800	3,425,700
Capital	<u>86,802,200</u>	<u>192,113,100</u>	<u>86,802,200</u>	<u>192,113,100</u>
TOTAL	\$1,005,162,168	\$1,453,539,359	\$1,042,432,900	\$1,496,176,400
Special Appropriations Acts (3)	<u>19,887,559</u>	<u>20,795,559</u>	<u>19,887,559</u>	<u>20,795,559</u>
GRAND TOTAL	\$1,025,049,727	\$1,474,334,918	\$1,062,320,459	\$1,516,971,959

- (1) The operating figures in "assumed full funding" differ from the figures as passed by the Legislature in that they reflect full year funding for the Natural Resources, Administration of Justice, Transportation and General Government categories instead of partial year funding as contained in the General Appropriations Act.
- (2) The single numeric item veto from this year's legislation was the veto of the reduction of an amount in Section 15 of the General Appropriations Act (Chapter 80, SLA 1979). The net effect of this veto was to increase General Fund appropriations by \$265,000, the amount originally reappropriated in subsection (b) of Section 15.
- (3) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1979 legislative session and enacted into law.

REVENUE BOND AUTHORIZATIONS

Alaska Power Authority	\$140,000,000
Fairbanks Int'l Airport	<u>8,500,000</u>
TOTAL	\$148,500,000

FY 79 APPROPRIATIONS SUMMARY

	<u>Passed by the Legislature</u>			<u>Signed by the Governor</u>	
	<u>General Fund</u>	<u>Total</u>	<u>Vetoes General Fund</u>	<u>General Fund</u>	<u>Total</u>
General Appropriations Act					
Operating <sup>(1)</sup>	\$877,629,600	\$1,158,639,400	\$17,315,200	\$860,314,400	\$1,141,255,500
New Legislation <sup>(2)</sup>	29,704,500	33,237,300	9,365,400	20,339,100	23,814,500
Capital	40,312,700	370,192,400	16,820,600	23,492,100	353,014,400
TOTAL:	\$947,646,800	\$1,562,069,100	\$43,501,200	\$904,145,600	\$1,518,084,000
Special Appropriation Acts <sup>(3)</sup>	<u>188,475,849</u>	<u>218,405,549</u>	<u>20,961,436</u>	<u>167,514,413</u>	<u>197,444,133</u>
GRAND TOTAL:	\$1,136,122,649	\$1,780,474,649	\$64,462,636	\$1,071,660,013	\$1,715,528,513

- (1) The operating figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect full year funding for the Department of Transportation instead of three-quarters of a year contained in the General Appropriations Act.
- (2) The new legislation figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect reductions resulting from the failure of certain measures to pass or failure of their substance to be incorporated in some other measure.
- (3) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1978 legislative session and enacted into law.

BOND AUTHORIZATIONS

General Obligation Bonds	\$1,241,000,000
Revenue Bonds	<u>329,400,000</u>
TOTAL:	\$1,570,400,000

FY 81 APPROPRIATIONS SUMMARY

<u>APPROPRIATION CATEGORY</u>	<u>APPROPRIATED BY THE LEGISLATURE</u> <u>GENERAL FUND</u>	<u>TOTAL</u>	<u>ENACTED (Less Governor's Vetoes)</u> <u>GENERAL FUND</u>	<u>TOTAL</u>
General Appropriations Act				
Operating	\$1,192,252,852	\$1,575,260,652	\$1,186,634,200	\$1,569,398,800
New Legislation	314,704,600	317,208,500	306,573,600	308,900,000
Capital	374,849,300	832,210,300	367,434,400	779,655,100
	<u>1,881,806,752</u>	<u>2,724,679,452</u>	<u>1,860,642,200</u>	<u>2,657,953,900</u>
Loan Funds (Secs. 1-13)	699,335,000	699,335,000	696,335,000	696,335,000
Misc. Front Sections (14-49)	8,304,000	24,291,000	8,304,000	8,304,000
TOTAL	<u>\$2,589,445,752</u>	<u>\$3,448,305,452</u>	<u>\$2,565,281,200</u>	<u>\$3,362,592,900</u>
Special Appropriations (See (1) below)	<u>\$1,385,497,923</u>	<u>\$1,447,028,923</u>	<u>\$1,374,738,231</u>	<u>\$1,428,084,231</u>
GRAND TOTAL	<u>\$3,974,943,675</u>	<u>\$4,895,334,375</u>	<u>\$3,940,019,431</u>	<u>\$4,790,677,131</u>

(1) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1980 legislative session and enacted into law.

BOND MEASURES

General Obligation Bonds	\$328,500,000
Alaska Power Authority Revenue Bonds	\$358,890,000

FY 78 APPROPRIATIONS SUMMARY

	<u>Passed by the Legislature</u>		<u>Difference Gen. Fund</u>	<u>Signed by the Governor</u>	
	<u>General Fund</u>	<u>Total</u>		<u>General Fund</u>	<u>Total</u>
General Appropriations Act					
Operating	\$761,631,100	\$1,017,969,800	(\$ 5,714,400)	\$755,916,700	\$1,012,252,000
New Legislation <sup>(1)</sup>	14,687,900	17,090,700	( 2,594,800)	12,093,100	14,042,900
Capital	<u>47,492,100</u>	<u>75,276,800</u>	<u>( 17,742,000)</u>	<u>29,750,100</u>	<u>57,516,800</u>
TOTAL:	\$823,811,100	\$1,110,337,300	(\$26,051,200)	\$797,759,900	\$1,083,811,700
Special Appropriation Acts <sup>(2)</sup>	<u>\$ 27,255,500</u>	<u>\$ 27,255,500</u>	<u>(\$ 5,908,400)</u>	<u>\$ 21,347,100</u>	<u>\$ 21,347,100</u>
GRAND TOTAL:	\$851,066,600	\$1,137,592,800	(\$31,959,600)	\$819,107,000	\$1,105,158,800

(1) The final figures differ from the figures as passed by the Legislature in that they reflect reductions resulting from the failure of certain legislation to pass.

(2) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1977 legislative session and enacted into law.

The appropriations passed by the Legislature were based upon the following assumptions:

\$652.7 million would be the general fund balance available for appropriation as of 7/1/77 (Executive Budget fiscal 1978, Budget & Management, page 6).

\$854.0 million would be the anticipated general fund revenues available for appropriation during fiscal year 1978 (Revenue Sources FY 76 - 78, Department of Revenue, pages 18 & 19).

6/22 FCC SJR 4

T. Miller - missed 5 min.

Specificity of language

Freeman - way out for single approp.  
part cap in base

p + i on CeOBs

T.M. Freeman amend better in that can  
pay cash instead of orig version of only  
CeOB

Gov 2/3 of ea & voter approval

vs. oral's Gov + 2/3 of ea

Gov vs people

single project to avoid logrolling

Price - base: op., cap.

loans - market rate lang. ?

Pau beler - " " for ea. loan

✓ prime (not necessarily)

~~det FM on oral's~~ & base, capital at risk &

diff. mechanism. Treat loans - subsidy  
should be appropriated. Probe w/ "state  
of emergency" language as loophole  
pop & inflation - abuse of statutory lang.

O'C use F1 80 base

Gov & Legial 2/3 plus more to go to  
voters after 2/3 of ea #

⑤ Money: Money - per capita?

Freeman + O'C all cap v of in  
bottle but prob when there is some  
outside which reduces pressure

TM either Gov's or Orol's ok

Oral - under normal circumstances, wouldn't  
rest that much power in Gov - but then  
diff.

Court orders Freeman not just medicine

Collette - capital

\$128 = debt service p+r

25% add. demand outside for gov or cap. <sup>sup</sup>

Money in Trust - \$ fr. others? & endorsement?

doesn't mean own money in trust

TM but does mean fed \$ & international  
revenues

Freeman & others - overdoing loans now

Williams - for loans of comparable term

Market rates similar term

investment for comparable risk

Rhode - nationally competitive

rates for similar investments

or "market" as local market

"market" allows greatest latitude

belir - for non-traditional might have to

use gov or PF

- agree
1. perm. fund
  2. debt serv. p + i
  3. loans
  4. cap < preference or mechanism - Gov
  5. emerg/disaster

3) Doogan - loans at no other market & loans that are marketable & w/s interest acceptable to borrowers. for 1st "subsidy" not appropriate - but opportunity cost is - peg it to gfs & then the impulse is to lag roll to change that, AS.

Freeman - get competition under the limit, we're all ag. The other. Too many exceptions & not effective.

Emergency vs Disaster Freeman - emergency statute should be done quick. Both disaster/catastrophe

Disaster = lighter legal language.

TM. To meet a state of disaster decl. by Gov

TM cum. of infl & pap since a date & up

new disaster lang.

comm. lang as cap.

Freeman - incl. cap. in base

\$2.0 = base plus 13%

\$1.8 op

loans

debt serv.

cap

~~HR 29  
Fiscal Note  
\$500,000  
Change~~

4) Freeman \$ plus =  
\$2.6 in '82  
~~2.5~~

TM - # is close,  
except for loan capitaliz.

Doogan - \$1.9 PF & debt serv.  
MINUS

Rhode - pre pay or year by  
year subsidy = sub loophole. ~~Can~~ TM -  
const. can bind the legisl. to come up  
w/ the subsidy fr. the limit.

Rubler - approx. full amount up front

Rhode - subsidy would vary yr by yr -

Rubler - loan would be at fixed rate &  
∴ opportunity cost identifiable.

PF DIV under cap

\$ for loans should compete w/ cap & op - ~~Freeman~~  
under the lid. ~~now.~~

TM on gfd lending - Comm can lend for  
various purposes & maximize return to  
st. i.e. lend, less than market fr. speed  
limit. Williams - can't leverage then

Rubler - cannot appropriate fr. under the lid

Rhode - legisl allowed leverage of funds before

Doogan - gfd - old system. Last yr. Legist. AS →  
prevent entire fr. "appropriately" & leverage of  
yield of loans

TM - need lang. to prevent the loophole  
& ∴ Gov's lang. closes the loophole

5). <sup>agreement</sup> law shall cause any unapp. below  
Freeman: long re investment of unapprop.  
\$ at (nationally) competitive rates

(∴ subsidy must be appropriated)

TM: would absence of long re retroactively  
prohibit legal action?

Doogan - loans are pt of cap or op budget.

O'C - if Freeman lang,

Williams P F - only use income stream  
vs Freeman language where the  
capital would be available

TM re indent language vs on  
different points.

Legal except to meet a state  
of disaster as decl by the  
gov

since July 1980

1) national <sup>inflation</sup> rate + it's pop. change  
approx index of      price  
increase + it's pop change

2) amt of prec yr

3) market rate  
funds which serve only to produce  
income

call Tom

ROD

go to Berrier

130

Ron helter

why this  
why not Gold

FCC rules 9/23

cap GOB but tight voter approval

Gov's prerog - limit discretion  
of legisl

need change in balance  
allocation of 2/3 of plan  
is unlikely. Meritorious  
projects only. Reg. appropriate  
- not voters - or Gov - Not change const. app.

2 b - loans, cap etc  
competing

"single cap approp" = not multi item  
bill. Make it tougher. Ex hydro  
package (not swan)

single item of app. for a single  
purpose single type of project

disc: go thru one project. Probs of logrolling. Voter  
approval as a ratification mechanism.

bdg bond type bill

Loans investing at <sup>competitive</sup> market rate  
language - means loans  
can be made + subsidy  
comes fr. Fed.

Subsidy approp means  
a limit on capitalization

"below market rate subsidy"  
language for noncapital  
of approp.

\* if no market, use of  
gfs as rate for val of  
opportunity cost

1. approp. subsidy diff.  
2) gfs could be invested at comp  
market rate, no rare vehicle -  
but any subsidy fr. cap

shall be invested so as  
to yield to the Treasury a  
competitive market rate  
ie subsidy approp fr. cap

Court orders - out

formula - not led in cost - use in  
law

base - preceding year

led = more conservative

want to pop & inflation  
change

no endowments

single type of project - not 1  
done but not all capital  
improvements

Transportation - no  
only docks or ferries &  
roads

to Comm Report - insert sds,  
but not ferries etc as diff  
types. VOTER pamphlet

Investment of funds -  
could lend at market  
or approp subsidy so  
that if's brought  
up to market rate  
sub-market, subsidy approp.

state \$ - fr. The Treasury  
discretionary funds - inc.  
but not categorical fed funds  
approp fr. The Treasury for raising w/  
trust.

Loans by FHFA return handles w/ authority vs.  
emergency loan loan prop. return to fr. Treasury loans funded  
by approp. - Don't address except by AS re  
earnings of revolving loan funds

If Treasury lends, \$ returns to  
Gf Only independent authorities  
are a problem

FGE STR4

6/23

Rev. 1979

before gap + w/f. est.

\$ 2.550 for 1980

operating 1.750

new legal 100

leave 500

capital 200

~~leave~~ 200  
500 capital

high  
cost

Other capital with cap; unlimited

banding w/ + i allocate cap,

or Gov proposes additional bill

for each type w/ extra. majority

for "con course unapproved" done

then mean Gov set up own programs?

"Do" - Gov suggest appropriations but

not want get Gov's power

Some said "yes"

Require - legal. Gov write law w/ no Gov,

Gov will do it

Fisher agreed.

After Gov's power under capital

skipping laws. Is it acceptable to

give that much power to the Gov?

2) Freeman - sort of like LBA -  
Gov comes, legist. goes up or down.  
Any other way has evil & abuses  
- w/o restraint on the Legislature  
Fischer

2) Freeman - probs of deciding FH -  
put in \$  
total 1.679  
- 100 debt serv.  
of 1.5 79 dollars

3.06 for '81

Heena Kelly - on formula

Freeman - on const. language  
- conform to style

O'C - projection + of  
of formula -  
if in place now?

O'C - pro Freeman "by law" on  
formula

Kelly - pro Senate

Collette - allow Fed + local  
st. conditions

call series re the "formula"

Diff later bills

8<sup>00</sup> tonight -

Freeman -

6/22  
FCC

Behr - amend Sec 17  
money approp 2/3 etc

add: vltos are provided by law  
have been informed of the  
operation + maintenance  
costs

~~Montgomery~~ - differences  
to base

Arline ap 1.825  
newly 100 m  
loan 500  
cap 275

floor = 7483

Need to define base

Arline: what is % of H version?

Freeman - l. 16 1980 FY

3) Kelly - use \$ base

Arkes - send p+i article

Freeman - exceptions

1. pf
2. p+i on 900
3. & court orders

add

Colletta/O'C - put emergency to cover  
Kootenai type

Kelly - but put it in eventually

Marking - single vs continuity  
or

Arkes 4. capital?

Freeman - prob. area 'FY80 = 9d situation

some way by retrod. vote & Gov

appraisal next contingency of needed  
big project

op budget is big prob

cap = 1 shot

sep. op + cap

but people means delays

danger in public not supporting of too  
far out

Colletta: 25% of approp. Capital  
buy re court order

A) P.L., rel. charges subway charges.  
on q60

ie St Chamber lang.

freeman - danger of too tight

Arline - locus

6/24 10:45 AM

FCC STR 4

Orliss: explain indent bill

1. figure instead of hd for billion
2. period 79. delete except that & capitalize I
3. indent letter

Matt Gensy - recind action moved.

Caucus won't go for it due to trouble w/ the capital section

O'C - recind rather than discharge committee

Kelly - not wide open

Caldero - ok to recind for harmony. except STR 4 as originally introduced.

Orliss - wants spending limit on operation & capital. Will accept motion but will not

accept something that is  
not on op & capital.

To disband wouldn't  
be productive

OIC - reason success wait  
accept is fear of uncontrolled  
growth of op in opposite  
to capital. Capital too constrained.

Greenan - yesterday's bill was  
a good compromise. Looser  
than success would be.

To discharge is to have no spending  
limit this year.

Monty - wants progress

Collette - how w op allowed to expand  
Allocation is legal prerogative

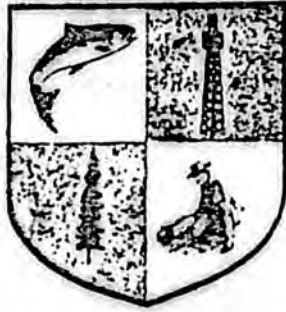
T. Miller - reasonable accommodations  
but real limit + this year

Collette - 2 proposals?

Greenan - general base, anything ~~but~~ <sup>more</sup>  
but a limit

Collette

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT



# STATE CHAMBER of COMMERCE

310 Second Street

Juneau, Alaska 99801

Phone 586-2323

January 5, 1981

## 1981 LEGISLATIVE GOALS OF THE ALASKA STATE CHAMBER OF COMMERCE

### STATE SPENDING LIMIT, TAX RELIEF, BONDING

1. Limit state spending as proposed in the Alaska State Chamber of Commerce's current initiative by establishing Fiscal Year 1981 as the base year and tying future expenditures to population and per capita income.
2. Exempt the first \$250,000 in taxable corporate profits for all Alaskan corporations.
3. Eliminate future bonding and support capital improvements from the general fund as long as revenues are available. Require all projects over one million dollars to have voter approval so as to create public awareness.
4. Increase state revenue sharing to municipalities to cut or end property taxes.
5. Conduct comprehensive review of all oil and gas taxes, including a study of the windfall tax exemption for oil and gas companies.

### ECONOMIC DEVELOPMENT GOALS

1. Establish a permanent power fund for statewide power projects.
2. Appropriate funds for electrical grid interties to stabilize power supplies statewide.
3. Support state encouragement for petrochemical industry development in Alaska.
4. Implement long term sales of state royalty oil and gas at prevailing rates to supply in-state refineries at maximum capacity.
5. Support full public use of the state highway from the Yukon River to Dietrich Pass (commonly called the "haul road") effective June 1, 1981. Support immediate action to provide adequate funding to bring this highway up to secondary road standards and properly maintained for the full length of the highway. Paving of this entire highway as soon as possible is in the best public interest.

(continued)

6. Recommends that integrated policy boards be established to administer the International Airport Revenue Fund composed of a majority of private business interests with the authority and responsibility to provide technical and policy direction in the development, planning, and operation of the airports to the Department of Transportation and Public Facilities. Further, that a comprehensive capital improvements program be established and funded through the general fund to support the facilities necessary for current demands as well as latent potential.
7. Endorse accelerated coal development in Alaska.
8. Propose the Department of Natural Resources rewrite state regulations to encourage timber, petroleum and mining development.
9. Request a rewrite of the U. S. Interior Department regulations to allow tourism, mineral, and oil exploration on national monuments.
10. Urge the state take a firm stand to encourage all possible domestic manufacture of forest products from public lands. Exceptions to primary manufacture should only be made when it can be clearly shown through the hearing process there are no possible domestic markets.

#### LABOR LEGISLATION

Encouraged by the preliminary work of the legislature's Workers' Compensation Study Commission, we support their efforts to improve the administration of the system and make the compensation program more competitive.

The Chamber further believes that their recommendations must also encourage realistic benefit revisions necessary to restore the incentive for injured workers to return to productive employment and to remove the excesses in employers workers' compensation costs.

#### GENERAL LEGISLATION

1. Institute a national campaign to improve Alaska's image and boost Alaska tourism.
2. Develop without delay a ten year capital improvement plan
3. Increase vocational training at the University of Alaska.
4. Abolish the Alaska Public Offices Commission.
5. Encourage state government to assist and support private enterprise in meeting the needs of the public. We further encourage state government to provide direct services only when it has been proven that private enterprise cannot fill the needs of the public.
6. Recommend the Alaska Renewable Resources Corporation be limited to equity or venture capital investment and grants, not loans in connection with equity capital investments. Allow not just renewable, but also non-renewable equity participation. The investment agreement should be more specific in the buy-out option (Example - Salamontof Seafood problem). ARRC should develop a banker-borrower relationship, not be both.

WHEREAS during the 1980's, Alaska faces the dual challenge of either the precipitous decline of revenue, or the possibility of new resource production and a continuing high volume of revenue; and . . .

WHEREAS either of the above cases requires the state to mobilize substantial restraint to control the rate of state spending and thus the burgeoning size of state bureaucracy and governmental influence; and . . .

WHEREAS governmental spending has grown to higher levels in Alaska than any other state in the nation using virtually any standard of comparison, including: per capita costs of the state legislature, per capita number of full-time state employees, rate of growth of government employment, rate of government salary increases, per capita costs of state government in general; and . . .

WHEREAS public support for statutory limits on state spending has been demonstrated by public opinion polls; and . . .

WHEREAS some legislative leaders and the state administration have shown support of a limit on state spending; and . . .

WHEREAS numerous public and civic organizations throughout Alaska have endorsed the need for controlling state spending; and . . .

WHEREAS the level of service established by state government in FY 1981 is considered adequate for our citizens' needs, and that year is appropriate to serve as the base year upon which to establish future budget limits;

NOW THEREFORE be it resolved that the Alaska State Chamber of Commerce endorses the concept of a limitation on government growth in statutory if not constitutional form; and . . .

BE IT FURTHER RESOLVED that the attached initiative is endorsed as an appropriate first step toward establishing a control on the growth of Alaska state government.

AN INITIATIVE

AN ACT ENTITLED: "An Act limiting state government spending."

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

Section 1. AS 37.07 is amended by adding the following sections to read:

AS 37.07.102. State Spending Limit. In no year shall the total annual operating appropriations of the state government exceed the total annual operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population.

AS 37.07.105. Additional State Spending Limit Adjustments. The annual operating appropriations limit provided for in Section 102 of this chapter shall be further adjusted as follows:

(a) If the legislature or any state agency transfers the financial responsibility of providing services, in whole or in part, from the state government to any local government, or mandates a new program or higher level of service on any local government, the state shall provide subvention of funds to reimburse such local government for the costs of the program or increased level of service.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the state government, the appropriations limit may be exceeded, provided that the appropriations limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

AS 37.07.107. Contingency Funding. Each entity of state government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar fund as it shall deem reasonable and proper. Excepting contributions to the

Permanent Fund and payment for bonded debt, contributions to any such fund shall, for purposes of Section 102 of this chapter, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such funds nor expenditures of such withdrawals, nor transfers between or among such funds shall constitute appropriations subject to limitation.

Section 2. AS 37.07.120 is amended by adding the following subsections:

(7) "Total annual operating appropriations of the state government" shall be established by reference to the fiscal year 1981 "total annual operating appropriations of the state government", exclusive of budget surpluses.

(8) "Total annual operating appropriations of the state government" shall mean any authorization to expend during a fiscal year the proceeds of taxes, income, or other revenues collected by or for the state other than the following:

- (a) refunds and/or reduction of taxes;
- (b) benefit payments from unemployment, unemployment insurance, and disability funds;
- (c) payments for bond debt;
- (d) constitutional or legislative appropriations to the Permanent Fund as established by Article IX, Section 15, of the Alaska Constitution;
- (e) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government rendered after adoption of Sections 102-107 of this chapter, which, without discretion, require expenditure for additional services or which unavoidably make the provision of existing services more costly;
- (f) appropriations to local governments which mandate and result in a reduction of real property taxes.

(9) "Subvention" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

(10) "Alaska per capita personal income" shall mean the personal income of individuals residing within the state as determined and reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(11) "Population" shall mean permanent resident individuals of the state and shall be determined by method prescribed by the legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States government.

Section 3. This Act does not repeal or affect any appropriation made or existing at the time it takes place.

Section 4. This Act does not and shall not be construed to impair the ability of the state to meet its obligations with respect to existing or future bonded indebtedness.

Section 5. This Act takes effect in accordance with AS 15.45.220.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

## SENATE FINANCE

### EXPENDITURE LIMITATION ISSUES

#### WHAT SHOULD BE USED AS THE BASE?

Should we pick a FY budget? What should be exempted from the budget? Should they be the same items exempted from the ceiling or others? If the base is too low, how will agencies handle budget cutbacks? If there are few ceiling exemptions, should the base contain room for innovative new programs (Energy Center, Delta Barley, Etc.)? How will the base account for assistance/revenue sharing for local governments? Should a number be used instead of a base year to allow for adjustments of, for example, income tax refunds, etc. If so, what should the number be?

#### WHAT FORMULA SHOULD BE USED TO CALCULATE INCREASES?

Should the formula for calculating the increase be a cumulative index applying to a single original base, or should the formula apply as an adjustment to the previous year's actual appropriation?

Should the formula be tied to population growth as well as inflation? Are there alternative indices?

Should the formula have a factor which will reduce the real per-capita spending limit overtime (such as only using .95 of the annual CPI increase)?

#### WHICH APPROPRIATIONS AND EXPENDITURES SHOULD BE COVERED BY THE LIMITATION?

Should the limit apply to both state and federal funds?

Should increases in user fees be covered? If exempted, what oversight should be available to keep increases reasonable?

Most likely revenue bonds should be excluded, but should General Obligation Bonds? Bond debt service?

Should capital projects be excluded and, if so, how can we manage the operating budget impacts of capital projects?

Should loan capitalization be excluded?

There is agreement that contributions to the Permanent Fund should be excluded, but should Permanent Fund dividends? Should arrangement be made for the possibility of the State losing the law suit, if so of what sort? Should a portion of permanent fund income (or real income) be exempted? Should the Permanent Fund be the only recipient of "surplus" funds, and if so, how can this be insured?

If the base is very inclusive, then the exemptions should be very limited. If the base is restricted, what level of exemptions are reasonable?

Should provision be made for exceeding the limit? If so, should it be by legislative vote--by what majority? Should a referendum be provided for? If provision is made for exceeding the limit, what should be voted on--single appropriations or multiple ones? If provision is made for exceeding the limit, should there be a special prohibition against voting to exceed the limit on items which had previously been appropriated within the limit?

SUMMARY OF RECOMMENDATIONS  
AND ESTIMATED FUTURE APPROPRIATIONS  
(Millions of Dollars)

	<u>FY 81 Adj</u>	<u>FY 82 Rec</u>	<u>% Increase (Decrease)</u>
<u>Operating Budget</u>			
<u>Formula Programs, Total</u> <sup>1</sup>	797.1	1,040.4	30.5
General Funds	728.7	973.4	33.6
<u>Non-Formula Programs, Total</u> <sup>2</sup>	1,040.9	1,139.1	9.4
General Funds	716.3	803.1	12.1
<u>Total Appropriations (to date)</u>	1,838.0	2,179.5	18.6
General Funds	1,445.0	1,776.5	22.9
<u>Additional Appropriations</u> <sup>3</sup>	109.5	53.5	(51.1)
General Funds	109.0	50.0	(54.1)
<u>Total Operating</u>	1,947.5	2,233.0	14.7
General Funds	1,554.0	1,826.5	17.5
<u>Capital Budget</u>			
<u>Loans Appropriations</u> <sup>4</sup>	709.3	400.4	(43.5)
General Funds	709.3	400.4	(43.5)
<u>Other Capital Appropriations</u> <sup>5</sup>	1,352.2	288.2	(78.7)
General Funds	974.4	227.4	(76.7)
<u>Total Capital</u>	2,061.5	688.6	(66.6)
General Funds	1,683.7	627.8	(62.7)
<u>Subtotal Regular Budget</u>			
<u>Total Funds</u>	4,009.0	2,921.6	(27.1)
General Funds	3,237.7	2,454.3	(24.2)
<u>CIP Conversion</u>			
<u>Total Funds</u> <sup>6</sup>	---	19.0	---
General Funds	---	19.0	---
<u>Total Regular Budget</u>			
<u>Total Funds</u>	4,009.0	2,940.6	(26.7)
General Funds	3,237.7	2,473.3	(23.6)
<u>Other Appropriations</u>			
<u>Permanent Fund Contribution</u>	900.0	1,800.0	100.0
General Funds	900.0	1,800.0	100.0
<u>"Rainy Day Fund"</u> <sup>7</sup>	350.0	350.0	---
General Funds	350.0	350.0	---
<u>Escrow Account</u> <sup>8</sup>	---	300.0	---
General Funds	---	300.0	---
<u>Other Appropriations/Available Revenue</u> <sup>9</sup>	286.1	381.8	---
General Funds	284.8	381.8	---
<u>Revenues</u>			
<u>Total State Revenues</u> <sup>10</sup>	3,631.0	4,955.1	36.5
Petroleum Revenues	3,223.9	4,557.7	41.4

Explanatory notes for Summary of Recommendations table.

- 1 A table of the state expenditures that are referred to as "formula programs" is provided in the Operating Budget section of this book (the following section), on page 19. The Formula Program figures include the increase in general fund expenditures in the Medicaid program arising from the loss of Federal Revenue Sharing Funds. This amounts to approximately \$7 million in FY 81, and \$9.4 million in FY 82.
- 2 The Non-Formula programs figure for FY 81 general funds includes \$5 million that was referred to as Renewable Resources Funds in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 3 The Additional Appropriations figure for FY 81 includes expected supplementals net of lapses, and for FY 82 includes expected budget amendments and new legislation. The bulk of the FY 81 figure is for the Governor's proposed Royalty Premium Distribution.
- 4 The Loans Appropriations figure includes appropriations for both capitalization and subsidies for loans from Alaska Industrial Development Authority, Alaska Housing Finance Corporation, State Business Loans, Department of Community and Regional Affairs Non-Conforming Loans, and the Agriculture Revolving Loan Fund. The loan portfolios that were appropriated in FY 81 (\$452 million) are treated as general funds.
- 5 The Other Capital Appropriations figure for FY 81 general fund includes \$104.1 million that was referred to as Renewable Resources Fund in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 6 The C.I.P. (Capital Improvements Program) conversion represents changing the funding source for certain positions in Department of Transportation and Public Facilities that are associated with that department's capital programs. This conversion changes the funding for these overhead positions from a percentage of specific projects to general funds.
- 7 The \$350 million requested for FY 82 for the Rainy Day fund is intended to be funded from "carry forward" money estimated to be available in the general fund at the end of FY 81.
- 8 The Escrow Account represents an amount to be appropriated to a fund that could be used to help cover a share of the State's liability should such arise from the present litigation regarding the corporate petroleum income tax.
- 9 The Other Appropriations for FY 81 that are included in this lump sum figure do not easily fit into any of the above listed categories. The bulk of the FY 81 figure is accounted for by Chapter 3 of the 1980 Special Session (\$185.5 million) and Chapter 33, SLA 80 (\$87 million). The bulk of the FY 82 figure is intended to be requested for a program to help finance energy development projects.
- 10 Petroleum Revenues are defined as corporate petroleum income taxes, oil and gas severance taxes, oil and gas property taxes, and net royalties, leases, rents and bonus sales.

FORMULA PROGRAMS  
(GF only, in thousands)

<u>EDUCATION</u>	<u>FY81 Auth</u>	<u>FY82</u>
TRS State Match	18240.5	22041.5
Debt Retirement Local	30250.0	33793.9
Supplemental Equalization	10237.2	27087.7
SOS ASHA Payments	286.0	286.0
Pupil Transportation/Public	17990.5	20195.3
Tuition Students	3700.0	3700.0
Student ADM Support	214524.0	255156.5
Special Education Adj	22032.1	27019.6
Vocational Education Adj	14529.4	20994.6
Community School Adj	2485.9	2641.9
Bilingual Adj	5808.2	8970.7
Board Home Grants	1000.0	1000.0
State Contract Program	6711.7	13396.9
Correspondence Study Local	3437.2	4214.8
Student Financial Aids	10701.9	16864.9
SUBTOTAL =	361934.6	457364.3

ADMINISTRATION OF JUSTICE

Out of State Confinement	2519.5	4175.5
Local Facilities (Jails)	1127.0	1522.2
SUBTOTAL =	3646.5	5697.7

DEVELOPMENT

Shared Taxes	5270.0	7115.0
Municipal Assist. Shared Taxes	11400.0	92000.0
Municipal Revenue Sharing	33500.0	40500.0
SUBTOTAL =	50170.0	139615.0

<u>SOCIAL SERVICES</u>	<u>FY81 Auth</u>	<u>FY82</u>
Longevity Bonus Grants	19947.3	21445.6
AFDC	16072.0	22135.2
Aid to Blind	140.9	161.3
Aid to Disabled	4691.7	5940.5
General Relief	800.0	900.0
Foster Care	3479.3	3545.7
Institution Care	10356.5	14416.2
Old Age Assistance	4479.5	5332.1
Senior Citizens Tax Relief	3294.6	3253.0
SUBTOTAL =	63261.8	77129.6

HEALTH

Medicaid	16779.8	22448.1
General Relief Medical	12168.3	14133.5
SUBTOTAL =	28948.1	36581.6

OTHER

Debt Service (all)	92239.5	128498.7
Permanent Fund Distribution	128500.0	128500.0

TOTAL = 728700.5 973386.9

## BUDGET OVERVIEW

This section contains an overview of the Governor's FY 82 budget requests. The intent is to provide a summary of all expected requests, and to show the relationship of these requests to FY 81 appropriations and expected FY 82 revenues. The remainder of this book contains additional detail on the Governor's FY 82 operating budget request. A second book contains details of the Governor's FY 82 capital budget request, and six year capital program.

The two most apparent factors in the following table are the significant increase in the operating budget, and the large decrease in the capital budget. These combine to yield a total budget decrease of approximately 24% in general fund spending from FY 81. However, it must be emphasized that simple comparisons of this sort, without further explanation, can be misleading. For this reason, further discussion is given below.

Except for the drop in "Additional Appropriations", the general fund operating budget shows over a 20% increase. The operating budget figures have been further broken down to indicate the cause of this large increase -- the unusually large growth in "formula programs". Although the designation of "formula" may not be precise when applied to each of the programs included in this group, it was felt to be a generally descriptive title. Essentially, the formula programs are those over which the Governor and the Legislature have relatively little discretion with regard to funding level. That is, unless they choose to underfund the formula, or change the statutory basis, the amount needed to fund these programs is determined more by the number of eligible "clients", than by the Governor or the Legislature. A table of these formula programs is given on page 19 of this book. Examples of programs included in this grouping are the Education Foundation formula, Longevity Bonus program, Medicaid, Municipal Assistance, and G.O. Bond Debt Service. These programs are predominately grants to individuals or local governments.

Contrasted to this significant growth rate, the growth of the non-formula programs is approximately equal to the combined growth of population and inflation. These non-formula programs represent, for the most part, ongoing direct State provision of public goods and services.

The decrease shown in the capital budget is due primarily to the fact that in FY 81 the Legislature passed a one-time capital budget bill of approximately \$500 million (Ch. 50, SLA 80), and also because the FY 81 figures include an appropriation of \$292 million to pay off the State's obligation under Native Land Claims Act. Further explanation of the Governor's FY 82 capital budget is presented in Book II of the Executive Budget Document.

The \$19 million for conversion of position funding from capital funds to general funds is shown as a separate item since in actuality it does not represent an increase in State spending. These positions were previously funded with State capital project funds, so all that is occurring is a switch of State funding sources.

The Other Appropriations for FY 82 are listed separately since they will be introduced as separate bills. The contribution for the "Rainy Day" fund for FY 82 is intended to be funded out of carry-forward funds available at the end of FY 81. Since these carry-forward funds are required for cash flow purposes, appropriate uses of these funds are either to leave them in the general fund, or appropriate them to a cash reserve fund, such as the Rainy Day Fund. The Escrow Account is also a reserve account related to the present litigation over the corporate petroleum income tax.

The bulk of the unspecified Other Appropriations/Available Revenues for FY 82 is intended to fund a program that will assist in the financing of energy development projects - primarily hydroelectric projects. A specific legislative proposal was under development at the time this document went to print.

One final overall observation deals with the relationship of spending versus saving in the Governor's FY 82 budget. The Governor's FY 82 appropriation requests can be characterized as saving half and spending/investing the remaining half. Governor Hammond is presenting to the Legislature an integrated saving/investment/ spending plan, of which the FY 82 budget is but one part. Much of this plan is targeted at investing in Alaska's future, as well as attempting to meet current day needs through existing "people programs." Given the source of Alaska's revenue, (in FY 82, 92% of Alaska's total revenue is expected to be derived from petroleum) it seems clear that saving and/or investing a significant portion of current revenues is the only prudent course to follow.

SJR 3

## SENATE JOINT RESOLUTION NO. 3 by Senator Colletta,

Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in expenditures and requiring payment by the state of mandated increased expenditures of a political subdivision of the state,

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

SJR 4

## SENATE JOINT RESOLUTION NO. 4 by the Rules Committee by request of the Governor,

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money,

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

Governor's transmittal letter follows:

January 13, 1981

The Honorable Jalmar Kerttula  
President of the Senate  
Pouch V  
Juneau, AK 99811

Dear Mr. President:

Under art. III, sec. 18, of the Alaska Constitution, I am transmitting a proposed constitutional amendment on spending limitations for the consideration of the legislature.

My proposal would amend the constitution's finance article to add two sections, one setting forth spending limitations and the other prescribing ten specific exceptions. Each of the exceptions is reasonably necessary, and some of them are for appropriations of money to be invested rather than expended, and, to that extent, do not really involve actual expenditures.

SJR 4 cont'd

The proposed amendment limits annual increases in appropriations of state money -- but not of money from other, non-state sources such as federal money -- to the increase in the federal consumer price index for Alaska for the preceding year plus a percent equal to the state's average yearly growth in population.

At the present time, the only federal consumer price index for Alaska is that done for the Anchorage area. It appears that one will also be prepared for Fairbanks sometime soon. And indexes may also be prepared for other Alaskan cities in the future. The index for the state will consist of the weighted average of those indexes, that is, in proportion to each community's relative population.

The measure of the state's average yearly population growth is the federal decennial census and the interim remuneration to be taken at five year intervals. The latter, while called for by federal law, has yet to be funded. Nevertheless, even without a remuneration, the decennial census provides an accurate measure of the state's average yearly growth.

The use of data prepared exclusively by the United States is deliberate and essential. The pressure to shape cost and population data to justify increased expenditures would be enormous if those data were prepared by state or local agencies. Using data developed by an independent and separate government avoids that problem completely.

These two measures of growth, while not always coincident with all governmental needs, will allow the state to keep abreast of most needs and yet hold growth to reasonable and responsible limits. To the extent that the state still lags behind its sister states in some areas of governmental services and facilities, the exceptions prescribed by the second section will allow it to catch up, if that is what the electorate wants. Each of these exceptions will be discussed in turn, below.

The first exception is for appropriations of money to be deposited in the permanent fund, and the second is to pay permanent fund dividends to the people. It is self-evident that neither needs to be limited. The third exception is to capitalize loan funds, that is, appropriations of the money which will be loaned and repaid with interest under the state's loan programs. To the extent that low interest loans are subsidized, the appropriations for that purpose must be separate, and they are not within the terms of the exception. The fourth exception is for appropriations for capital improvements which have been approved by the voters. This includes those funded by appropriation from the general fund and those funded by bond proceeds. Voter approval is a must for the appropriations to be within the exception. But if the voters approve, there are no limits on appropriations for capital improvements.

## SJR 4 cont'd

The term "capital improvements" is used in the amendment in the same sense as it is used in sections 8 and 9 of the finance article relating to state and local debt. It refers, generally speaking, to public works or facilities of a permanent character as described in the case of City of Juneau v. Hixson, 373 P.2d 743 (Alaska 1962).

The fifth exception is for appropriations made to escrow accounts or otherwise to repay general obligation bonds. As a practical matter, it may be to the state's great advantage at any time to make a large payment, either into escrow or directly, to repay outstanding general obligation bonds. That kind of a payment would not constitute a true increase in expenditures, and it is, therefore, made one of the exceptions.

The sixth exception is for money appropriated as a reserve account for disasters of natural or human origin.

The device has been called a rainy-day account, and it is simply a means of setting aside a financial cushion for the state during a fiscal year in case of exceptional need. At the present time the Reserve for Emergency Operating Expenses Account has been established under AS 37.05.159 to meet this need. It will be superseded by this amendment, and in order to spend money appropriated to the reserve account, the provisions of the tenth exception will have to be followed.

The seventh exception is for money appropriated to coincide with increases in user fees. The term "user fees" includes all kinds of taxes or charges which are levied upon those who use a government facility or service. They range from hunting and fishing licenses to boiler inspection fees. So long as users are paying the money, no purpose would be served by placing this category within the limitations on expenditures. No big increases are foreseen at this time, but should users wish to have them, there is no reason to place a constitutional bar in their way.

The eighth exception is for appropriations required by court orders or by a transfer of functions from the federal to the state government. Transfers from local to the state government are within the legislature's control, and therefore are subject to the limitation. Court orders -- and that would include judgments for damages or orders for future relief -- are not within the legislature's control and could cause significant, temporary increases from time to time. The same could happen if the federal government were, for instance, to shift all of the social services or education burden to states. While one hopes this exception will be little used, prudence dictates its existence.

The ninth exception is for appropriations of money derived from one-quarter of the income from extra appropriations made to the permanent fund. The purpose

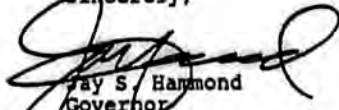
SJR 4 cont'd

of this exception is to encourage those who would spend more money to save more money. The more money that is placed in the fund, the more money there will be available under this exception to spend.

The tenth and final exception is for natural disasters. As safeguards against spurious spending under this exception, the disaster must be declared by the governor in the first instance and the appropriation bill must be passed by a two-thirds majority of the membership of each house and approved by the governor. If the governor does not approve the appropriation or vetoes it to reduce or strike any item, his veto is final. The purpose of the absolute veto is to preclude any excess spending on non-emergency items in a bill appropriating money for disaster relief. Without an absolute veto, this exception would create an unacceptably large loophole.

The proposed amendment is conservative, responsible, and workable. It will not hobble the state or prevent the performance of any needed governmental function. It will set limits where they are needed, and it will not set limits where they are not needed. It will be good for both the private sector and the public sector, and I urge its favorable consideration.

Sincerely,

  
Jay S. Hammond  
Governor

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 1

SENATE BILL NO. 1 by Senator Colletta, entitled:

"An Act amending provisions of law relating to the New Capital Site Planning Commission; and providing for an effective date."

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

SB 2

SENATE BILL NO. 2 by Senator Colletta, entitled:

"An Act making a special appropriation to the New Capital Site Planning Commission for planning relocation of the state capital; and providing for an effective date."

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

EXPENDITURE LIMITATION CHECKLIST

BASE

A fiscal year

A number                      Which number?

Only state funds?                      Federal funds?                      All?

FORMULA

Private sector growth

CPI plus population

other

COVERAGE

Should coverage be of operating budget only?

Should there be exemptions? and if so, should they be open-ended or enumerated?

Should general fund and federal funds be covered?

Should these be exemptions or override:

- Disasters - how to identify & who votes? (See Excess below)
- Disaster reserves
- Permanet Fund contributions
- Permanent Fund dividents
- Capital projects
- Loan capitalization - What to do about operational expenses and large maintenance costs?
- GBO repayment funds
- Increases in user fees
- Costs from court orders
- Costs from transfer of federal authority
- One-quarter of income from Permanent Fund
- Money in trust

OVERRIDE

By vote of Legislature                      2/3 or 3/4?

By vote of people                      Should this be limited by type? New operating programs?

OTHER ISSUES

Local government

"Apple pie/pork" trade

Proportion of capital to operating

Unfunded obligations

EXCESS

Where can it go and how can it get there?

Permanent Fund only                      Allow "earmarking"?

Trust accounts

By whose vote?

Invest at market rate

PLAN A

<u>Lid</u>	<u>Except</u>	<u>Excess</u>
general fund only	(simple majority) other people's money	automatically into PF at market rates

In Plan A, the tradeoff is tightest in favor of holding the line - e.g. expenditure vs. expansion of new services.

PLAN B

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
State general fund only op/cap/etc	(simple majority) GOB PF User Fees Fed/other	2/3 or 3/4 legislative vote specified types very limited	?

MALONE

<u>Lid</u>	<u>Except</u>	<u>Override</u>
General fund & federal dollars op/cap/everything	(simple majority) PF GOB debt service	2/3 legislative majority everything else

GOVERNOR

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
General Fund only op/cap/etc	(simple majority w/ veto possible) money in trust PF PF dividends Loan capitalization GOB service disaster fund user fees court ordered dollars fed-state authority transfer 1/4 PF income	2/3 legislative majority disaster dollars	Excess capital projects

GOVERNOR'S CONSTITUTIONAL SPENDING LIMIT

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

\*Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$2.7 billion for the base fiscal year of 1982 by more than the cumulative increase in the federal consumer price index for the State for the calendar years preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or renumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received <sup>from another</sup> in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to capitalize loan funds, but only if the money to subsidize these loans at below market interest rates is appropriated separately under the limitations; money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters; money appropriated to escrow accounts or otherwise to repay general obligation bonds; money appropriated to meet increases in costs to the State resulting from court orders; or money appropriated by a vote of two-thirds of the membership of each house and

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

\*Sec. 2. The amendment proposed by this resolution shall be placed before the voter of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*Malone*

Letter of Commentary and Explanation of CS HJR 4 (Fin)

CS for HJR 4 (Fin) would establish a limitation on the expenditures of state government from the general fund of the state.

The proposed amendment would apply to appropriations, i.e., any act of the legislature that specifies or allocates an expenditure from the general fund for a fiscal year not withstanding the effective date of the act.

Except for separate funds required by federal law for participation in federal programs, the Alaska Permanent Fund, the Renewable Resource fund (the latter existed on the date of the ratification of revision of Art. IX, Sec. 7 of the state constitution), and dedicated funds existing on the date of ratification of the state constitution, the proceeds of any state tax or license are required to be deposited in the state general fund.

CS HJR 4 provides for a base at the level of general funds appropriated to meet the costs of state government during the fiscal year of 1980.

Appropriations made during that fiscal year for past or future fiscal years would not be included in that base.

The proposed amendment exempts from the base fiscal year and from the appropriation limit any money appropriated by the legislature to pay debt service of general obligation bonds of the state or local government, and any money appropriated by the legislature to the Alaska Permanent fund.

The amendment to the constitution would not limit the appropriation by the legislature of federal funds.

The proposed amendment would apply to emergencies declared by the Governor as provided by law. Emergencies would be of unusual and unforeseen occurrences which require significant expenditure of a non-recurring nature.

COMMITTEE REPORT FCC SJR 4

Since the famous Prudhoe Bay lease sale of 1969, the budget of the State of Alaska has grown at the high compound rate of about 32 per cent. In recent years, according to data prepared by the Division of Legislative Finance, the rate of growth of the budget has increased. Regardless of whether or not a given kind of expenditure is repeated, it appears that total annual spending can easily equal total annual revenues within three fiscal years. At current growth rates, the operating budget alone could take all the State's income within five years.

The fundamental aim of this constitutional amendment is to bring State expenditures under effective but rational control: to encourage more deliberation about the merit and size of programs, to provide more time for programs to be carried out successfully, to force more efficiency in government. Our wealth, far greater and more sudden than anyone had predicted, must be used to bring lasting opportunities to Alaskans.

The Free Conference Committee on SJR 4 reports as follows on the proposed constitutional amendment to limit appropriations.

Regarding the base figure of \$2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the Committee approved the concept of a variety of governmental services and public needs competing under the

spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

By the phrase "appropriations from the treasury," the Committee means all those funds known as unrestricted "General Fund" revenues which derive from taxes and other charges and includes federal funds, such as block grants, only to the extent their use is unrestricted. It does not include federal categorical grant funds, which are funds received in trust and hence may be appropriated by the legislature outside the expenditure limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation since July 1, 1979. The Committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation changes, but rejected this approach on the basis of consistency with existing constitutional language. However, it is the Committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of State funds. The Committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the Committee agreed that payments for debt service on general obligation bonds of the State should also be exempted in order not to jeopardize the State's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the legislature, governor, and people of the State to offer, approve and vote for or against bond propositions. Under the ruling in Thomas v Rosen, 569 P. 2d 793 (Alaska 1977), bond measures are not considered appropriations, and therefore are not covered by the limitation.

The exemption of "money received from a non-State source in trust for a specific purpose" covers money which is routinely received by every State from a variety of outside sources for specific purposes. These revenues could range from a donation to pay a boiler inspector's travel expenses to the endowment of a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the legislature has authorized to handle the money. In each instance, the state receives money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used. However, it is clearly the intention of the Committee to exclude the possibility of State funded endowments as an

exemption from the limitation on appropriations.

The Committee spent a great deal of time considering the problem of capital improvements. Although appropriations for capital improvements are allowed under the appropriation limitation, the Committee did not want totally to restrict the ability of future legislatures to appropriate money for needed and meritorious capital improvements. However, the Committee believed that this need had to be balanced by the need to tighten expenditures. The solution approved by the Committee was to tighten procedural requirements, thereby making the capital appropriation more difficult but not unreasonably so. The procedure is for the governor to initiate separate bills, which would be similar to bond proposals for each type of capital improvement, for example, one bill for highways, another for airports, another for ferries, another for docks, another for schools, and so forth. The legislature may then approve them as proposed by an extraordinary majority. By requiring separate bills for each type of capital improvement, and prohibiting amendments to the bill, the governor and the Legislature are precluded from combining of several types of capital improvements in a single bill.

Aside from the exceptions specified in the amendment, the Committee intended that the only other cause for an appropriation outside the appropriation limitation would be "disasters." The committee considered using the broader word "emergencies," but it rejected this notion. "Disasters" includes occurrences of natural or human origin that require extraordinary efforts to counter or ameliorate. Examples offered by committee members included the 1964 earthquake and the Fairbanks flood, but specifically did not include economic or fiscal crises.

The last sentence of the amendment directs that excess revenues be invested at competitive market rates, as does the current law that governs the investment of the surplus, but permits lending at less than market rates. First, borrowers can be offered lower interest charges if the difference or subsidy is appropriated within the spending limit. In addition, the Legislature continues to be free to capitalize revolving loan funds, by appropriation, and to set any interest rate it chooses. A variety of phrases were considered in place of "...competitive market rates...". In settling on this language, the Committee intended that interest charges should be the same as those charged by commercial or other lenders for comparable type, term, and risk. The comparable markets might be national, regional, or Alaskan, depending on the loan in question. Any difference between the market rate and the "incentive" rate which might be specified by statute would have to be appropriated under the expenditure limit where it would compete with other services, interests, and concerns. The wording "the governor shall cause" is not meant to limit the ability of the Legislature to specify particular types of investments. However, in the absence of particular action by the Legislature, the governor is required to invest surplus revenues at market rates. Finally, it must be noted that the Committee considered appropriating the surplus into the Alaska Permanent Fund, but did not do so. However, future legislatures may place a part or all of these excess funds into the Permanent Fund if they so desire.

SCOMM

45:3



JUNEAU, ALASKA

Alaska State Legislature  
House

MESSAGE TO THE SENATE

DATE June 20, 1981

MR. PRESIDENT:

The House has passed CSSJR 4(Fin)am (Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money) with the following amendment:

HCS CSSJR 4(Fin)amH (Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations)

and it is transmitted herewith for consideration.

  
Chief Clerk of the House

Original sponsor: Rules/Governor

Offered: 6/18/81  
Referred: Rules

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance) am H  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in appro-  
8 priations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the Alaska permanent fund and appropriations required to pay the  
14 principal and interest on general obligation bonds, appropriations from  
15 the general fund during a fiscal year shall not exceed the amount  
16 appropriated from the general fund in fiscal year 1980 by more than the  
17 cumulative inflation and population growth or decline as defined by  
18 law. No appropriation in excess of this limit may be made unless a  
19 state of emergency is declared by the governor as provided by law.

20 \* Sec. 2. The amendment proposed by this resolution shall be placed  
21 before the voters of the state at the next general election in conformity  
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
23 tion laws of the state.

24  
25  
26  
27  
28  
29

*Bradley  
Alanson  
John Kant  
7 Aug. 16-3  
John Kant  
Ray Rodley*

*Am #1  
8  
7-12*

Original sponsor: Rules Governor

Offered: 6/11/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

*Bradley  
Alanson  
John Kant  
June*

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limitations on appropriations  
8 of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 the governor may request or the legislature may appropriate during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year by more than the increase in the federal consumer price  
16 index for the State for the calendar year preceding the governor's  
17 submission of the budget under Section 12 of this article plus or minus  
18 a percentage equal to the cumulative average yearly growth or loss in  
19 the State's population as shown by the last two federal censuses or  
20 reenumerations. Money appropriated under any exception prescribed by  
21 Section 17 of this article shall not be included in the base for deter-  
22 mining the allowable increase from year to year. For purposes of this  
23 section, the amount of \$2.7 billion shall be used as the amount of  
24 appropriations in fiscal year 1982.

25 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The  
26 limitations on increases in appropriations established in Section 16 of  
27 this article do not apply to money received in trust for a specific  
28 purpose; to appropriations of money to be deposited in the Alaska  
29 permanent fund; to money appropriated to pay principal and interest on

*Deleted*

1 general obligation bonds; to money appropriated to capitalize loan  
2 funds, but only if the money to subsidize these loans at below market  
3 interest rates is appropriated separately under the limitations; to  
4 money not to exceed \$1,500 per capita appropriated by the affirmative  
5 vote of two-thirds of the membership of each house, whether of bond  
6 proceeds or otherwise, to construct capital improvements; or to money  
7 appropriated by a vote of two-thirds of the membership of each house  
8 and approved by the governor to meet disasters of natural or human  
9 origin which are declared by the governor.

10 \* Sec. 2. The amendment proposed by this resolution shall be placed  
11 before the voters of the state at the next general election in conformity  
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
13 laws of the state.

Original sponsor: Rules/Governor

Offered: 6/18/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in appro-  
8 priations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the Alaska permanent fund and appropriations required to pay the  
14 principal and interest on general obligation bonds, appropriations from  
15 the general fund during a fiscal year shall not exceed the amount  
16 appropriated from the general fund in fiscal year 1981 by more than the  
17 cumulative inflation and population growth or decline as defined by  
18 law. No appropriation in excess of this limit may be made unless a  
19 state of emergency is declared by the governor as provided by law.

20 \* Sec. 2. The amendment proposed by this resolution shall be placed  
21 before the voters of the state at the next general election in conformity  
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
23 tion laws of the state.

24

25

26

27

28

29

*emergency difference than disaster  
limit as severely that it is not response to needs,*

Original sponsor: Gardiner

Offered: 6/11/81  
Referred: Judiciary

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE JOINT RESOLUTION NO. 4 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

Proposing an amendment to the Consti-  
tution of the State of Alaska relat-  
ing to limiting increases in appro-  
priations.

6

7

8

9

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

10

\* Section 1. Article IX, Constitution of the State of Alaska, is amended

11

by adding a new section to read:

12

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations

13

to the Alaska permanent fund and appropriations required to pay the

14

principal and interest on general obligation bonds, appropriations from

15

the general fund during a fiscal year shall not exceed the amount

16

appropriated from the general fund in fiscal year 1980 <sup>1981</sup> by more than the

17

cumulative inflation and population growth or decline as defined by

18

law. No appropriation in excess of this limit may be made unless a

19

state of emergency is declared by the governor as provided by law.

20

\* Sec. 2. The amendment proposed by this resolution shall be placed

21

before the voters of the state at the next general election in conformity

22

with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-

23

tion laws of the state.

24

25

26

27

28

29

*Change  
FY 80 to  
FY 81*

*AL I suggest you  
Substitute the house bill  
(which is now in rules) onto the  
Senate SJR-H & pass it out  
So we can calendar it  
& get it to F.C.C.*

DRAFT  
Law

# 5 PJ  
6/10/81

1  
2  
3  
4  
5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 the governor may request or the legislature may appropriate during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year by more than the increase in the federal consumer price in-  
16 dex for the State for the calendar year preceding the governor's sub-  
17 mission of the budget under section 12 of this article plus or minus a  
18 percentage equal to the cumulative average yearly growth or loss in the  
19 State's population as shown by the last two federal censuses or renum-  
20 erations. Money appropriated under any exception prescribed by section  
21 17 of this article shall not be included in the base for determining  
22 the allowable increase from year to year. For purposes of this sec-  
23 tion, the amount of \$2.7 billion shall be used as the amount of appro-  
24 priations in fiscal year 1982.

25 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
26 tations on increases in appropriations do not apply to money received  
27 from another in trust for a specific purpose; to appropriations of  
28 money to be deposited in the permanent fund; money appropriated to pay  
29 principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these  
2 loans at below market interest rates is appropriated separately under  
3 the limitations; money appropriated by the affirmative vote of two-  
4 thirds of the membership of each house, whether of bond proceeds or  
5 otherwise, to construct capital improvements, not to exceed \$1,500 per  
6 capita; ~~money appropriated to escrow accounts or otherwise to repay~~  
7 ~~general obligation bonds~~; or money appropriated by a vote of two-thirds  
8 of the membership of each house and approved by the governor to meet  
9 disasters of natural or human origin which are declared by the governor.

10 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
11 fore the voters of the state at the next general election in conformity with  
12 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
13 laws of the state.

Original sponsor: Rules/Governor

Offered: 5/5/81  
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 requested by the governor and appropriated by the legislature during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year by more than the increase in the federal consumer price  
16 index for the state for the calendar year preceding the governor's  
17 submission of the budget under section 12 of this article plus a per-  
18 centage equal to the average yearly growth in the State's population as  
19 shown by the last two federal censuses or renumerations. Money appro-  
20 priated under any exemption prescribed by section 17 of this article  
21 shall not be included in the base for determining the allowable increase  
22 from year to year.

23 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
24 tations on increases in appropriations do not apply to appropriations  
25 of money to be deposited in the permanent fund; money appropriated to  
26 pay permanent fund dividends; money appropriated to capitalize loan  
27 funds, but the money to subsidize low interest loans must be appro-  
28 priated separately and is subject to the limitations; money appropriated  
29 to construct capital improvements, whether of bond proceeds or other-

*Amended by for  
a constitutional  
amendment*

*Would this include  
endowment funds?*

*Think about  
this*

1 wise, where the appropriation for the capital improvements is approved  
2 by the voters; money appropriated to escrow accounts or otherwise to  
3 repay general obligation bonds; money appropriated as a reserve for  
4 disasters of natural or human origin or other emergencies; money appro-  
5 propriated to coincide with increases in user fees; money appropriated to  
6 meet increases in costs to the State resulting from court orders or a  
7 transfer of authority or responsibility to the State from the federal  
8 government; money derived from one-quarter of the income from those  
9 contributions made to the permanent fund which exceed the minimum  
10 required by this constitution; or money appropriated by a vote of  
11 two-thirds of the membership of each house and approved by the governor  
12 to meet disasters of natural or human origin which are declared by the  
13 governor.

14 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
15 fore the voters of the state at the next general election in conformity with  
16 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
17 laws of the state.

*10% would be safer*

GOVERNOR'S CONSTITUTIONAL SPENDING LIMIT

SJR  
optimum  
minimum

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

\*Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$2.7 billion for the base fiscal year of 1982 by more than the cumulative increase in the federal consumer price index for the State for the calendar years preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or renumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year.

margo  
24

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received <sup>from another</sup> in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to capitalize loan funds, but only if the money to subsidize these loans at below market interest rates is appropriated separately under the limitations; money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, ~~when the appropriation is for the capital~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
or money appropriated by a vote of two-thirds of the membership of each house and

needs attention

Handwritten initials and marks on the left margin.

should be out a just once parallel bud get

Not authority } Rod  
from independent }  
-1-

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

\*Sec. 2. The amendment proposed by this resolution shall be placed before the voter of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SUMMARY OF SJR 4 ---

CONSTITUTIONAL AMENDMENT ON SPENDING LIMITATIONS

The expenditure limitation proposed by Governor Hammond will constitutionally limit the growth in appropriation of state funds to a rate determined by inflation and population growth. Inflation will be measured by the increase in the consumer price index for the preceding calendar year and population growth will be an annual average calculated from federal censuses or renumerations. These two measures of growth will allow the state to keep up with increasing cost factors, while constraining growth within reasonable and responsible bounds.

Certain exceptions are allowed to provide for particular requirements and circumstances which relate to the Alaska situation. These exceptions are listed below:

1. Contributions to the Permanent Fund (the State's savings account).
2. Payments of the Permanent Fund Dividend (the public's return on those savings).

3. Appropriations to loan funds, provided that any loan subsidies are appropriated and are constrained by the spending limit.
4. Appropriations for capital improvements approved by the voters so long as life cycle operating costs have been identified.
5. Appropriations to repay outstanding general obligation debt of state.
6. Appropriations funded through increased user fees.
7. Appropriations required by court orders or federal transfer of functions to state government.
8. Appropriations for natural disasters. Such appropriations would require a gubernatorial declaration of disaster, passage by a two-thirds majority of membership of each house, and approval by the Governor.

If this proposal is passed by the Legislature, it will go on the 1982 general election ballot and would, if approved by voters, be effective for the fiscal year 1984 budget.

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SPONSOR SUBSTITUTE FOR  
3 SENATE JOINT RESOLUTION NO. 4  
4 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing an amendment to the Constitu-  
7 tion of the State of Alaska relating to  
8 limitations on appropriations of state  
9 money.

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

11 \* Section 1. Article IX of the Constitution of the State of Alaska is  
12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
14 The governor may request or the legislature may appropriate during a  
15 fiscal year shall not exceed the amount of \$2.5 billion for the base  
16 fiscal year of 1982 by more than the cumulative increase in the federal  
17 consumer price index for the State for the calendar years preceding the  
18 governor's submission of the budget under section 12 of this article  
19 plus or minus a percentage equal to the cumulative average yearly  
20 growth or loss in the State's population as shown by the last two  
21 federal censuses or renumerations. Money appropriated under any excep-  
22 tion prescribed by section 17 of this article shall not be included in  
23 the base for determining the allowable increase from year to year.

24 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
25 tations on increases in appropriations do not apply to money received  
26 in trust for a specific purpose; to appropriations of money to be  
27 deposited in the permanent fund; money appropriated to pay permanent  
28 fund dividends; money appropriated to capitalize loan funds, but only  
29 if the money to subsidize these loans at below market interest rates is

1 appropriated separately under the limitations; money appropriated to  
2 construct capital improvements, whether of bond proceeds or otherwise,  
3 where the appropriation for the capital improvements is approved by the  
4 voters; money appropriated to escrow accounts or otherwise to repay  
5 general obligation bonds; money appropriated as a reserve for disasters  
6 of natural or human origin or other emergencies; money appropriated to  
7 coincide with increases in user fees; money appropriated to meet  
8 increases in costs to the State resulting from court orders or a trans-  
9 fer of authority or responsibility to the State from the federal  
10 government; money derived from one-quarter of the income from those  
11 contributions made to the permanent fund which exceed the minimum  
12 required by this constitution; or money appropriated by a vote of  
13 two-thirds of the membership of each house and approved by the governor  
14 to meet disasters of natural or human origin which are declared by the  
15 governor.

16 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
17 fore the voters of the state at the next general election in conformity with  
18 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
19 laws of the state.  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Original sponsor: Rules/Governor

Offered: 5/5/81  
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 requested by the governor and appropriated by the legislature during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year by more than the increase in the federal consumer price  
16 index for the state for the calendar year preceding the governor's  
17 submission of the budget under section 12 of this article plus a per-  
18 centage equal to the average yearly growth in the State's population as  
19 shown by the last two federal censuses or renumerations. Money appro-  
20 priated under any exemption prescribed by section 17 of this article  
21 shall not be included in the base for determining the allowable increase  
22 from year to year.

23 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
24 tations on increases in appropriations do not apply to appropriations  
25 of money to be deposited in the permanent fund; money appropriated to  
26 pay permanent fund dividends; money appropriated to capitalize loan  
27 funds, but the money to subsidize low interest loans must be appro-  
28 priated separately and is subject to the limitations; money appropriated  
29 to construct capital improvements, whether of bond proceeds or other-

1 wise, where the appropriation for the capital improvements is approved  
2 by the voters; money appropriated to escrow accounts or otherwise to  
3 repay general obligation bonds; money appropriated as a reserve for  
4 disasters of natural or human origin or other emergencies; money appro-  
5 priated to coincide with increases in user fees; money appropriated to  
6 meet increases in costs to the State resulting from court orders or a  
7 transfer of authority or responsibility to the State from the federal  
8 government; money derived from one-quarter of the income from those  
9 contributions made to the permanent fund which exceed the minimum  
10 required by this constitution; or money appropriated by a vote of  
11 two-thirds of the membership of each house and approved by the governor  
12 to meet disasters of natural or human origin which are declared by the  
13 governor.

14 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
15 fore the voters of the state at the next general election in conformity with  
16 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
17 laws of the state.

gn

Introduced: 2/4/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE JOINT RESOLUTION NO. 5  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 appropriated during a fiscal year shall not exceed the amount appropri-  
14 ated in the preceding fiscal year by more than the increase in the fed-  
15 eral consumer price index for the state for the calendar year preceding  
16 the governor's submission of the budget under section 12 of this arti-  
17 cle plus a percentage equal to the average yearly growth in the State's  
18 population as shown by the last two federal censuses or renumerations.  
19 Money appropriated under any exception prescribed by section 17 of this  
20 article shall not be included in the base for determining the allowable  
21 increase from year to year.

22 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
23 tations on increases in appropriations do not apply to appropriations  
24 of money to be deposited in the permanent fund; money appropriated to  
25 pay permanent fund dividends; money appropriated to capitalize loan  
26 funds, but the money to subsidize low interest loans must be appro-  
27 priated separately and is subject to the limitations; money appropriated  
28 to construct capital improvements, whether of bond proceeds or other-  
29 wise, where the appropriation for the capital improvements is approved

1 by the voters; money appropriated to escrow accounts or otherwise to  
2 repay general obligation bonds; money appropriated as a reserve for  
3 disasters of natural or human origin or other emergencies; money appro-  
4 priated to coincide with increases in user fees; money appropriated to  
5 meet increases in costs to the State resulting from court orders or a  
6 transfer of authority or responsibility to the State from the federal  
7 government; money derived from one-quarter of the income from those  
8 contributions made to the permanent fund which exceed the minimum  
9 required by this constitution; or money appropriated by a vote of  
10 two-thirds of the membership of each house and approved by the governor  
11 to meet disasters of natural or human origin which are declared by the  
12 governor.

13 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
14 fore the voters of the state at the next general election in conformity with  
15 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
16 laws of the state.

Arless:

This is the best of the amendments I've seen so far.

① Delete the reference to "loans to be made by the state," and ② add in the population growth/inflation index, and ③ make the limit the lesser of the two.

Introduced: 2/4/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY GARDINER

2 HOUSE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the  
6 Constitution of the State of Alaska  
7 relating to limiting increases in  
8 expenditures and requiring payment  
9 by the state of mandated increased  
10 expenditures of a political sub-  
11 division of the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
14 by adding a new section to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the  
16 rate of growth of appropriations from state revenues, excepting ap-  
17 propriations to the permanent fund established in Section 15 of this  
18 article and excepting appropriations made for the purpose of <sup>income producing unit</sup> loans to  
19 be made by the State, exceed the estimated rate of growth of the  
20 economy of the State as determined by law. An appropriation in excess  
21 of this limit shall not be made unless a state of emergency is declared  
22 to exist, as provided by law. A state of emergency may not be declared  
23 if a state of emergency has been declared within the preceding three  
24 years. The appropriation limit for each of the three years following  
25 the declaration of emergency shall be adjusted equally so that the  
26 total appropriations for the year of the emergency and the succeeding  
27 three years do not exceed the appropriations which could have been made  
28 under this section if no emergency had been declared. The limit on  
29 rate of growth of appropriations for each year shall be calculated

1 without regard to a declared emergency or the subsequent three-year  
2 adjustment.

3 \* Sec. 2. The amendment proposed by this resolution shall be placed  
4 before the voters of the state at the next general election in conformity  
5 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elect-  
6 ion laws of the state.

Introduced: 2/4/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY GARDINER

2 HOUSE JOINT RESOLUTION NO. 4  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the  
6 Constitution of the State of Alaska  
7 relating to limiting increases in  
8 expenditures ~~and requiring payment~~  
9 by the state of mandated increased  
10 expenditures of a political sub-  
11 division of the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
14 by adding a new section to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the  
16 rate of growth of appropriations from state revenues, excepting ap-  
17 propriations to ~~the permanent fund established in Section 15 of this~~  
18 article and excepting appropriations made for the purpose of ~~loans~~ *income bonds*  
19 ~~to be made by the State,~~ *investing* exceed the estimated rate of growth of the  
20 economy of the State as determined by law. An appropriation in excess  
21 of this limit shall not be made unless a state of emergency is declared  
22 to exist, as provided by law. A state of emergency may not be declared  
23 if a state of emergency has been declared within the preceding three  
24 years. ~~The~~ appropriation limit for each of the three years following  
25 the declaration of emergency shall be adjusted equally so that the  
26 total appropriations for the year of the emergency and the succeeding  
27 three years do not exceed the appropriations which could have been made  
28 under this section if no emergency had been declared. The limit on  
29 rate of growth of appropriations for each year shall be calculated

1 without regard to a declared emergency or the subsequent three-year  
2 adjustment.

3 \* Sec. 2. The amendment proposed by this resolution shall be placed  
4 before the voters of the state at the next general election in conformity  
5 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elect-  
6 ion laws of the state.

Introduced: 1/13/81  
Referred: Transportation,  
Judiciary and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 4  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limitations on appropriations of state  
8 money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
13 appropriated during a fiscal year shall not exceed the amount appropri-  
14 ated in the preceding fiscal year by more than the increase in the fed-  
15 eral consumer price index for the state for the calendar year preceding  
16 the governor's submission of the budget under section 12 of this arti-  
17 cle plus a percentage equal to the average yearly growth in the State's  
18 population as shown by the last two federal censuses or renumerations.  
19 Money appropriated under any exception prescribed by section 17 of this  
20 article shall not be included in the base for determining the allowable  
21 increase from year to year.

22 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
23 tations on increases in appropriations do not apply to appropriations  
24 of money to be deposited in the permanent fund; money appropriated to  
25 pay permanent fund dividends; money appropriated to capitalize loan  
26 funds, but the money to subsidize low interest loans must be appro-  
27 priated separately and is subject to the limitations; money appropriated  
28 to construct capital improvements, whether of bond proceeds or other-  
29 wise, where the appropriation for the capital improvements is approved

1 by the voters; money appropriated to escrow accounts or otherwise to  
2 repay general obligation bonds; money appropriated as a reserve for  
3 disasters of natural or human origin or other emergencies; money appro-  
4 priated to coincide with increases in user fees; money appropriated to  
5 meet increases in costs to the State resulting from court orders or a  
6 transfer of authority or responsibility to the State from the federal  
7 government; money derived from one-quarter of the income from those  
8 contributions made to the permanent fund which exceed the minimum  
9 required by this constitution; or money appropriated by a vote of  
10 two-thirds of the membership of each house and approved by the governor  
11 to meet disasters of natural or human origin which are declared by the  
12 governor.

13 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
14 fore the voters of the state at the next general election in conformity with  
15 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
16 laws of the state.

AMENDMENT

①

OFFERED IN THE SENATE:

By: FISCHER

To: \_\_\_\_\_ SENATE BILL No. SJR 4

HOUSE BILL No. \_\_\_\_\_

PAGE: 1

LINE: 15-20

Strike rest of sentence after  
first "the" in line 15 and  
insert: "change in the  
state's population and  
inflation is determined  
by law."

AMENDMENT

②

OFFERED IN THE SENATE:

By: FISCHER

To: \_\_\_\_\_

SENATE BILL No. SR 4

HOUSE BILL No. \_\_\_\_\_

PAGE: 2

LINE: \_\_\_\_\_

{  
1  
2

{  
29  
6

delete all material  
after semicolon on  
page 1, line 29, through  
semicolon on page 2, line 6

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limitations on appropriations  
8 of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATION. The amount of state money  
13 the governor may request or the legislature may appropriate during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year as adjusted for national inflation as defined by law for  
16 the calendar year preceding the governor's submission of the budget  
17 under Section 12 of this article, plus or minus a percentage equal to  
18 the cumulative average yearly growth or loss in the state's population  
19 as shown by the last two federal censuses or renumerations. For pur-  
20 poses of this section the amount of \$ \_\_\_\_\_ billion is to be used as  
21 the amount of appropriations in fiscal year 1982.

22 SECTION 17. EXCEPTION FROM APPROPRIATION LIMITATION. The limita-  
23 tion on increases in appropriations in Section 16 of this article does  
24 not apply to appropriations to the Alaska permanent fund or to appropri-  
25 ations to other funds that produce income at market rates. Income from  
26 appropriations excepted from the appropriation limitation shall be  
27 returned to the general fund and is subject to the appropriation limita-  
28 tion. The legislature may, by affirmative vote of two-thirds of the  
29 membership of each house, make an extraordinary appropriation without

1 regard to the appropriation limitation under Section 16 of this article,  
2 but each extraordinary appropriation shall be limited to a single item  
3 of appropriation for a single purpose. Each extraordinary appropriation  
4 shall be subject to the provisions regarding vetoes in Sections 15 and  
5 16 of Article II, except that a three-quarters vote of the membership  
6 of each house shall be required to override a veto of an extraordinary  
7 appropriation. The governor may not propose an extraordinary appropri-  
8 ation in the budget submitted under Section 12 of this article. Extra-  
9 ordinary appropriations shall not be included in calculating the appro-  
10 priation limitation for the next fiscal year.

11 \* Sec. 2. The amendment proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
14 laws of the state.  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

1 IN THE SENATE

BY STURGULEWSKI

2 SENATE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing an amendment to the  
6 Constitution of the State of Alaska  
7 relating to limiting increases in  
8 appropriations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the Alaska permanent fund, appropriations required to pay the princi-  
14 pal and interest on general obligation bonds, and appropriations of  
15 money received from a non-state source in trust for a specific purpose,  
16 appropriations from the treasury for a fiscal year shall not exceed .  
17 \$2,000,000,000 by more than the cumulative change, derived from federal  
18 indices designated by law, in population and inflation since July 1,  
19 1979. The limitation on increases in appropriations established by  
20 this section does not apply to money appropriated for construction of  
21 capital improvements not to exceed in a fiscal year the sum of \$1,250  
22 per capita if the appropriation is approved by an affirmative vote of  
23 two-thirds of the membership of each house. This appropriation shall  
24 be subject to the provisions regarding vetoes in Sections 15 and 16 of  
25 Article II, except that a three-fourths vote of the membership of each  
26 house shall be required for the appropriation, although vetoed, to  
27 become law. No other appropriation in excess of this limit may be  
28 proposed by the governor or approved by the legislature unless to meet  
29 a state of disaster declared by the governor as prescribed by law. The

1 governor shall cause any unappropriated balance to be invested so as to  
2 yield competitive market rates to the treasury.

3 \* Sec. 2. The amendment proposed by this resolution shall be placed  
4 before the voters of the state at the next general election in conformity  
5 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
6 tion laws of the state.

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Bill  
versions

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR  
3 SENATE JOINT RESOLUTION NO. 4  
4 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing an amendment to the Constitu-  
7 tion of the State of Alaska relating to  
8 limitations on appropriations of state  
9 money.

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

11 \* Section 1. Article IX of the Constitution of the State of Alaska is  
12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money  
14 The governor may request or the legislature may appropriate during a  
15 fiscal year shall not exceed the amount of \$2.5 billion for the base  
16 fiscal year of 1982 by more than the cumulative increase in the federal  
17 consumer price index for the State for the calendar years preceding the  
18 governor's submission of the budget under section 12 of this article  
19 plus or minus a percentage equal to the cumulative average yearly  
20 growth or loss in the State's population as shown by the last two  
21 federal censuses or renumerations. Money appropriated under any excep-  
22 tion prescribed by section 17 of this article shall not be included in  
23 the base for determining the allowable increase from year to year.

24 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
25 tations on increases in appropriations do not apply to money received  
26 in trust for a specific purpose; to appropriations of money to be  
27 deposited in the permanent fund; money appropriated to pay permanent  
28 fund dividends; money appropriated to capitalize loan funds, but only  
29 if the money to subsidize these loans at below market interest rates is

1 appropriated separately under the limitations; money appropriated to  
2 construct capital improvements, whether of bond proceeds or otherwise,  
3 where the appropriation for the capital improvements is approved by the  
4 voters; money appropriated to escrow accounts or otherwise to repay  
5 general obligation bonds; money appropriated as a reserve for disasters  
6 of natural or human origin or other emergencies; money appropriated to  
7 coincide with increases in user fees; money appropriated to meet  
8 increases in costs to the State resulting from court orders or a trans-  
9 fer of authority or responsibility to the State from the federal  
10 government; money derived from one-quarter of the income from those  
11 contributions made to the permanent fund which exceed the minimum  
12 required by this constitution; or money appropriated by a vote of  
13 two-thirds of the membership of each house and approved by the governor  
14 to meet disasters of natural or human origin which are declared by the  
15 governor.

16 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
17 fore the voters of the state at the next general election in conformity with  
18 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
19 laws of the state.  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 1/13/81  
Referred: Community & Regional  
Affairs and Finance

1 IN THE SENATE

BY COLLETTA

2 SENATE JOINT RESOLUTION NO. 3

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the  
16 rate of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article  
18 and excepting appropriations for capital improvements, exceed the esti-  
19 mated rate of growth of the economy of the State as determined by law.  
20 An appropriation in excess of this limit shall not be made unless a  
21 state of emergency is declared to exist, as provided by law. The  
22 appropriation limit for each of the three years following the  
23 declaration of emergency shall be adjusted equally so that the total  
24 appropriations for the year of the emergency and the succeeding three  
25 years do not exceed the appropriations which could have been made under  
26 this section if no emergency had been declared. The limit on rate of  
27 growth of appropriations for each year shall be calculated without  
28 regard to a declared emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received

1 by the State in excess of the amount appropriated in compliance with  
2 this article during a fiscal year shall be distributed to the taxpayers  
3 of the State as provided by law. No appropriation is required for a  
4 distribution under this section within the succeeding fiscal year.

5 \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
8 law requiring increased expenditures by a political subdivision shall  
9 become effective unless the legislature has provided that the State pay  
10 the amount of increased cost to the political subdivision.

11 \* Sec. 3. The amendments proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the  
14 election laws of the state.  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

SUMMARY OF SJR 4 --  
CONSTITUTIONAL AMENDMENT ON SPENDING LIMITATIONS

The expenditure limitation proposed by Governor Hammond will constitutionally limit the growth in appropriations of state funds to a rate determined by inflation and population growth. Inflation will be measured by the increase in the consumer price index for the preceding calendar year and population growth will be an annual average calculated from federal censuses or renumerations. These two measures of growth will allow the state to keep up with increasing cost factors, while constraining growth within reasonable and responsible bounds.

Certain exceptions are allowed to provide for particular requirements and circumstances which relate to the Alaska situation. These exceptions are listed below:

1. Contributions to the Permanent Fund (the state's savings account).
2. Payments of the Permanent Fund Dividend (the public's return on those savings).
3. Appropriations to loan funds, provided that any loan subsidies are appropriated and are constrained by the spending limit.
4. Appropriations for capital improvements approved by the voters.
5. Appropriations to repay outstanding general obligation debt of the state.
6. Appropriations to a disaster reserve account (rainy-day account).

7. Appropriations funded through increased user fees.
8. Appropriations required by court orders or federal transfer of functions to state government.
9. Appropriations funded by one-quarter of the earnings which result from extra contributions to the Permanent Fund, i.e., contributions in excess of those required by the Constitution.
10. Appropriations for natural disasters. This includes reserve funds from the account referred to in 6. above. Such appropriations would require a gubernatorial declaration of disaster, passage by a two-thirds majority of membership of each house, and approval by the Governor.

If this proposal is passed by the Legislature, it will go on the 1982 general election ballot and would, if approved by voters, be effective for the fiscal year 1984 budget.

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983, in no fiscal year shall the rate of growth of general fund appropriations, excepting appropriations for income-producing investments, exceed the cumulative rate of growth of the economy of the State since fiscal year 1980 as determined by law. <sup>No</sup> An appropriation in excess of this limit shall ~~not~~ be made unless a state of emergency is declared by the governor to exist, as provided by law.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal consensus or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

*by the court  
quies in  
nat'l law  
at p.*

← BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

*approp in the  
preceding yr  
by more than  
the base.*

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the ~~increase in amount~~ *increase in amount* the national ~~consumption~~ for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal ~~census~~ *census* or reenumerations. ~~Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.~~

*Except for the AF,  
principal +  
one-venue*

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. ~~Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation.~~ The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ \_\_\_\_\_ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an <sup>extraordinary</sup> ~~extraordinary~~ appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

*appropriations shall not be included in the base for*  
\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

*the next fiscal year*

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the permanent fund and appropriations required to pay the principal  
14 and interest on general obligation bonds, the amount of money appro-  
15 priated during a fiscal year, from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 renumerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. The governor shall cause any unappropriated balance to be  
28 invested at market rates. The base fiscal year for purposes of this  
29 section is the period from July 1, 1980 to June 30, 1981.

1 \* Sec. 2. The amendment proposed by this resolution shall be placed  
2 before the voters of the state at the next general election in conformity  
3 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
4 laws of the state.

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

To limit only the operating budget of the State, while allowing other expenditures to accumulate without limitation means two things. First, it means parallel budgets, one which is limited, the other which is not. People of the State want State expenditures to be limited, not just slices of particular budgets. Secondly, to allow uncontrolled growth outside the limitation means to place a time bomb at the heart of the operating budget which will eventually explode the ceiling. Capital projects create operating budget impacts. The current rule of thumb is that their operational expenses are \$1 for every \$4 construction costs -- on an annual basis. Similarly, loan programs and all other programs which would be allowed under this version impact the operating budget.

It should be remembered that the operational cost of government per se has been but a minor percentage of the increase in State expenditures. Far more important have been capital projects, loan capitalization, and such new projects as the Energy Center and Delta Barley.

Unless the expenditures outside the operating budget are controlled, there will be no way eventually to keep within the limitation except by facing the choice of abandoning facilities or eliminating services. At this point, there would be a strong incentive to repealing the expenditure limitation.

It should also be remembered that one of the goals of the expenditure limitation is not just the control of the operating budget so that government costs can be carried when Prudhoe Bay revenues decline. People also want to be sure that there are funds which have been either preserved or wisely invested so that there is an economic return to the citizens to offset declining oil revenues. Under this version, there is no way of insuring that this goal will occur -- as a matter of fact, all the non-operating budget funds could be spent rather than invested for future use.

All the portions of current expenditures which have primarily inflated the State budget are outside the appropriation limitation. Loans and loan subsidies, capital projects, special projects and every other sort of constituent desire are exempted from limitation. This means that legislators are left in much the same position they now occupy: there is no reason to say no.

The operating budget override mechanism applies only to amounts in excess of the operating budget limitation, where there is less pressure to overspend. Even when there is a desire for an operating budget item, if there is no room left under the ceiling, it will be simple enough to place it in the capital budget, as now occurs or simply to pass a separate appropriation bill.

Hence, the net effect of this version will be to give the appearance of a spending limit while in no way restricting the flexibility of either the Governor or the Legislature to spend as they wish.

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except-for-appropriations~~  
13 ~~to-the-permanent-fund-and-appropriations-required-to-pay-the-principal~~  
14 ~~and-interest-on-general-obligation-bonds,~~ the amount of money appro-  
15 priated during a fiscal year, <sup>for the operating costs of state government\*</sup> from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 renumerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. ~~The-governor-shall-cause-any-unappropriated-balance-to-be~~  
28 ~~invested-at-market-rates.~~ The base fiscal year for purposes of this  
29 section is the period from July 1, <sup>1981</sup> 1980 to June 30, <sup>1982</sup> 1981.

\* Additional language could specify "and state operating grants to local governments."

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or remunerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of \$2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these  
2 loans at below market interest rates is appropriated separately under  
3 the limitations; money appropriated by the affirmative vote of two-  
4 thirds of the membership of each house, whether of bond proceeds or  
5 otherwise, to construct capital improvements, not to exceed \$1,500 per  
6 capita; or money appropriated by a vote of two-thirds of the membership  
7 of each house and approved by the governor to meet disasters of natural  
8 or human origin which are declared by the governor.

9 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
10 fore the voters of the state at the next general election in conformity with  
11 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
12 laws of the state.

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except for appropriations~~  
13 ~~to the permanent fund and appropriations required to pay the principal~~  
14 ~~and interest on general obligation bonds,~~ the amount of money appro-  
15 priated during a fiscal year, <sup>for the operating costs of state government\*</sup> from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 renumerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. ~~The governor shall cause any unappropriated balance to be~~  
28 ~~invested at market rates.~~ The base fiscal year for purposes of this  
29 section is the period from July 1, <sup>1981</sup> ~~1980~~ to June 30, <sup>1982</sup> ~~1981~~.

\* Additional language could specify "and state operating grants to local governments."

*Rob Malone's staff wk accepted our excepts but don't like either 9% or per capita money*

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the permanent fund and appropriations required to pay the principal  
14 and interest on general obligation bonds, ~~the amount of money appro-~~<sup>general fund</sup>  
15 ~~riated~~<sup>ions</sup> during a fiscal year, ~~from whatever source and for whatever~~  
16 ~~purpose,~~ shall not exceed the amount appropriated in ~~the base fiscal~~<sup>fiscal year 1980</sup>  
17 ~~year by more than the cumulative increase in the federal consumer price~~<sup>cumulative inflation and population</sup>  
18 ~~growth as defined by law.~~  
19 ~~index for the State for the calendar years preceding the governor's~~  
20 ~~submission of the budget under Section 12 of this article plus or minus~~  
21 ~~a percentage equal to the cumulative average yearly growth or loss in~~  
22 ~~the State's population as shown by the last two federal censuses or~~  
23 ~~enumerations. The legislature may, by affirmative vote of two thirds~~  
24 ~~of the membership of each house, make appropriations in excess of this~~  
25 ~~limit by enactment of appropriation bills limited to a single item of~~  
26 ~~appropriation for a single purpose but the excess appropriations, if~~  
27 ~~any, shall not be included in calculating the limit for the next fiscal~~  
28 ~~year. The governor shall cause any unappropriated balance to be~~  
29 ~~invested at market rates. The base fiscal year for purposes of this~~  
~~section is the period from July 1, 1980 to June 30, 1981.~~

No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor, as provided by law. ~~as defined by law~~

Berrier

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limitations on appropriations  
8 of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATION. The amount of state money  
13 the governor may request or the legislature may appropriate during a  
14 fiscal year shall not exceed the amount appropriated in the preceding  
15 fiscal year as adjusted for national inflation as defined by law for  
16 the calendar year preceding the governor's submission of the budget  
17 under Section 12 of this article, plus or minus a percentage equal to  
18 the cumulative average yearly growth or loss in the state's population  
19 as shown by the last two federal censuses or renumerations. For pur-  
20 poses of this section the amount of \$ \_\_\_\_\_ billion is to be used as  
21 the amount of appropriations in fiscal year 1982.

22 SECTION 17. EXCEPTION FROM APPROPRIATION LIMITATION. The limita-  
23 tion on increases in appropriations in Section 16 of this article does  
24 not apply to appropriations to the Alaska permanent fund or to appropri-  
25 ations to other funds that produce income at market rates. Income from  
26 appropriations excepted from the appropriation limitation shall be  
27 returned to the general fund and is subject to the appropriation limita-  
28 tion. The legislature may, by affirmative vote of two-thirds of the  
29 membership of each house, make an extraordinary appropriation without

1 regard to the appropriation limitation under Section 16 of this article,  
2 but each extraordinary appropriation shall be limited to a single item  
3 of appropriation for a single purpose. Each extraordinary appropriation  
4 shall be subject to the provisions regarding vetoes in Sections 15 and  
5 16 of Article II, except that a three-quarters vote of the membership  
6 of each house shall be required to override a veto of an extraordinary  
7 appropriation. The governor may not propose an extraordinary appropri-  
8 ation in the budget submitted under Section 12 of this article. Extra-  
9 ordinary appropriations shall not be included in calculating the appro-  
10 priation limitation for the next fiscal year.

11 \* Sec. 2. The amendment proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
14 laws of the state.

Introduced: 1/13/81  
Referred: Community & Regional  
Affairs and Finance

1 IN THE SENATE

BY COLLETTA

2 SENATE JOINT RESOLUTION NO. 3

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-  
6 tution of the State of Alaska relat-  
7 ing to limiting increases in expendi-  
8 tures and requiring payment by the  
9 state of mandated increased expendi-  
10 tures of a political subdivision of  
11 the state.

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

13 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the  
16 rate of growth of appropriations from state revenues, excepting appropria-  
17 tions to the permanent fund established in Section 15 of this article  
18 and excepting appropriations for capital improvements, exceed the esti-  
19 mated rate of growth of the economy of the State as determined by law.  
20 An appropriation in excess of this limit shall not be made unless a  
21 state of emergency is declared to exist, as provided by law. The  
22 appropriation limit for each of the three years following the  
23 declaration of emergency shall be adjusted equally so that the total  
24 appropriations for the year of the emergency and the succeeding three  
25 years do not exceed the appropriations which could have been made under  
26 this section if no emergency had been declared. The limit on rate of  
27 growth of appropriations for each year shall be calculated without  
28 regard to a declared emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received

1 by the State in excess of the amount appropriated in compliance with  
2 this article during a fiscal year shall be distributed to the taxpayers  
3 of the State as provided by law. No appropriation is required for a  
4 distribution under this section within the succeeding fiscal year.

5 \* Sec. 2. Article II, Constitution of the State of Alaska is amended by  
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general  
8 law requiring increased expenditures by a political subdivision shall  
9 become effective unless the legislature has provided that the State pay  
10 the amount of increased cost to the political subdivision.

11 \* Sec. 3. The amendments proposed by this resolution shall be placed  
12 before the voters of the state at the next general election in conformity  
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the  
14 election laws of the state.

Introduced: 6/8/81  
Referred: Finance

1 IN THE HOUSE

BY MEEKINS AND BUCHHOLDT

2 HOUSE BILL NO. 607

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act limiting expenditures which may be proposed by  
7 the governor."

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

9 \* Section 1. AS 37.07.020 is amended by adding new subsections to read:

10 (e) Proposed expenditures during a fiscal year may not exceed the  
11 amount appropriated in the preceding fiscal year by more than the  
12 increase in the federal consumer price index for the state for the  
13 calendar year preceding the governor's submission of the budget plus a  
14 percentage equal to the average yearly growth in the state's population  
15 as shown by the last two federal censuses or renumerations. Expendi-  
16 tures proposed under an exception prescribed by (f) of this section may  
17 not be included in the base for determining the allowable increase from  
18 year to year.

19 (f) The limitations on increases in proposed expenditures in  
20 AS 37.07.020(e) do not apply to money

- 21 (1) to be deposited in the permanent fund;  
22 (2) requested to pay permanent fund dividends;  
23 (3) requested to capitalize loan funds, but the money to  
24 subsidize low-interest loans must be requested separately and is sub-  
25 ject to the limitations;  
26 (4) requested to construct capital improvements, from bond  
27 proceeds;  
28 (5) requested for escrow accounts or otherwise requested to  
29 repay general obligation bonds;

1           (6) requested as a reserve for disasters of natural or human  
2 origin or other emergencies;

3           (7) requested to coincide with increases in user fees;

4           (8) requested to meet increases in costs to the state  
5 resulting from court orders or from a transfer of authority or responsi-  
6 bility to the state from the federal government;

7           (9) derived from one-quarter of the income from those  
8 contributions made to the permanent fund which exceed the minimum  
9 required by art. 14, sec. 15 of the Constitution of the State of  
10 Alaska; or

11           (10) requested to meet disasters of natural or human origin  
12 which are declared by the governor.

13 \* Sec. 2. AS 37.07.100 is amended to read:

14           Sec. 37.07.100. PROPOSED SUPPLEMENTAL OR DEFICIENCY APPROPRIA-  
15 TIONS. The governor from time to time may transmit to the legislature  
16 proposed supplemental or deficiency appropriations which in his judg-  
17 ment are necessary on account of laws enacted after the transmission of  
18 the budget, or are otherwise in the public interest. He shall accompany  
19 each proposal with a statement of the reasons for it, including the  
20 reasons for its omission from the budget. The total amount of all  
21 appropriations proposed by the governor may not exceed the limitations  
22 of AS 37.07.020(e).  
23  
24  
25  
26  
27  
28  
29

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
13 to the permanent fund and appropriations required to pay the principal  
14 and interest on general obligation bonds, the amount of money appro-  
15 priated during a fiscal year, from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 renumerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. The governor shall cause any unappropriated balance to be  
28 invested at market rates. The base fiscal year for purposes of this  
29 section is the period from July 1, 1980 to June 30, 1981.

What rate would  
this be at  
percent?

Why this  
clause?

Wouldn't be  
counted any  
way the rest  
is worked  
bill

1 \* Sec. 2. The amendment proposed by this resolution shall be placed  
2 before the voters of the state at the next general election in conformity  
3 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
4 laws of the state.

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska is  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except for appropriations~~  
13 ~~to the permanent fund and appropriations required to pay the principal~~  
14 ~~and interest on general obligation bonds,~~ the amount of money appro-  
15 priated during a fiscal year <sup>for the operating costs of state government\*</sup> from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 remunerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. ~~The governor shall cause any unappropriated balance to be~~  
28 ~~invested at market rates.~~ The base fiscal year for purposes of this  
29 section is the period from July 1, <sup>1981</sup> ~~1980~~ to June 30, <sup>1982</sup> ~~1981~~.

\* Additional language could specify "and state operating grants to local governments."

Introduced: 6/8/81  
Referred: State Affairs,  
Resources and Finance

1 IN THE SENATE

BY FISCHER

2 SENATE BILL NO. 591

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska permanent fund."

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

8 \* Section 1. AS 37.13.010(a) is repealed and reenacted to read:

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

12 (1) 75 percent of all mineral lease rentals, royalties,  
13 royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g),  
14 and federal mineral revenue sharing payments received by the state from  
15 all mineral leases issued on or before December 1, 1979;

16 (2) 25 percent of all bonuses received by the state from  
17 mineral leases issued on or before February 15, 1980;

18 (3) 50 percent of all bonuses received by the state from  
19 mineral leases issued after February 15, 1980 and before the effective  
20 date of this Act;

21 (4) 75 percent of all bonuses received by the state from  
22 mineral leases issued after the effective date of this Act; and

23 (5) any other money appropriated to or otherwise allocated  
24 by law to the Alaska permanent fund.  
25  
26  
27  
28  
29

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

Hogan

SSSJR 4  
ANALYSIS OF PROPOSED CHANGES

---

1. APPROPRIATION LIMITATIONS:  
Line 13 - "The amount of State money..."

The delegates to the constitutional convention discussed differentiating between State money and "other funds". We don't have much recorded information on the discussions, but the decision was not to create different kinds of public money. To include the phrase "State money" would lead to extensive wrangling between the legislature and the executive as to what constitutes State money.

2. EXCEPTIONS FROM APPROPRIATION LIMITATIONS:  
Lines 25 & 26 - "money received in trust for a specific purpose"

1 and 2 are inter-related. "trust fund" is a favorite term of the Attorney General for funds that should bypass the legislative appropriation process. If "money received in trust" or "trust funds" are allowed in the constitution where currently no such term exists, the Attorney General could proceed to overturn the Superior court decision in Kelly vs. Hammond by seeking a judgement that such grants are trust funds and therefore exempt from the limitation, and from appropriation by the legislature.

Lines 26 & 27 - "appropriation of money to be deposited in the permanent fund"

#318

Permanent fund appropriations should not be exempt from the limitation. They should be subject to the voter approval provision for capital projects.

Lines 27 & 28 - "money appropriated to pay permanent fund dividends"

#4 Permanent fund dividends should not be exempt from the limitations. They should be subject to the voter approval provision for capital projects.

Line 28 & 29 and page 2, line 1 - "money appropriated to capitalize loan funds..."

#5  
#6 Loan fund capitalization should not be exempt from the limitations. They should be subject to the voter approval provision for capital projects.

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

*Hegeman*

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR2 SPONSOR SUBSTITUTE FOR  
3 SENATE JOINT RESOLUTION NO. 44 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 TWELFTH LEGISLATURE - FIRST SESSION6 Proposing and amendment to the Constitu-  
7 tion of the State of Alaska relating to  
8 limitations on appropriations of state  
9 money.

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

11 \* Section 1. Article IX of the Constitution of the State of Alaska is  
12 amended by adding new sections to read:13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of money the  
14 governor may request or the legislature may appropriate during a fiscal  
15 year shall not exceed the amount of \$2.5 billion for the base fiscal  
16 year of 1982 by more than the cumulative increase in the federal  
17 consumer price index for the State for the calendar years preceeding  
18 the governor's submission of the budget under section 12 of this  
19 article plus or minus a percentage equal to the cumulative average  
20 yearly growth or loss in the State's population as shown by the last  
21 two federal censuses or renumerations. Money appropriated under any  
22 exception prescribed by section 17 of this article shall not be  
23 included in the base for determining the allowable increase from year  
24 to year.25 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The  
26 limitations on increases in appropriations do not apply to money  
27 appropriated capital improvements, whether of bond  
28 proceeds or otherwise, where the appropriation for the capital  
29 improvements is approved by the voters; money appropriated to escrow

1 accounts or otherwise to repay general obligation bonds; money  
2 appropriated as a reserve for disasters of natural or human origin or  
3 other emergencies; money appropriated to coincide with increases in  
4 user fees; money appropriated to meet increases in costs to the State  
5 resulting from court orders or a transfer of authority or responsi-  
6 bility to the State from the federal government; or money appropriated  
7 by a vote of two-thirds of the membership of each house and approved  
8 by the governor to meet disasters of natural or human origin which  
9 are declared by the governor.

10 \* Sec. 2. The amendment proposed by this resolution shall be placed  
11 before the voters of the state at the next general election in conformity  
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the  
13 election laws of the state.  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

8 suggested deletions

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SPONSOR SUBSTITUTE FOR

3 SENATE JOINT RESOLUTION NO. 4

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing an amendment to the Constitu-  
7 tion of the State of Alaska relating to  
8 limitations on appropriations of state  
9 money.

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

11 \* Section 1. Article IX of the Constitution of the State of Alaska is  
12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of <sup>1</sup>State money  
14 The governor may request or the legislature may appropriate during a  
15 fiscal year shall not exceed the amount of \$2.5 billion for the base  
16 fiscal year of 1982 by more than the cumulative increase in the federal  
17 consumer price index for the State for the calendar years preceding the  
18 governor's submission of the budget under section 12 of this article  
19 plus or minus a percentage equal to the cumulative average yearly  
20 growth or loss in the State's population as shown by the last two  
21 federal censuses or renumerations. Money appropriated under any excep-  
22 tion prescribed by section 17 of this article shall not be included in  
23 the base for determining the allowable increase from year to year.

24 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-  
25 tations on increases in appropriations do not apply <sup>2</sup>to money received  
26 in trust for a specific purpose <sup>3</sup>to appropriations of money to be  
27 deposited in the permanent fund; <sup>4</sup>money appropriated to pay permanent  
28 fund dividends; <sup>5</sup>money appropriated to capitalize loan funds; <sup>6</sup>but only  
29 if the money to subsidize these loans at below market interest rates is

2

appropriated separately under the limitations; <sup>#7</sup> money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters; <sup>#8</sup> money appropriated to escrow accounts or otherwise to repay general obligation bonds; money appropriated as a reserve for disasters of natural or human origin or other emergencies; money appropriated to coincide with increases in user fees; money appropriated to meet increases in costs to the State resulting from court orders or a transfer of authority or responsibility to the State from the federal government; <sup>#8</sup> money derived from one-quarter of the income from those contributions made to the permanent fund which exceed the minimum required by this constitution; or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

395

\*\*\*\*COPY\*\*\*\*  
ALASKA SENATE  
CS SJR 4 FIN AM 1

1ST SESSION 12TH LEG'

6/12/81 11:37 AM

7 YEAS 12 NAYS 0 EXC 1 ABS

Y	BENNETT	N	FERGUSON	N	MULCAHY	N	STURGULEWSKI
N	BRADLEY	Y	FISCHER	Y	FARR	N	ZIEGLER
Y	COLLETTA	N	GILMAN	N	RAY		
Y	DANKWORTH	Y	HOHMAN	Y	RODEY		
N	ELIASON	N	KELLY	A	SACKETT		
N	FAHRENKAMP	N	KERTTULA	N	STIMSON		

+ VOTED FOR

\* CHANGED VOTE

396

\*\*\*\*COPY\*\*\*\*  
ALASKA SENATE  
CS SJR 4 FIN AM 2

1ST SESSION 12TH LEG

6/12/81 11:40 AM

	11 YEAS	9 NAYS	0 EXC	0 ABS		
Y	BENNETT	N	FERGUSON	N	MULCAHY	N STURGULEWSKI
N	BRADLEY	Y	FISCHER	Y	PARR	Y ZIEGLER
Y	COLLETTA	N	GILMAN	Y	RAY	
Y	DANKWORTH	Y	HOHMAN	Y	RODEY	
N	ELIASON	N	KELLY	N	SACKETT	
N	FAHRENKAMP	Y	KERTTULA	Y	STIMSON	

+ VOTED FOR

\* CHANGED VOTE

397

\*\*\*\*COPY\*\*\*\*  
ALASKA SENATE  
CS SJR 4 AM AM 3

1ST SESSION 12TH LEG

6/12/81 11:41 AM

14 YEAS 6 NAYS 0 EXC 0 ABS

Y	BENNETT	N	FERGUSON	N	MULCAHY	N	STURGULEWSKI
Y	BRADLEY	Y	FISCHER	Y	PARR	Y	ZIEGLER
Y	COLLETTA	N	GILMAN	Y	RAY		
Y	DANKWORTH	Y	HORMAN	Y	RODEY		
N	ELIASON	Y	KELLY	Y	SACKETT		
Y	FAHRENKAMP	Y	KERTTULA	N	STIMSON		

+ VOTED FOR

\* CHANGED VOTE

*Adrian*

To limit only the operating budget of the State, while allowing other expenditures to accumulate without limitation means two things. First, it means parallel budgets, one which is limited, the other which is not. People of the State want State expenditures to be limited, not just slices of particular budgets. Secondly, to allow uncontrolled growth outside the limitation means to place a time bomb at the heart of the operating budget which will eventually explode the ceiling. Capital projects create operating budget impacts. The current rule of thumb is that their operational expenses are \$1 for every \$4 construction costs -- on an annual basis. Similarly, loan programs and all other programs which would be allowed under this version impact the operating budget.

It should be remembered that the operational cost of government per se has been but a minor percentage of the increase in State expenditures. Far more important have been capital projects, loan capitalization, and such new projects as the Energy Center and Delta Barley.

Unless the expenditures outside the operating budget are controlled, there will be no way eventually to keep within the limitation except by facing the choice of abandoning facilities or eliminating services. At this point, there would be a strong incentive to repealing the expenditure limitation.

It should also be remembered that one of the goals of the expenditure limitation is not just the control of the operating budget so that government costs can be carried when Prudhoe Bay revenues decline. People also want to be sure that there are funds which have been either preserved or wisely invested so that there is an economic return to the citizens to offset declining oil revenues. Under this version, there is no way of insuring that this goal will occur -- as a matter of fact, all the non-operating budget funds could be spent rather than invested for future use.

All the portions of current expenditures which have primarily inflated the State budget are outside the appropriation limitation. Loans and loan subsidies, capital projects, special projects and every other sort of constituent desire are exempted from limitation. This means that legislators are left in much the same position they now occupy: there is no reason to say no.

The operating budget override mechanism applies only to amounts in excess of the operating budget limitation, where there is less pressure to overspend. Even when there is a desire for an operating budget item, if there is no room left under the ceiling, it will be simple enough to place it in the capital budget, as now occurs or simply to pass a separate appropriation bill.

Hence, the net effect of this version will be to give the appearance of a spending limit while in no way restricting the flexibility of either the Governor or the Legislature to spend as they wish.

Introduced: 5/19/81  
Referred: Finance and  
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-  
6 stitution of the State of Alaska  
7 relating to limitations on appropri-  
8 ations of state money.

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

10 \* Section 1. Article IX of the Constitution of the State of Alaska  
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except for appropriations~~  
13 ~~to the permanent fund and appropriations required to pay the principal~~  
14 ~~and interest on general obligation bonds,~~ the amount of money appro-  
15 priated during a fiscal year <sup>for the operating costs of state government\*</sup> from whatever source and for whatever  
16 purpose, shall not exceed the amount appropriated in the base fiscal  
17 year by more than the cumulative increase in the federal consumer price  
18 index for the State for the calendar years preceding the governor's  
19 submission of the budget under Section 12 of this article plus or minus  
20 a percentage equal to the cumulative average yearly growth or loss in  
21 the State's population as shown by the last two federal censuses or  
22 remunerations. The legislature may, by affirmative vote of two-thirds  
23 of the membership of each house, make appropriations in excess of this  
24 limit by enactment of appropriation bills limited to a single item of  
25 appropriation for a single purpose but the excess appropriations, if  
26 any, shall not be included in calculating the limit for the next fiscal  
27 year. ~~The governor shall cause any unappropriated balance to be~~  
28 ~~invested at market rates.~~ The base fiscal year for purposes of this  
29 section is the period from July 1, <sup>1981</sup>1980 to June 30, <sup>1982</sup>1981.

\* Additional language could specify "and state operating grants to local governments."

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal consensus or renumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

## EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

## BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

## COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

## FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

#### EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal consensus or renumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of money the Governor may request or the Legislature may appropriate during a fiscal year may not exceed the sum of \$\_\_\_\_\_ per capita, as adjusted for national inflation.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The per capita limitation on appropriations does not apply to appropriations to the Permanent Fund or to other funds producing market rate income. Except for Permanent Fund principal, principal and income of funds excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

~~Permanent Fund~~

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of \_\_\_\_\_ billion is to be used as the amount of appropriations in fiscal year 1982.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Except for the principal of the Permanent Fund, principal and income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983, in no fiscal year shall the rate of growth of general fund appropriations, excepting appropriations for income-producing investments, exceed the cumulative rate of growth of the economy of the State since fiscal year 1980 as determined by law. <sup>No</sup> An appropriation in excess of this limit shall ~~not~~ be made unless a state of emergency is declared by the governor to exist, as provided by law.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ \_\_\_\_\_ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or renumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

*I don't like this, in either Tom's or Margot's bill.*

*Possible to not pass through the General Fund*

*This is a very good clause it be circumvented by technical changes*



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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ \_\_\_\_\_ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

## EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

## BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

## COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

## FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

#### EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

*g/lc effect*  
*am talks effect*  
*90 jump*  
*after election*  
*certification*  
*7/84*

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion <sup>dolla.</sup> by more than the cumulative change in population and inflation, ~~since July 1, 1980, as defined by law,~~ <sup>as defined by law,</sup> except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve, <sup>without a referendum \*</sup> each bill by ~~the affirmative vote of~~ <sup>a</sup> two-thirds <sup>vote</sup> of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

~~a 2/3 vote of each house~~  
~~of the legislature~~ \* *change another bill*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
14 to the Alaska permanent fund, appropriations required to pay the prin-  
15 cipal and interest on general obligation bonds, and appropriations of  
16 money received from a non-state source in trust for a specific purpose,  
17 appropriations from the treasury for a fiscal year shall not exceed  
18 \$2 billion by more than the cumulative change in population and infla-  
19 tion since July 1, 1980<sup>79</sup>, as defined by law, except that the governor may  
20 propose appropriations in excess of this limit for capital improvements  
21 of the same type in separate bills for each type of capital improvement  
22 and the legislature may approve, <sup>without a referendum</sup> each bill by the affirmative vote of  
23 two-thirds of the membership of each house. No other appropriation in  
24 excess of this limit may be proposed by the governor or approved by the  
25 legislature unless to meet a state of disaster declared by the governor  
26 as prescribed by law. The governor shall cause any unappropriated bal-  
27 ance to be invested so as to yield competitive market rates to the  
28 treasury.  
29

SUMMARY OF RECOMMENDATIONS  
AND ESTIMATED FUTURE APPROPRIATIONS  
(Millions of Dollars)

*Categories  
to be  
concluded by*

	<u>FY 81 Adj</u>	<u>FY 82 Rec</u>	<u>% Increase (Decrease)</u>
<u>Operating Budget</u>			
<u>Formula Programs, Total<sup>1</sup></u>	<u>797.1</u>	<u>1,040.4</u>	<u>30.5</u>
General Funds	728.7	973.4	33.6
<u>Non-Formula Programs, Total<sup>2</sup></u>	<u>1,040.9</u>	<u>1,139.1</u>	<u>9.4</u>
General Funds	718.3	803.1	12.1
<u>Total Appropriations (to date)</u>	<u>1,838.0</u>	<u>2,179.5</u>	<u>18.6</u>
General Funds	1,445.7	1,776.5	22.9
<u>Additional Appropriations<sup>3</sup></u>	<u>109.5</u>	<u>53.5</u>	<u>(51.1)</u>
General Funds	109.0	50.0	(54.1)
<u>Total Operating</u>	<u>1,947.5</u>	<u>2,233.0</u>	<u>14.7</u>
General Funds	1,554.0	1,826.5	17.5
<u>Capital Budget</u>			
<u>Loans Appropriations<sup>4</sup></u>	<u>709.3</u>	<u>400.4</u>	<u>(43.5)</u>
General Funds	709.3	400.4	(43.5)
<u>Other Capital Appropriations<sup>5</sup></u>	<u>1,352.2</u>	<u>288.2</u>	<u>(78.7)</u>
General Funds	974.4	227.4	(75.7)
<u>Total Capital</u>	<u>2,061.5</u>	<u>688.6</u>	<u>(66.6)</u>
General Funds	1,683.7	627.8	(62.7)
<u>Subtotal Regular Budget</u>			
<u>Total Funds</u>	<u>4,009.0</u>	<u>2,921.6</u>	<u>(27.1)</u>
General Funds	3,237.7	2,454.3	(24.2)
<u>CIP Conversion</u>			
<u>Total Funds<sup>6</sup></u>	<u>---</u>	<u>19.0</u>	<u>---</u>
General Funds	---	19.0	---
<u>Total Regular Budget</u>			
<u>Total Funds</u>	<u>4,009.0</u>	<u>2,940.6</u>	<u>(26.7)</u>
General Funds	3,237.7	2,473.3	(23.6)
<u>Other Appropriations</u>			
<u>Permanent Fund Contribution</u>	<u>900.0</u>	<u>1,800.0</u>	<u>100.0</u>
General Funds	900.0	1,800.0	100.0
<u>"Rainy Day Fund"<sup>7</sup></u>	<u>350.0</u>	<u>350.0</u>	<u>---</u>
General Funds	350.0	350.0	---
<u>Escrow Account<sup>8</sup></u>	<u>---</u>	<u>300.0</u>	<u>---</u>
General Funds	---	300.0	---
<u>Other Appropriations/Available Revenue<sup>9</sup></u>	<u>286.1</u>	<u>381.8</u>	<u>---</u>
General Funds	284.8	381.8	---
<u>Revenues</u>			
<u>Total State Revenues<sup>10</sup></u>	<u>3,631.0</u>	<u>4,955.1</u>	<u>36.5</u>
Petroleum Revenues	3,223.9	4,557.7	41.4

Explanatory Notes on Page 5

Explanatory notes for Summary of Recommendations table.

- 1 A table of the state expenditures that are referred to as "formula programs" is provided in the Operating Budget section of this book (the following section), on page 19. The Formula Program figures include the increase in general fund expenditures in the Medicaid program arising from the loss of Federal Revenue Sharing Funds. This amounts to approximately \$7 million in FY 81, and \$9.4 million in FY 82.
- 2 The Non-Formula programs figure for FY 81 general funds includes \$5 million that was referred to as Renewable Resources Funds in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 3 The Additional Appropriations figure for FY 81 includes expected supplementals net of lapses, and for FY 82 includes expected budget amendments and new legislation. The bulk of the FY 81 figure is for the Governor's proposed Royalty Premium Distribution.
- 4 The Loans Appropriations figure includes appropriations for both capitalization and subsidies for loans from Alaska Industrial Development Authority, Alaska Housing Finance Corporation, State Business Loans, Department of Community and Regional Affairs Non-Conforming Loans, and the Agriculture Revolving Loan Fund. The loan portfolios that were appropriated in FY 81 (\$492 million) are treated as general funds.
- 5 The Other Capital Appropriations figure for FY 81 general fund includes \$104.1 million that was referred to as Renewable Resources Fund in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 6 The C.I.P. (Capital Improvements Program) conversion represents changing the funding source for certain positions in Department of Transportation and Public Facilities that are associated with that department's capital programs. This conversion changes the funding for these overhead positions from a percentage of specific projects to general funds.
- 7 The \$350 million requested for FY 82 for the Rainy Day fund is intended to be funded from "carry forward" money estimated to be available in the general fund at the end of FY 81.
- 8 The Escrow Account represents an amount to be appropriated to a fund that could be used to help cover a share of the State's liability should such arise from the present litigation regarding the corporate petroleum income tax.
- 9 The Other Appropriations for FY 81 that are included in this lump sum figure do not easily fit into any of the above listed categories. The bulk of the FY 81 figure is accounted for by Chapter 3 of the 1980 Special Session (\$185.5 million) and Chapter 33, SLA 80 (\$87 million). The bulk of the FY 82 figure is intended to be requested for a program to help finance energy development projects.
- 10 Petroleum Revenues are defined as corporate petroleum income taxes, oil and gas severance taxes, oil and gas property taxes, and net royalties, leases, rents and bonus sales.

FORMULA PROGRAMS  
(GF only, in thousands)

<u>EDUCATION</u>	<u>FY81 Auth</u>	<u>FY82</u>
TRS State Match	18240.5	22041.5
Debt Retirement Local	30250.0	33793.9
Supplemental Equalization	10237.2	27087.7
SOS ASHA Payments	286.0	286.0
Pupil Transportation/Public	17990.5	20195.3
Tuition Students	3700.0	3700.0
Student ADM Support	214524.0	255156.5
Special Education Adj	22032.1	27019.6
Vocational Education Adj	14529.4	20994.6
Community School Adj	2485.9	2641.9
Bilingual Adj	5808.2	8970.7
Board Home Grants	1000.0	1000.0
State Contract Program	6711.7	13396.9
Correspondence Study Local	3437.2	4214.8
Student Financial Aids	10701.9	16864.9
SUBTOTAL =	361934.6	457364.3

ADMINISTRATION OF JUSTICE

Out of State Confinement	2519.5	4175.5
Local Facilities (Jails)	1127.0	1522.2
SUBTOTAL =	3646.5	5697.7

DEVELOPMENT

Shared Taxes	5270.0	7115.0
Municipal Assist. Shared Taxes	11400.0	92000.0
Municipal Revenue Sharing	33500.0	40500.0
SUBTOTAL =	50170.0	139615.0

<u>SOCIAL SERVICES</u>	<u>FY81 Auth</u>	<u>FY82</u>
Longevity Bonus Grants	19947.3	21445.6
AIDC	16072.0	22135.2
Aid to Blind	140.9	161.3
Aid to Disabled	4691.7	5940.5
General Relief	800.0	900.0
Foster Care	3479.3	3545.7
Institution Care	10356.5	14416.2
Old Age Assistance	4479.5	5332.1
Senior Citizens Tax Relief	3294.6	3253.0
SUBTOTAL =	63261.8	77129.6

HEALTH

Medicaid	16779.8	22448.1
General Relief Medical	12168.3	14133.6
SUBTOTAL =	28948.1	36581.6

OTHER

Debt Service (all)	92239.5	128498.7
Permanent Fund Distribution	128500.0	128500.0

TOTAL = 728700.5 973386.9

## BUDGET OVERVIEW

This section contains an overview of the Governor's FY 82 budget requests. The intent is to provide a summary of all expected requests, and to show the relationship of these requests to FY 81 appropriations and expected FY 82 revenues. The remainder of this book contains additional detail on the Governor's FY 82 operating budget request. A second book contains details of the Governor's FY 82 capital budget request, and six year capital program.

The two most apparent factors in the following table are the significant increase in the operating budget, and the large decrease in the capital budget. These combine to yield a total budget decrease of approximately 2% in general fund spending from FY 81. However, it must be emphasized that simple comparisons of this sort, without further explanation, can be misleading. For this reason, further discussion is given below.

Except for the drop in "Additional Appropriations", the general fund operating budget shows over a 20% increase. The operating budget figures have been further broken down to indicate the cause of this large increase -- the unusually large growth in "formula programs". Although the designation of "formula" may not be precise when applied to each of the programs included in this group, it was felt to be a generally descriptive title. Essentially, the formula programs are those over which the Governor and the Legislature have relatively little discretion with regard to funding level. That is, unless they choose to underfund the formula, or change the statutory basis, the amount needed to fund these programs is determined more by the number of eligible "clients", than by the Governor or the Legislature. A table of these formula programs is given on page 19 of this book. Examples of programs included in this grouping are the Education Foundation formula, Longevity Bonus program, Medicaid, Municipal Assistance, and G.O. Bond Debt Service. These programs are predominately grants to individuals or local governments.

Contrasted to this significant growth rate, the growth of the non-formula programs is approximately equal to the combined growth of population and inflation. These non-formula programs represent, for the most part, ongoing direct State provision of public goods and services.

The decrease shown in the capital budget is due primarily to the fact that in FY 81 the Legislature passed a one-time capital budget bill of approximately \$500 million (Ch. 80, SLA 80), and also because the FY 81 figures include an appropriation of \$292 million to pay off the State's obligation under Native Land Claims Act. Further explanation of the Governor's FY 82 capital budget is presented in Book II of the Executive Budget Document.

The \$19 million for conversion of position funding from capital funds to general funds is shown as a separate item since in actuality it does not represent an increase in State spending. These positions were previously funded with State capital project funds, so all that is occurring is a switch of State funding sources.

The Other Appropriations for FY 82 are listed separately since they will be introduced as separate bills. The contribution for the "Rainy Day" fund for FY 82 is intended to be funded out of carry-forward funds available at the end of FY 81. Since these carry-forward funds are required for cash flow purposes, appropriate uses of these funds are either to leave them in the general fund, or appropriate them to a cash reserve fund, such as the Rainy Day Fund. The Escrow Account is also a reserve account related to the present litigation over the corporate petroleum income tax.

The bulk of the unspecified Other Appropriations/Available Revenues for FY 82 is intended to fund a program that will assist in the financing of energy development projects - primarily hydroelectric projects. A specific legislative proposal was under development at the time this document went to print.

One final overall observation deals with the relationship of spending versus saving in the Governor's FY 82 budget. The Governor's FY 82 appropriation requests can be characterized as saving half and spending/investing the remaining half. Governor Hammond is presenting to the Legislature an integrated saving/investment/ spending plan, of which the FY 82 budget is but one part. Much of this plan is targeted at investing in Alaska's future, as well as attempting to meet current day needs through existing "people programs." Given the source of Alaska's revenue, (in FY 82, 92% of Alaska's total revenue is expected to be derived from petroleum) it seems clear that saving and/or investing a significant portion of current revenues is the only prudent course to follow.

SECTION 16. APPROPRIATION LIMITATIONS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of \$            billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropriations of funds received as a beneficial trust from a non-state source for a specific purpose, appropriations requested by the governor for a single appropriation for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~separately~~ under the appropriation limitation. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor.

The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to general accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed \$ 2 by more than the cumulative <sup>1950</sup> population and inflation as defined by law, except that the governor may propose a single capital appropriation <sup>for a single project</sup> in excess of this limit and the legislature may approve it by a two-thirds vote of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless a state of emergency <sup>to meet a state of disaster</sup> is declared by the governor as defined by law.

Real - natural

Blank B -

single capital appropriation \$ - Project

2,550,000

Budget 1.9 - 125  
 Bonds 500  
 Loans 100  
 Capital 275  
 2.7

operating  
Capital  
Loans

Any how

2.55

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to special accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed \$2 Billion by more than the cumulative population and inflation as defined by law, except that the governor may propose a ~~state~~ capital appropriation <sup>for a single project</sup> in excess of this limit and the legislature may approve it by a two-thirds vote of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless a state of emergency <sup>is declared</sup> is declared by the governor as defined by law. *The Gov shall cause any unappropriated balance to be invested at competitive market rates*

*the day's limitation*

*single purpose*

SECTION 16. APPROPRIATION LIMITATIONS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of \$ \_\_\_\_\_ billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropriation of funds received as a beneficial trust from a non-state source for a specific purpose, appropriations requested by the governor for a single appropriation for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~separately~~ ~~under the appropriation limitation~~. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor. The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

*— single capital improvement*

*operating  
capital  
subsidy for loans  
P.F. like funds  
new legislation*

*Cap in base  
by AOB (understand?)  
by single appropriation*

*Sen. Stungulurka*

1030

3867

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion by more than the cumulative change in population and inflation, <sup>as defined by law,</sup> since July 1, 1956, <sup>79</sup> as ~~defined by law,~~ except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve, <sup>without amendment,</sup> ~~each bill by the affirmative vote of~~ <sup>two-thirds</sup> ~~of the membership of each house.~~ <sup>vote</sup> No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

1010 + copies  
Marty  
2 changes  
bill text might

(Copies)

Revised  
Language  
by Deques

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 <sup>000,000,000</sup> billion by more than the cumulative change in population and inflation, since July 1, 1979, <sup>1979</sup> as defined by law, except that the governor may <sup>in separate bills</sup> propose appropriations in excess of this limit for capital improvements <sup>with each bill limited to capital improvements which are similar in kind</sup> of the same type <sup>as defined by law</sup> in separate bills for each type of capital improvement, and the legislature may approve, <sup>without amendment,</sup> each bill by <sup>a</sup> the affirmative vote of two-thirds <sup>vote</sup> of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve ~~without increase~~ each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.

except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve without increase in the amount of appropriation each bill by a two thirds vote of each house. ~~To override a veto on a bill for appropriations for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.~~

except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve ~~without increase~~ each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.

except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve without increase in the amount of appropriation each bill by a two thirds vote of each house. To override a veto on a bill for appropriations for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.

Revised  
Language  
by Peques

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 <sup>000,000,000</sup> billion by more than the cumulative change in population and inflation, since July 1, <sup>1979</sup> 1980, ~~as defined by law~~, except that <sup>the</sup> governor may propose <sup>in separate bills</sup> appropriations in excess of this limit for capital improvements <sup>with each bill limited to capital improvements which are similar in kind</sup> of the same type ~~in separate bills for each type of capital improvement~~, and the legislature may approve, <sup>without amendment,</sup> each bill by <sup>a</sup> the affirmative vote of two-thirds <sup>vote</sup> of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

relating to limiting increases in  
appropriations

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

\*Section 1. Article IX, Constitution of the State of Alaska is amended by adding a new section to read:

SECTION 16.. APPROPRIATION LIMITATIONS. Except for appropriations required to pay the principal and interest on general obligation bonds and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2,400,000,000 by more than the cumulative change, designated by law, in population and inflation since July 1, 1982. Within this limit, at least 37 1/2 percent shall be reserved for capital projects and loan subsidies. [ The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund, for permanent or per capita personal loans from the treasury and in bills for appropriations for capital projects whether of bond proceeds or otherwise, where each appropriation bill is approved by the governor, or is passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is approved by the voters according to law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital improvements. ] No other appropriations in excess of this limit may be approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury..

\*Section 2. Article XV, Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL  
If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the state of providing for relocation

within the cost is required under the 1982 amendment on appropriation limitations.

**SECTION 27. RECONSIDERATION OF AMENDMENT ON APPROPRIATION LIMITATIONS.** If the 1982 amendment on appropriation limitations is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment on appropriation limitations to be placed on the ballot again in the general election in 1986. If the majority of those voting on the proposition reject the amendment, it shall be repealed.

Section 3. The amendment proposed by this resolutions shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ \_\_\_\_\_ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

\* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

*Central Dist  
P.F.*

*In what extent  
does technical  
change make  
different oppor.*

*Tau's unofficial response.  
Very different in Sec 17.*

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of \_\_\_\_\_ billion is to be used as the amount of appropriations in fiscal year 1982.

*Structural  
Capital Budget  
Grants*

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. ~~Except for the principal of the Permanent Fund, principal and~~ Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of money the Governor may request or the Legislature may appropriate during a fiscal year may not exceed the sum of \$\_\_\_\_\_ per capita, as adjusted for national inflation.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The per capita limitation on appropriations does not apply to appropriations to the Permanent Fund or to other funds producing market rate income. Except for Permanent Fund principal, principal and income of funds excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

~~Permanent Fund~~

*Checks & balances -*  
 Unusual circumstances / no precedent  
 (even P.F. had precedent - endowment funds)  
 1976 - discussion in P.F. - \$'s began to go to fund immediately  
 1980 management -  
 [calls a lot of law - lost before statute]

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount \_\_\_\_\_ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal consensus or renumerations. ~~Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.~~

*Dr. (1) Group*

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market \* rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

*income producing [P.F.]*

*com + 2  
 market rate  
 affl doesn't  
 have  
 funds which  
 serve only to  
 reduce income  
 income producing*

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

*appropriate index of statewide price increases & state population  
 national inflation & state population*

*Referendum for excess / capital / operating  
 means not the heads votes*

*P.F.  
 Tens  
 P.F.*

*\* note hydro 2 1%*

## EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

## BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

## COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

## FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

#### EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

House Finance Committee

3.68  
- debt  
- PT → 2.111 for '80  
est. 2.158 → (M+PT) '82  
184  
-3.2

SECTION 16: APPROPRIATION LIMITATIONS. Except for appropriations to the permanent fund and appropriations required to pay the principal and interest on general obligation bonds, general fund appropriations during a fiscal year shall not exceed the amount appropriated in fiscal year 1980 by more than the cumulative inflation and population growth or decline as defined by law. No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

Moss - minus school debt service? Force state to pay local bonds.

Malone - yes - Moss - that is discriminatory

Rogers - doesn't apply to endowment funds

Adams - how to assure spent at limit?  
wants revenue allocation guideline

Malone - strict limit in conditions in dollar terms  
Need to set soon, if anything to be

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983, in no fiscal year shall the rate of growth of general fund appropriations, excepting appropriations for income-producing investments, exceed the cumulative rate of growth of the economy of the State since fiscal year 1980 as determined by law. An appropriation in excess of this limit shall ~~not~~ be made unless a state of emergency is declared by the governor to exist, as provided by law.

Pod  
political reason  
sub-art II  
provisions are very  
explicit

*Very complex problem -*  
*many different possible approaches.*  
*assumed that people really want to*  
*limit state expenditures.*

*Senator Sturgis*

*Gov. does not have a problem*

*Immediate - specific*  
CS SJR 4 (FINANCE)

SUMMARY

[REDACTED] contains two sections

The first is Section 16 and deals with [REDACTED] N. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at [REDACTED] billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] ( \$1500 per capita).

*Endowment \$10 to University J. Paul Getty } Private 3rd party*

~~Capital appropriations and disaster appropriations are made by a two thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.~~

Principal and Interest Bonds

~~The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.~~

Money to Capitalize Loan Funds

~~Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.~~

Capital Improvements

The limitation figure inc

2

CONSTITUTIONAL LIMIT ON SPENDING

[REDACTED]

1. [REDACTED] controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. [REDACTED] minimize the [REDACTED] the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. [REDACTED] spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. [REDACTED] the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT  
EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;

*other trusts  
covered by est.  
under spending  
limit  
of est. as est.C.  
① market rates  
② income &  
general fund*

- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

#### REASONS FOR THE FORMULA CHOSEN

##### Section 16

[REDACTED] time.  
In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

[REDACTED]  
Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

[REDACTED]  
During times of economic expansion, the constitutional limit is allowed

2

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

[REDACTED]

It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

### SCOPE OF THE CONSTITUTIONAL LIMIT

#### Section 17

[REDACTED]

ate activity. The only reasons for an exemption

1) [REDACTED]

2) [REDACTED]

3) [REDACTED]

need [REDACTED] and capital improvements.

[REDACTED]

[REDACTED] for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

#### Permanent Fund

[REDACTED] are exempt from the expenditure.

The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

[REDACTED] the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

[REDACTED]

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

[REDACTED]

[REDACTED]

[REDACTED] If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

[REDACTED]

[REDACTED]

[REDACTED] This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

[REDACTED]

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;  
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

CS SJR 4 (FINANCE)

SUMMARY

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;
- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

## CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

### PROPOSED AMENDMENT EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;

- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

#### REASONS FOR THE FORMULA CHOSEN

##### Section 16

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the flexibility which we built into the limit, (as have almost all other advocates of a constitutional limit) was to allow for inflation. Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

The second element of flexibility was to allow for a dampened amount of swing in government spending levels to accompany swings in the economy. During times of economic expansion, the constitutional limit is allowed

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

It is important to note that the limit on spending refers to the previous year's appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

#### SCOPE OF THE CONSTITUTIONAL LIMIT

##### Section 17

The approach we follow is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) Extraordinary items
- 2) Provisions to take care of excess State income during boom periods, through the Permanent Fund and other investments.
- 3) Allowing for a controlled response to the State's development needs through loans and capital improvements.

##### Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

##### Permanent Fund

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

#### Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

#### Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

#### Capital Improvements

The limitation figure includes money for capital construction. The sum of \$1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

#### Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;  
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

*The state's general funds*

Section 16. APPROPRIATION LIMITATIONS. The amount of ~~State money~~ the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceeding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of \_\_\_\_\_ billion is to be used as the amount of appropriations in fiscal year 1982.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Except for the principal of the Permanent Fund, principal and income from appropriations excepted from the appropriaton limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriaton submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

## CAPITAL PROJECTS

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say 'no' to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

## CAPITAL PROJECTS

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say "no" to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

INCREASES IN USER FEES

On the one hand, there is a risk of a tax being relabeled a "user fee" and, therefore, any user fees collected by a State agency or the State itself should be subject to the limit. On the other hand, user fee increases could be subject to legislative approval (or disapproval).

It seems poor public policy to deny a government service to those who are willing to pay for it.

Is there anything that would prevent charge of debt service of revenue bonds as a user fee?

PERMANENT FUND CONTRIBUTIONS

If the desire is to keep the Constitutional amendments wording as general as possible, "exemptions" could be handled as follows:

"Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

DISASTERS

There seems to be agreement that "disasters" should be provided for outside the limitation. Questions, however, occur regarding the tightness of a definition or process that would restrict the use of this exemption to those situations truly qualifying.

If a situation is beyond question a "disaster," then it should be relatively simple to collect a super majority to override the spending limitation.

Restricting the definition to those disasters declared by the Governor and voted on by a super majority would also serve the purpose of preventing abuse. *A more simple and direct solution is to not include disasters as an exemption, but rely on the override procedure.*

## EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

## BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

## COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

## FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

#### EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

## EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

## BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

## COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

## FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

#### EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

DRAFT  
Law

# 2 - 83  
7/13/81

# 0955-9499

1  
2  
3  
4  
5 Proposing an amendment to the Constitu-  
6 tion of the State of Alaska relating to  
7 limiting increases in appropriations.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations  
12 to, and for dividends from, the Alaska permanent fund, appropriations  
13 required to pay the principal and interest on general obligation bonds,  
14 and appropriations of money received from a non-state source in trust  
15 for a specific purpose, appropriations from the treasury for a fiscal  
16 year shall not exceed \$2,000,000,000 by more than the cumulative change,  
17 derived from federal indices designated by law, in population and in-  
18 flation since July 1, 1979. The legislature may exceed this limit in  
19 bills for appropriations for capital improvements, whether of bond pro-  
20 ceeds or otherwise, if each bill is approved by the governor, or passed  
21 by affirmative vote of three-fourths of the membership of the legisla-  
22 ture over a veto or item veto, or becomes law without signature, and is  
23 approved by the voters according to law. Each bill for appropriations  
24 for capital improvements in excess of the limit shall be confined to  
25 capital improvements of the same type, and the voters shall, as pro-  
26 vided by law, be informed of the cost of operations and maintenance of  
27 the capital improvements. No other appropriation in excess of this  
28 limit may be made except to meet a state of disaster declared by the  
29 governor as prescribed by law. The governor shall cause any unappro-

1        priated balance to be invested so as to yield competitive market rates  
2        to the treasury.

3        \* Sec. 2. Article XV, Constitution of the State of Alaska is amended by  
4        adding new sections to read:

5                SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
6        majority of those voting on the question at the general election in  
7        1982, approve the ballot proposition for the total cost to the state of  
8        providing for relocation of the capital, no additional voter approval  
9        of appropriations for that purpose within that cost is required under  
0        the 1982 amendment limiting increases in appropriations (art. IX, sec.  
1        16).

              SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
APPROPRIATIONS (art. IX, sec. 16). If the 1982 amendment limiting ap-  
propriation increases is adopted, the lieutenant governor shall cause  
the ballot title and proposition for the amendment to be placed on the  
ballot again in the general election in 1986. If the majority of those  
voting on the proposition in 1986 reject the amendment, it shall be re-  
pealed.

              SECTION 29. APPLICATION OF AMENDMENT. The 1982 amendment limit-  
ing appropriation increases applies to appropriations made for fiscal  
year 1984 and thereafter.

\* Section 3. The amendments proposed by this resolution shall be placed  
before the voters of the state at the next general election in conformity  
with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
tion laws of the state.

Draft

COMMITTEE REPORT FCC SJR 4

This report reflects the agreement and understanding of the committee members regarding the content of the proposed constitutional amendment.

Regarding the base figure of \$ 2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the committee approved the concept of a variety of governmental services and public needs competing under the spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation rate. The committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation changes but rejected this approach on the basis of consistency with existing constitutional language. However, it is the committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of state funds. The committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the committee agreed that payments for debt service on general obligation bonds of the state should also be exempted in order not to jeopardize the state's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the Legislature, Governor, and people of the state to offer, approve and vote in favor or disapproval of bond propositions. This constitutionally provided for process remains unchanged by the amendment offered by the committee.

Regarding the exemption of "money received from a non-state source in trust for a specific purpose", the committee excluded this item to specifically distinguish it from "appropriations from the treasury". It is intended that the words represent those funds which might be received by the state from a variety of outside sources for specific purposes. The revenues range from paying a boiler inspector's travel expenses to endowing a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the Legislature has authorized the money to handle. In each instance, the state receives money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used.

However, it is clearly the intention of the committee to exclude the possibility of state funded endowments as an appropriation exemption.

The committee spent a great deal of time considering the problem of capital improvements. Although capital improvement appropriations are allowed for under the appropriation limitation, the committee did not want to totally restrict the ability of future legislatures to appropriate funds for needed and meritorious capital improvements. However, the committee felt that this desire had to be balanced by their recognition of the need to tighten expenditures. The solution approved by the committee was to tighten procedural requirements, thereby making the capital appropriation more difficult. For this reason, while the ability of the legislature to appropriate is not changed, the balance is tipped toward the Governor, thereby limiting the discretion of the legislature. The resulting procedure is for the governor to initiate bills, which would be similar to bond proposals, and for the legislature to approve them by an extraordinary majority. The committee sees the language regarding these appropriations to mean that types of projects, for example, roads (but not omnibus transportation, such as roads and ferries, and airports, all of which are "types") would be proposed as a consolidated bill by the governor.

Aside from the exceptions specified in the amendment, the committee intended that the only other cause for an appropriation outside the appropriation limitation would be "disasters." The committee considered language of the broader nature of "emergencies" and rejected this notion. "Disasters" includes occurrences of natural or human origin that require special efforts to counter or ameliorate. Examples offered by committee members included the 1964 earthquake and the Fairbanks flood, but specifically did not include economic or fiscal crises. The last sentence in the amendment serves two purposes. The first is to direct excess revenues, those above the appropriation limitation and whatever sums

are appropriated under the noted exemptions, into investments which earn market rates. The committee considered directing these sums into the Alaska Permanent Fund, but did not do so in order that future legislatures be able to use the capital if needed to support governmental services (only the income of the Permanent Fund could be so used). However, the legislature could appropriate all excess funds into the Permanent fund if it so desired. In addition to directing the surplus revenues, the committee intended by this language to address the question of state loans. The committee intended that the state could make loans at competitive market rates using surplus funds. However, if interest rates below competitive market rates were charged, the subsidy difference would have to be appropriated from under the expenditure limitation. A variety of optional phrases were considered in place of "competitive market rates." In settling on this language, the committee intended to indicate that the interest charged should be the same as commercial or other lenders use for loans of similar type, term, and risk. The comparable markets might be national, regional or Alaskan, depending on the particular loan, term, and risk. The return to the general fund should be the market rate. Any difference between the market rate and a sub-market rate, if specified by statute, would have to be appropriated from under the appropriation limitation where it would compete with other services, interests and concerns.

INSERT A

By the phrase "appropriations from the treasury," the committee means all those funds known as "general fund" revenues which derive from taxes and other charges and includes only unrestricted federal funds, such as block grants, but does not include federal categorical or grant funds which may be appropriated by the legislature outside the expenditure limitation.

kind. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are <sup>similar in kind to</sup> ~~of the same type as~~ the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
Section 14. Article IX of the Constitution of the  
State of Alaska is amended by adding new section to read:  
SECTION 14. APPROPRIATION LIMITATIONS. The  
amount of State money the governor may request or the  
Legislature may appropriate during a fiscal year shall not  
exceed the amount of \$2.7 billion for the base fiscal year  
of 1962 by more than the cumulative increase in the federal  
consumer price index for the state for the calendar years  
preceding the governor's submission of the budget under  
section 13 of this article plus or minus a percentage equal  
to the cumulative average yearly growth or loss in the  
State's population as shown by the last two full censuses  
or censuses if any special census data are available  
prescribed by section 17 of this article shall not be  
included in the base for determining the allowed increase  
from year to year.  
SECTION 15. EXERCISES FROM ALLEGATIONS  
LIMITATIONS. The limitation on increases in appropriations  
do not apply to money received in trust for a specific  
purpose for which the money is to be deposited in the  
permanent trust fund appropriated to capital lease funds,  
but only if the money is to be deposited in those funds as follows  
marked thereon when appropriated separately under the  
limited money appropriated by two-thirds of each house  
to construct capital improvements, whether or bond proceeds  
or otherwise, where the appropriation for the capital  
improvements is approved by the voters being appropriated  
to exercise authority or otherwise to repay special obligation  
bond; money appropriated to meet increases in costs to the  
State resulting from court orders or money appropriated by  
a vote of two-thirds of the membership of each house and

Does have  
copy of  
M & M  
copy

Alaska  
Legislature  
copy of  
M & M  
copy

has  
copy

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

\*Sec. 2. The amendment proposed by this resolution shall be placed before the voter of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*2 school funds  
outside*

CS SJR 4 (Pin)  
CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT  
EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- [REDACTED]
- Perma [REDACTED]
- [REDACTED]
- loan capital [REDACTED]

[REDACTED];  
[REDACTED]

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

#### REASONS FOR THE FORMULA CHOSEN

##### Section 16

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the formula is that the limit is in adjusted-dollar terms. Almost all other advocates of a constitutional limit was to allow a specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

[REDACTED]

[REDACTED] in government spending levels to accompany swings in the economy. During times of economic expansion, the constitutional limit is allowed

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

In [REDACTED] year appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

### SCOPE OF THE CONSTITUTIONAL LIMIT

#### Section 17

The approach we follow is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) [REDACTED]
- 2) [REDACTED] during boom periods, through the permanent fund and other [REDACTED]
- 3) Allowing for a controlled response to [REDACTED] improvements.

#### Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

#### Permanent Fund

*cannot consider management of other funds*

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

#### Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

#### Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

#### Capital Improvements

The limitation figure includes money for capital construction. The sum of \$1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

#### Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;  
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

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

\* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or enumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of \$2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these  
2 loans at below market interest rates is appropriated separately under  
3 the limitations; money appropriated by the affirmative vote of two-  
4 thirds of the membership of each house, whether of bond proceeds or  
5 otherwise, to construct capital improvements, not to exceed \$1,500 per  
6 capita; or money appropriated by a vote of two-thirds of the membership  
7 of each house and approved by the governor to meet disasters of natural  
8 or human origin which are declared by the governor.

9 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
10 fore the voters of the state at the next general election in conformity with  
11 art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
12 laws of the state.

COMMITTEE REPORT FCC SJR 4

Since the famous Prudhoe Bay lease sale of 1969, the budget of the State of Alaska has grown at the high compound rate of about 32 per cent. In recent years, according to data prepared by the Division of Legislative Finance, the rate of growth of the budget has increased. Regardless of whether or not a given kind of expenditure is repeated, it appears that total annual spending can easily equal total annual revenues within three fiscal years. At current growth rates, the operating budget alone could take all the State's income within five years.

The fundamental aim of this constitutional amendment is to bring State expenditures under effective but rational control: to encourage more deliberation about the merit and size of programs, to provide more time for programs to be carried out successfully, to force more efficiency in government. Our wealth, far greater and more sudden than anyone had predicted, must be used to bring lasting opportunities to Alaskans.

The Free Conference Committee on SJR 4 reports as follows on the proposed constitutional amendment to limit appropriations.

Regarding the base figure of \$2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the Committee approved the concept of a variety of governmental services and public needs competing under the

spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

By the phrase "appropriations from the treasury," the Committee means all those funds known as unrestricted "General Fund" revenues which derive from taxes and other charges and includes federal funds, such as block grants, only to the extent their use is unrestricted. It does not include federal categorical grant funds, which are funds received in trust and hence may be appropriated by the legislature outside the expenditure limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation since July 1, 1979. The Committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation changes, but rejected this approach on the basis of consistency with existing constitutional language. However, it is the Committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of State funds. The Committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the Committee agreed that payments for debt service on general obligation bonds of the State should also be exempted in order not to jeopardize the State's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the legislature, governor, and people of the State to offer, approve and vote for or against bond propositions. Under the ruling in Thomas v Rosen, 569 P. 2d 793 (Alaska 1977), bond measures are not considered appropriations, and therefore are not covered by the limitation.

The exemption of "money received from a non-State source in trust for a specific purpose" covers money which is routinely received by every State from a variety of outside sources for specific purposes. These revenues could range from a donation to pay a boiler inspector's travel expenses to the endowment of a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the legislature has authorized to handle the money. In each instance, the state receives money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used. However, it is clearly the intention of the Committee to exclude the possibility of State funded endowments as an

exemption from the limitation on appropriations.

The Committee spent a great deal of time considering the problem of capital improvements. Although appropriations for capital improvements are allowed under the appropriation limitation, the Committee did not want totally to restrict the ability of future legislatures to appropriate money for needed and meritorious capital improvements. However, the Committee believed that this need had to be balanced by the need to tighten expenditures. The solution approved by the Committee was to tighten procedural requirements, thereby making the capital appropriation more difficult but not unreasonably so. The procedure is for the governor to initiate separate bills, which would be similar to bond proposals for each type of capital improvement, for example, one bill for highways, another for airports, another for ferries, another for docks, another for schools, and so forth. The legislature may then approve them as proposed by an extraordinary majority. By requiring separate bills for each type of capital improvement, and prohibiting amendments to the bill, the governor and the Legislature are precluded from combining of several types of capital improvements in a single bill.

Aside from the exceptions specified in the amendment, the Committee intended that the only other cause for an appropriation outside the appropriation limitation would be "disasters." The committee considered using the broader word "emergencies," but it rejected this notion. "Disasters" includes occurrences of natural or human origin that require extraordinary efforts to counter or ameliorate. Examples offered by committee members included the 1964 earthquake and the Fairbanks flood, but specifically did not include economic or fiscal crises.

The last sentence of the amendment directs that excess revenues be invested at competitive market rates, as does the current law that governs the investment of the surplus, but permits lending at less than market rates. First, borrowers can be offered lower interest charges if the difference or subsidy is appropriated within the spending limit. In addition, the Legislature continues to be free to capitalize revolving loan funds, by appropriation, and to set any interest rate it chooses. A variety of phrases were considered in place of "...competitive market rates...". In settling on this language, the Committee intended that interest charges should be the same as those charged by commercial or other lenders for comparable type, term, and risk. The comparable markets might be national, regional, or Alaskan, depending on the loan in question. Any difference between the market rate and the "incentive" rate which might be specified by statute would have to be appropriated under the expenditure limit where it would compete with other services, interests, and concerns. The wording "the governor shall cause" is not meant to limit the ability of the Legislature to specify particular types of investments. However, in the absence of particular action by the Legislature, the governor is required to invest surplus revenues at market rates. Finally, it must be noted that the Committee considered appropriating the surplus into the Alaska Permanent Fund, but did not do so. However, future legislatures may place a part or all of these excess funds into the Permanent Fund if they so desire.

SCOMM

45:4

Free Conference CS for Senate Joint Resolution No. 4  
Definitions Needed

1. "appropriations of revenue bond proceeds" (p. 1; l. 12-13)
2. "appropriations of money received from a non-State source in trust for a specific purpose" (p. 1; l. 14-15)
3. "including revenues of a public enterprise or public corporation of the State that issues revenue bonds," (p. 1; l. 15-17)
4. "appropriations from the treasury" (p. 1; l. 17)
5. "the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981." (p. 1; l. 18-20)
6. "capital projects and loan appropriations." (p. 1; l. 21)
7. "bills for appropriations for capital projects, whether of bond proceeds or otherwise," (p. 1; l. 23-24)
8. "approved by the voters as prescribed by law." (p. 1; l. 27-28)
9. "Each bill for appropriations for capital projects in excess of the limit" (p. 1; l. 28-29)
10. "capital projects of the same type," (p. 1-2; l. 29-1)
11. "as provided by law, be informed of the cost of operations and maintenance of the capital projects." (p. 2; l. 1-2)
12. "state of disaster declared by the governor as prescribed by law" (p. 2; l. 4)
13. "unexpended and unappropriated balance" (p. 2; l. 5)

*Ask of div-  
gob - alt div  
defiance*

Dona Lehr suggested adding:

"Alaska permanent fund dividends"  
"general obligation bonds"

does it include alternatives to the dividend  
does it include defeasance

Original sponsor: Rules/Governor

Offered: 7/14/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to limit-  
7 ing increases in appropriations.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
12 Alaska permanent fund dividends, [appropriations of revenue bond pro-  
13 ceeds], appropriations required to pay the principal and interest on  
14 general obligation bonds, and [appropriations of money received from a  
15 non-State source in trust for a specific purpose], [including revenues of  
16 a public enterprise or public corporation of the State that issues  
17 revenue bonds], [appropriations from the treasury] made for a fiscal year  
18 shall not exceed \$2,500,000,000 by more than [the cumulative change,  
19 derived from federal indices as prescribed by law, in population and  
20 inflation since July 1, 1981]. Within this limit, at least one-third  
21 shall be reserved for [capital projects and loan appropriations]. The  
22 legislature may exceed this limit in bills for appropriations to the  
23 Alaska permanent fund and in [bills for appropriations for capital  
24 projects, whether of bond proceeds or otherwise], if each bill is ap-  
25 proved by the governor, or passed by affirmative vote of three-fourths  
26 of the membership of the legislature over a veto or item veto, or  
27 becomes law without signature, and is also [approved by the voters as  
28 prescribed by law]. [Each bill for appropriations for capital projects  
29 in excess of the limit] shall be confined to [capital projects of the

1 same type,] and the voters shall, [as provided by law, be informed of the  
2 cost of operations and maintenance of the capital projects.] No other  
3 appropriation in excess of this limit may be made except to meet a  
4 [state of disaster declared by the governor as prescribed by law.] The  
5 governor shall cause any [unexpended and unappropriated balance] to be  
6 invested so as to yield competitive market rates to the treasury.

7 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
8 adding new sections to read:

9 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
10 majority of those voting on the question at the general election in  
11 1982 approve the ballot proposition for the total cost to the State of  
12 providing for relocation of the capital, no additional voter approval  
13 of appropriations for that purpose within the cost approved by the  
14 voters is required under the 1982 amendment limiting increases in  
15 appropriations (art. IX, sec. 16).

16 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
17 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
18 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
19 ballot title and proposition for the amendment to be placed on the  
20 ballot again at the general election in 1986. If the majority of those  
21 voting on the proposition in 1986 rejects the amendment, it shall be  
22 repealed.

23 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limit-  
24 ing appropriation increases (art. IX, sec. 16) applies to appropria-  
25 tions made for fiscal year 1984 and thereafter.

26 \* Section 3. The amendments proposed by this resolution shall be placed  
27 before the voters of the state at the next general election in conformity  
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
29 tion laws of the state.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

RECEIVED

DEC 7 1981

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

BUDGET/AUDIT  
COMMITTEE

December 4, 1981

SUBJECT: Change to resolution proposing a  
constitutional amendment

TO: Senator Arliss Sturgulewski  
Attn: Margo Waring

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

You have asked whether a resolution proposing a constitutional amendment adopted during a special session of a legislature may be repealed or changed during the following second session and if so what would be the mechanism.

Section 1 of Article XIII of the Constitution of the State of Alaska provides:

Amendments to this constitution may be proposed by a two-thirds vote of each house . . .

The mechanism for implementing this power is established by AS 24.30.130(a) which provides:

(a) The legislature may propose amendments to the state constitution through the adoption of a joint resolution by an affirmative vote of two-thirds of the membership of each house. Resolutions proposing constitutional amendments shall be treated as bills.

and by Rule 49(a)(5) and (b) of the Uniform Rules which provide:

"(5) A joint resolution is the most formal type of resolution and is adopted by both houses and then signed by the governor as a ministerial formality. The joint resolution is treated in all respects as a bill but it is not subject to veto. It is usually reserved

for addressees outside the state. This resolution is used mainly to express the view or wish of the legislature to the President, the Congress or agencies of the United States Government or the governments of other states. It is required for proposing or ratifying amendments to the U.S. Constitution, proposing amendments to the State Constitution under provisions of Sec. 1, Art. XIII, of the State Constitution, and for disapproval of local government boundary changes recommended by the Local Boundary Commission under provisions of Sec. 12, Art. X, of the State Constitution. Approval of a joint resolution requires a majority vote of the full membership of each house.

"(b) All resolutions passed by one or both houses are sent to the governor as a matter of information and for permanent filing with the lieutenant governor. The lieutenant governor sends enrolled copies of joint resolutions to the federal and other state officers, agencies and jurisdictions. The transmittal of copies of all other resolutions to designated addressees is the responsibility of the Legislative Affairs Agency."

The obvious reason for using a resolution which is treated as a bill rather than using a bill is that a bill is subject to veto by the Governor and he is given no role by the constitution in proposing amendments to the constitution.

In my opinion the power to propose an amendment includes the power to withdraw the proposal prior to it being acted on by the voters. There seems to be no reason that this would be an exception to the general rule that a body has power to repeal that which it has power to enact.

There has been substantial scholarly discussion on whether a state may withdraw a resolution calling for an amendment to the United States Constitution. The comment made by the Special Constitutional Convention Study Committee of the American Bar Association in its 1974 study Amendment of the Constitution by the Convention Method under Article V (1974) that:

"There is no law dealing squarely with the question of whether a state may withdraw an application seeking a constitutional convention, although some commentators have suggested that a withdrawal is of no effect.

Senator Arliss Sturgulewski  
Page 3  
December 4, 1981

\* \* \*

"Since a convention should reflect a 'contemporaneously-felt need' that it take place, we think there should be no such limitation. In view of the importance and comparatively permanent nature of an amendment, it seems desirable that state legislatures be able to set aside applications that may have been hastily submitted or that no longer reflect the social, economic and political factors in effect when the applications were originally adopted. We believe Congress has the power to so provide."

appears well founded.

In addition this is an internal matter to the state not affecting Congress or the other states.

The only method I can think of for withdrawing a proposal for a constitutional amendment would be by adoption of a joint resolution withdrawing the amendment since it would appear that the formalities necessary to adopt the proposal apply equally to withdrawing it.

BGB:jdn

September 22, 1981

Wilson L. Condon  
Attorney General  
Department of Law  
P.O. Box 110  
Juneau, Alaska 99801

Dear Mr. Condon:

The Free Conference Committee Substitute for SJR 4, proposing amendments to the constitution of the State of Alaska relating to limiting increases in appropriations, will undoubtedly need statutory language to carry out certain provisions, as several phrases seem in need of interpretation.

With that view in mind, I would appreciate some advice from you regarding:

1. the meaning of the term "capital projects"
2. the meaning of the term "loan appropriations"
3. the meaning of the clause "public corporations of the State that issues revenue bonds." Specifically, for this item, I am concerned whether to be eligible under this exemption the corporation needs statutory authority to issue revenue bonds or whether it must actually issue such bonds.
4. the application of the clause, "appropriation of money received from a non-state source in trust for a specific purpose" (emphasis added). A question has been raised whether this language covers the assessments made for the non-profit fish hatcheries.

Your attention to this matter will be appreciated. If there are any questions, please contact Margo Waring of my staff (3818).

Sincerely,

Senator Arlis Sturgalowski, Chairman  
Legislative Budget and Audit Committee

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

November 17, 1981

John K. Norman, President  
Common Sense for Alaska, Inc.  
P.O. Box 4-1184  
Anchorage, AK 99509

Dear Mr. Norman:

Thank you for your letter and survey form of November 10, 1981. As you may know, I have had several discussions with individual Common Sense for Alaska board members regarding spending limits in general and FUCSARA in particular. I am delighted to learn that you are pursuing this very important matter.

Before I share with you some of my concerns with FUCSARA, I would like to mention a few items which I think may be of interest to you and the organizations cooperating with Common Sense. First, as you know, the administration is currently developing next year's budget. The Governor has instructed his administration to prepare that budget as if the spending limit in FUCSARA were in effect, both as a means of holding down state spending and as a test of the bill itself. There may be interesting things to learn from that experience.

The administration has not completed the FY 83 budget, as they are waiting for an Attorney General's opinion regarding certain obligations in FUCSARA. Shortly after the Special Session, I requested an Attorney General's opinion on a set of confining terms used in FUCSARA. For example, it is unclear what definition should be given to the terms "capital projects," "loan appropriations," "revenues of a public enterprise," "that income revenue bonds," among others. It is similarly unclear whether the exemption for "general obligation bonds (line 13-14)" includes alternatives and whether the exemption of "Alaska permanent fund dividends" includes alternatives to the dividend, in case the Supreme Court rules against the State. There are several other situations which can be made of terms whose definitions are open to question. When I receive the Attorney General's opinion, I will be glad to send you a copy.

John K. Norman

-2-

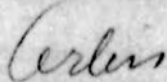
November 17, 1981

Unfortunately, it is not clear whether amendments to FCCSSJR4 can be made. I have asked both the Attorney General and Legislative Legal Council to issue an opinion on the matter of whether FCCSSJR4 can be amended or whether an entirely new bill would have to be passed in order to effect changes in FCCSSJR4. Again, I will be glad to send you a copy of these legal opinions as soon as I receive them.

During the past session and the special session, I assigned staff to work on the issue of spending limits and proposed bill versions different than SJR4. During that process, we collected a considerable research file. If members of your task force would find it helpful, I would be glad to make that information available.

Let me say again that I am delighted that you are looking at this matter and look forward to being of assistance and to learning the results of your task force's efforts.

Sincerely,



Arliss Sturgulewski  
Senator, District 10-H

# COMMON SENSE FOR ALASKA, INC.

P.O. Box 4-1104 Anchorage, Alaska 99509 907-276-7648

November 10, 1981

*disc w/ mario  
lcl members  
delighted being  
pursued w/ letter*

Dear Legislator:

Last summer during the Special Session, legislators passed a government spending limitation Resolution by the required 2/3 vote which will put the measure on the ballot next fall.

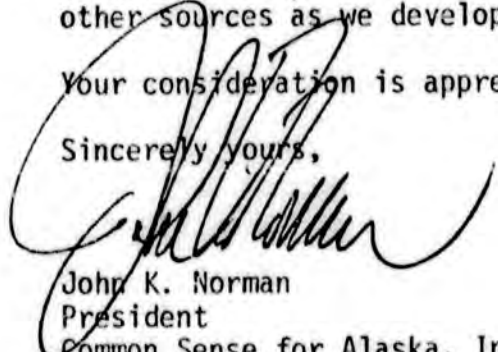
Meanwhile, the Governor, joined by others throughout the state, has indicated that the measure is insufficient and should be modified.

Common Sense for Alaska has formed a task force consisting of representatives from the Alaska State Chamber of Commerce, Anchorage Chamber of Commerce, Associated General Contractors, Commonwealth North, P.A.S.I.T., and Resource Development Council. Some preliminary research has been done to compare our state's proposed limitation with those employed by other states. As part of our research efforts, we would like to respectfully request your answers to the attached questionnaire and return by November 20.

We will thereby coordinate input from legislators with the material gained from other sources as we develop our task force position.

Your consideration is appreciated.

Sincerely yours,



John K. Norman  
President  
Common Sense for Alaska, Inc

cc: Executive Committee  
Task Force Members

Enclosure

*Margo -  
I'll be at AK  
Council on Econ Dev.  
would like to talk to  
you re responding to this  
we can do by telephone  
mario*

# COMMON SENSE FOR ALASKA, INC.

P.O. Box 4-1104 Anchorage, Alaska 99509 907-276-7648

Legislators: We ask you to sign your name so that we may be back in touch with you for coordinating purposes, if necessary. However, your comments will be kept confidential and not released to the public.

- o Are you in favor of strengthening the existing resolution during the coming legislative session?

Yes \_\_\_\_\_

No \_\_\_\_\_

Other \_\_\_\_\_  
\_\_\_\_\_

- o What improvements would you suggest be made to improve the existing resolution (FSS-FCCSSJR4)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name: \_\_\_\_\_  
\_\_\_\_\_

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

MEMORANDUM

September 21, 1981

TO: SENATOR ARLISS STURGULENSKI  
FROM: MARGO W. WAKING

RE: LOANS AND THE SPENDING LIMIT

Gina said that you were interested in the question, "do all loan funds go to the voters as capital items?" As he described the background, apparently, Jerry Reinwand has been saying that \$500 million in loans would be under the spending lid as capital items--both the subsidy and the appropriation.

Before I discuss this question, let me refer you to the legal opinions that we requested from both Billy Berrier and Wilson Condon: in both we requested an opinion of what was meant by "loan appropriation."

We have had no response to date.

Attached you will find a copy of FCCSSJR 4 as passed by the special session. I have highlighted the key phrases that create the differing opinions on which loan funds fit where. They are:

- a) "appropriation of revenue bond proceeds" (line 12)
- b) "revenues of a public enterprise or public corporation of the State that issues revenue bonds" (line 16-17)
- c) "Within this limit, at least one-third shall be reserved for capital projects and loan appropriations." (Line 20-21)

First, the bill appears to make a distinction between "loan appropriations" and "capital projects." This would indicate that the process proscribed for voter approval only applies, as it states, to "appropriations for capital projects." (line 23-24). However, if our information about what Jerry is saying is correct, he is interpreting "capital projects" to include "loan appropriations." Secondly, there is the question about the meaning of "loan appropriations" in lines 20-21. Some have taken this to mean all moneys appropriated for loans. Others have taken it to mean only those sums (subsidy) that need to be appropriated to make up the difference between the return to the state and the total sum.

There may be some evidence to support this second reading. Most of the loan funds (but by no means all loan funds) are funds which are held by "public enterprises or public corporations." Their "revenues" (loan repayments?) are exempted from the limitation. "Appropriations of revenue bond proceeds" are also exempted from the spending limitation. This would seem to indicate that when, for example, AIDA or AHFC, sells bonds the total of the bonded amount does not fall under the lid--or that the loan repayments also would not fall under the lid., or both.

The case regarding direct state loans would be different, apparently. Since neither bonds are sold or revenues collected by public corporations, it would appear that loans made by the state would come under the lid, with the discussion above regarding "loan appropriations" excepted.

Since there is no free conference committee report, we cannot go to "committee intent" for resolution of this issue, and have to rely on the meaning of the words and their relationship to each other. This is, however, no simple task.

# STATE OF ALASKA

## THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

ROOM 508  
CAPITOL BUILDING  
POUCH V  
JUNEAU, ALASKA 99811

907-465-3818  
907-465-3810

MEMORANDUM

September 16, 1981

TO: Wilson L. Condon  
Attorney General

FROM: Senator Arliss Sturgulewski, Chairman  
Legislative Budget and Audit Committee

RE: Free Conference Committee Substitute for SJR 4

The Free Conference Committee Substitute for SJR 4, proposing amendments to the constitution of the State of Alaska relating to limiting increases in appropriations, will undoubtedly need statutory language to carry out certain provisions, as several phrases seem in need of interpretation.

With that view in mind, I would appreciate some advice from you regarding:

- 1) the meaning of the term "capital projects"
- 2) the meaning of the term "loan appropriations"
- 3) the meaning of the clause "public corporations of the State that issues revenue bonds." Specifically, for this item, I am concerned whether to be eligible under this exemption the corporation needs statutory authority to issue revenue bonds or whether it must actually issue such bonds.
- 4) the application of the clause, "appropriation of money received from a non-state source in trust for a specific purpose" (emphasis added). A question has been raised whether this language covers the assessments made for the non-profit fish hatcheries.

Your attention to this matter will be appreciated. If there are any questions, please contact Margo Waring of my staff (3818).

*9/24/81  
talked to Glen.  
OK but needs to  
be in letter form  
9*



**Sullivan hits  
campaign trail  
for Project 80s**

**Metro, Page C-1**



**Clipping  
coupons cuts  
food costs**

*Living, Page D-1*

**Steinbrenner  
sees change  
for Yankees**

**Sports, Page B-1**



# *News* Anchorage Daily News

VOL. XXVI, NO. 265, 60 PAGES

ANCHORAGE, ALASKA, THURSDAY, SEPTEMBER 24, 1981

PRICE 25 CENTS

## Hammond to limit spending next session

By PETE SPIVEY  
Daily News reporter

Gov. Jay Hammond said Wednesday that he plans to oversee spending in the next legislative session as if a proposed constitutional spending limit up for voter consideration next November were already in place.

Hammond said that means he won't allow state spending next year to grow by more than

12 percent, capping expenditures at about \$2.8 billion. He plans to use the proposed spending limit's formula, budgeting two-thirds — about \$1.9 billion — to run the bureaucra-

cy and reserve the remaining one-third, or \$900 million, for capital projects and loan programs.

Hammond said after accounting for inflation and population growth, government would grow by only 2.8 percent in real terms next year. And he said he's not merely suggesting the legislature live within those figures — he hinted he would veto any appropriations that

exceeded his cap. "I think we'll get a cooperative effort out of the legislature," he said. "But if they throw this out the window and ignore it, I do have the capability to use the line item veto."

Hammond said the legislature will have about \$4 billion for fiscal 1983 spending when the session opens in January. Under the capital and operating budget limits he's setting,

that would leave a surplus of about \$1.2 billion.

He said he probably would propose splitting the surplus evenly between a permanent fund deposit and additional capital projects, making both expenditures subject to voter approval. But he warned that even though the limit on bricks-and-mortar projects can be exceeded, they'll have to be projects without expensive op-

erational costs.

"There is no provision for exceeding the operating budget limits, so projects with high operating costs are going to have to be absorbed at the local level," he said. "We're going to have to try to screen out projects with high downstream costs and make sure the voters know what they're in for as

See Back Page, HAMMOND

# Hammond says he will limit spending

Continued from Page A-1

they consider each of these projects."

Hammond said operating under the restraints during the 1962 session would give critics of the limit a chance to prove it won't work — an obvious indication that he believes adhering to the limit now would have just the opposite effect.

"I've heard from several conservative legislators that they don't believe in the limit and that they intend to campaign against it next year," he said. "Well, let's try it for year, and then let them show some-

thing that would work better."

Hammond won the proposed spending limit from the legislature this year, but it wasn't easy. When the marathon regular session failed to produce a limit, he called weary legislators back to Juneau for a special session in July with that as the sole agenda item. Senate passage was no problem, but the House presented stiff opposition and finally passed the limit by the bare minimum number of votes required to put the proposal before the voters next November.

Senate President Jalmar Kerttula, D-Palmer, could not

be reached for comment on Hammond's plans. House Speaker Joe Hayes, R-Anchorage, said he supports Hammond's effort to adhere to the spending limit next year, but he's not so sure about the governor's plans for the surplus.

"I think using the limit now is a good idea, because it gives both the governor and the legislature a chance to see if we can live within its parameters," Hayes said. "But I think before we say what we're going to do with the surplus, we should see what the state's needs are going to be next year."

MEMORANDUM

17 July 1981

TO: B.G. Berrier  
Director, Legal Services Division

FROM: Senator Arliss Sturgulewski

RE: Free Conference CS for SJR 4

The Free Conference CS for SJR 4 proposing amendments to the constitution of the State of Alaska relating to limiting increases in appropriations will undoubtedly need statutory language to carry out certain provisions. With that view in mind, I would appreciate some advice from you regarding the use of the terms "capital projects" and "loan appropriations". I am interested in determining if there are definitions of these two items in current law that would give direction in implementing the constitutional spending limit. I would also be interested in knowing whether or not there is case law as to definitions that would assist in developing legislation governing the parameters of these two items.

Without question, legislation will also be needed in the area of federal indices relating to population and inflation. I would appreciate your advice if you see other possible needs for legislation to define terms used in the spending limitation.

I look forward to your reply.

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

October 6, 1981

SUBJECT: Constitutional spending limit -- FCCSSJR 4

TO: Senator Arliss Sturgulewski, Chairman  
Legislative Budget and Audit Committee

FROM: James H. Lear  
Legislative Counsel *JL*

You have asked for advice regarding the terms "capital projects" and "loan appropriations" as used in the FCCSSJR 4, proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations. The two terms are not defined in either the Alaska Statutes or the Constitution of the State of Alaska. However, there is a statute, AS 44.42.080, which offers guidelines for capital projects funds. That section creates within the Department of Transportation and Public Facilities the following funds:

- (1) educational, cultural and related facilities;
- (2) transportation and related facilities;
- (3) public institutions and related facilities;
- (4) public safety, justice, and related facilities;
- (5) health and related facilities;
- (6) natural resource development facilities; and
- (7) general purpose facilities.

Such a broad interpretation of the term "capital projects" appears to be consistent with the intent of the legislature as evidenced in the transcript of proceedings of the Free Conference Committee hearing on SJR 4, Constitutional Spending Limit, July 13, 1981. At page 9 of the transcript, Representative Malone uses the terms "capital projects" and "capital improvements" interchangeably. He later declares, as indicated on page 18, beginning at line 11,

October 6, 1981

"I'm not quite sure we know what capital projects are because we don't have a definition of those here. . ."

In an exchange with Representative Malone, Representative Halford states, on page 19 beginning at line 6,

"The reaction that I get from the constituency is it's the operating budget that they object to. They still would like to see the roads, the bridges, the hydropower, the infrastructure to develop the state and they'd like to see at least some legislative prerogative protected there to respond to those needs as well as the prerogative to exceed the limit."

The items enumerated by Representative Halford would come within the scope of (2) transportation and related facilities and (6) natural resource development facilities of AS 44.42.080. The transcript showed that the conferees intended the term "capital projects" to be broadly employed. Representative Malone, struggling with the term's lack of focus, laments at page 21, line 17, ". . . You know, capital projects is a . . ." at which point Senator Ray interjects, "misnomer" and Representative Malone responds,

"Yeah, well, it's been used a lot in these constitutional resolutions, but what is a capital project? I saw some things in a, say, a budget submitted by the governor, the D-2 budget, I couldn't tell the difference between a capital project and an operating project in that budget, for example."

Senator Ray responded,

"Capital projects are what the definitive judgment of the majority of the legislature are -- determines there [sic] are."

Representative Malone then declared, "That's what they think of it too, Mr. Chairman". In addition to the foregoing opportunities given the conferees to focus on the term "capital projects" they had the opportunity to respond to the following question from Mr. Pegues, beginning at page 61, line 24 of the transcript,

". . . When we speak in terms of the one-third shall be reserved for capital projects and loan appropriations, we're using the terms [sic] capital projects which pretty much means the capital budget-areas where you are dealing with capital investment or long term financing and the bulk of your spending. That's a broader term than capital improvement. The terms [sic] that was used for going over the limit, at one point, capital improvement, and I wonder if this change here is a conscious change. Do we want it -- make it that looser all more inclusive capital projects. . . "

The record indicates no response by the conferees to the question. The answer then must lie in the fact that the conferees approved the final draft of the bill with the term "capital projects" with the knowledge that it would be a broader term than "capital improvements".

There are no Alaska cases construing the term capital projects. The cases from other jurisdictions are few in number and appear to be limited to the issue of whether or not a particular project fits within the scope of the term capital project without giving insight as to the range of projects contemplated by the respective legislatures. One case in particular, State v. County of Dade, 250 S.2d 875 (Fla. 1971), makes reference to a tax exemption for revenue bonds to finance or refinance the cost of capital projects for industrial or manufacturing plants in sec. 10(c) of Article VII of the 1968 Florida Constitution. The Florida legislature implemented this provision by enactment of the Florida Industrial Development Financing Act, Chapter 69-104, Laws of Florida, Fla. Stat. secs. 159.25, et seq. Sec. 159.27 F.S.A., a definition section, states in paragraph (5) that,

"Project" means any capital project comprising an industrial or manufacturing plant, research and development park, or pollution control facility, including one or more buildings and other structures, whether or not on the same site or sites; any rehabilitation, improvement, renovation, or enlargement of, or any addition to, any buildings or structures for use as a factory, mill, processing plant, assembly plant, fabricating plant, industrial distribution center, repair, overhaul, or service facility, test facility or pollution control facility, and other facilities,

including research and development, for manufacturing, processing, assembling, repairing, overhauling, servicing, testing, or handling of any products or commodities embraced in any industrial or manufacturing plant, in connection with the purposes of a research and development park, or for controlling pollution; and including also the sites thereof and other rights in land therefore whether improved or unimproved, machinery, equipment, site preparation and landscaping, and all appurtenances and facilities incidental thereto, such as warehouses, utilities, access roads, railroad sidings, truck docking and similar facilities, parking facilities, dockage, wharfage, and other improvements necessary or convenient for any manufacturing or industrial plant, research and development park, or pollution control facility.

This section illustrates the specificity that may be employed in defining capital projects.

Now in regard to the term "loan appropriations", as indicated above it is not defined in the Alaska Statutes or Constitution of the State of Alaska. Additionally, there are no Alaska court decisions defining this term. Similarly, the words "loan" and "appropriations" are not defined by Alaska Statutes, constitution, or case law. However, these two terms enjoy relatively universal interpretation. Within the context of SJR 4 the loan refers to loan of money. According to 54 CJS Loan at page 653,

The conception of lending money is well understood both in the popular and technical usage. Generally it is the payment of money by one to another to be repaid at some future date. A loan of money has been defined as a contract by which one delivers a sum of money to another and the latter agrees to return at a future time a sum equivalent to that which he borrows; the delivery by one party and the receipt by the other party of a given sum of money, on an agreement, express or implied, to repay the sum lent, with or without interest; a sum of money lent at interest; money borrowed to be repaid at all event; an advancement of money on a contract or stipulation, express or implied, to repay at some future date. Also a loan of money has been defined by statute.

Such a statutory definition is referred to at page 372 of Farmers' State Bank v. Youngers, 227 N.W. 371, 56 S.D. 7:

A loan of money is a contract by which one delivers a sum of money to another, who agrees at a future time to return an equivalent sum.

The courts of Louisiana and Nevada offer the following simple definitions of "appropriation". In Fuselier v. State Market Commission, 238 S.2d 243, (La.App. 1970), at page 245, the court rejected the defendants argument that the authorization for the legislature to make "appropriations" to the state market commission includes the right to authorize bond issues and deliver the proceeds to the state agency. The court stated,

An appropriation is an authorization by the legislature to draw available money from the State Treasury for a specified purpose. . . (Emphasis supplied)

In the City of Reno v. McGowan, 439 P.2d 985 (1968), at page 986, the Supreme Court of Nevada stated,

An "appropriation" is the legislative sanction for disbursement of public revenue

You may wish to note that the word appropriation is defined at page 73, of the Basic Budget Manual for Legislators, prepared by the staff of the Legislative Affairs Agency in 1976 as follows:

Appropriation -- an amount which is the maximum funds available for expenditure for a stated purpose set out in an appropriations act. It permits state agencies, groups or an individual to spend and to commit public monies for a broad purpose. It is limited in amount and has a time limit within which it must be spent or committed.

As for the intent of the legislature in adopting SJR 4, Representative Halford stated in the Free Conference Committee hearing on SJR 4, as recorded at page 15, line 10 of the transcript of proceedings,

". . . The intent of the word loan appropriations is that portion that is either in a direct loan fund or that is a subsidy that is appropriated from the general fund. But the intent is not to include the bond authorization, for example, to AHFC."

You also asked if there were other terms in the spending limitation of SJR 4 that might need to be defined by the legislature. Although it may not need implementing legislation, you may wish to note that in the exception language of the appropriation limit,

. . . including revenues of a public enterprise or public corporation of the state that issues revenue bonds . . .

the phrase "that issues revenue bonds" does not refer to those public enterprises or public corporations that are authorized to issue revenue bonds but do not in fact issue revenue bonds.

In all likelihood it will be necessary to adopt legislation:

- (1) setting forth the procedure by which voters may approve appropriations in excess of the spending limitations;
- (2) describing the "capital projects of the same type" to which appropriations for capital projects in excess of the limit are to be confined;
- (3) setting forth the procedure by which voters are to be informed of the cost of operation and maintenance of the capital projects;
- (4) setting forth the procedure by which the governor may declare a state of disaster enabling appropriations in excess of the limit; and
- (5) clarifying the terminology "unexpended and unappropriated balance".

JHL:ljb

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 463-3991

May 15, 1981

MEMORANDUM

TO: Representative Don Clocksin

FROM: Ira Winograd *I.W.*  
Issues Analyst

RE: Education Endowment Fund  
Research Request 81-108

You requested information concerning states which have permanent education endowment funds. We conducted a survey of the eleven western states: Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, and New Mexico, and have ascertained that each one has a permanent education endowment fund, except Colorado.<sup>1</sup> We have also surveyed three central states: Texas, Minnesota and Wisconsin and they also have permanent school funds. It is likely that additional central states have permanent education funds.

The federal government administered the lands of each western territory prior to statehood and federal regulations required dedication of a portion of each township for public education. Although the regulations differed for each territory, they were similar to the land dedication provisions of the N.W. Ordinance governing settlement of the mid-west and great lakes states. When western territories gained statehood many of them adopted a constitutional amendment dedicating their territorial education lands to a permanent education fund.

The constitutional amendments creating permanent education funds in each of the surveyed states contain similar provisions (see attachment A). In each case, earnings derived from the sale or lease of dedicated lands are deposited into the principal of the permanent fund; the principal is invested and the earnings are allocated to the operating budgets of local public schools.

The surveyed permanent education funds are similar to the original Alaska public school fund. The major difference between the surveyed

---

<sup>1</sup> Washington Common School Fund, Oregon Common School Fund, Idaho Public School Income Fund, Nevada Permanent School Fund, Utah Perpetual Fund, Arizona Permanent Endowment Fund, Montana Public School Fund, Wyoming Permanent Land Income Fund, New Mexico Permanent School Fund.

funds and the original Alaska public school fund is that the surveyed funds are constitutionally mandated while the Alaska fund was established by territorial legislation.

In 1978, the Alaska public school fund, AS 37.14, was amended changing the source of revenues from dedicated education lands to one half of one percent of total receipts derived from management of all state lands. Additions to the fund's principal no longer depend on revenues derived from lands dedicated to public schools. The revised Alaska public school fund is different from most permanent school funds in this respect.

We were able to locate only one permanent school fund whose principal receives revenues which do not derive entirely from the earnings of dedicated lands. In 1980, Oregon voters adopted a 6% severance tax on oil and gas, with the revenue going into the Common School Fund, a permanent education fund which was established in 1859.

The proposed Alaska Education Endowment Fund, H.B. 84 and 85, differs from the surveyed permanent education funds in two ways: the principal does not contain revenues derived from land or tax dedications, and there is no provision for automatic increases in the size of the principal. The fund would be created by cash appropriations from the general fund during the first three years of operation and there is no provision to increase the size of the principal after the first three years.

We were able to locate one fund, the Texas Permanent School Fund, which received a cash allocation to initiate its principal. However, there is no precedent for an education endowment fund whose principal is entirely derived from a cash allocation.

There are several states which have dedicated sources of revenue for education but the revenue is expended in the fiscal year in which it is collected. Typical sources of dedicated revenues include: public lotteries in New York and New Hampshire, sales taxes in North Carolina and Alabama, and taxes on alcohol and tobacco (sin taxes) in several states and units of local government.

Dedicated revenues are controversial in several states. Objections have been raised on the basis that dedications limit legislative ability to change budget priorities. In Alabama, for example, the Governor is attempting to eliminate dedicated revenues; however, his efforts to date have been unsuccessful. Permanent education funds do not appear to be controversial. We are not aware of any attempt to revoke a permanent education fund.

SUMMARY OF LARGEST FUNDS

Texas and New Mexico are the only two states whose education endowment funds have a principal of over one billion dollars. We have described the following characteristics of each fund: (1) legal standing - the legal origin of the fund; (2) management - how the fund is operated; (3) allocation - how the earnings are used; (4) funding - the source of the principal; (5) earnings - the source of revenues; (6) performance - the rate of return on the principal; and (7) outlook - the projected performance.

Texas Permanent School Fund

- (1) Legal Standing. The 1854 State Constitution endowed all land previously appropriated to the public schools and the entire unappropriated public domain, except forest land, to the Texas Permanent School Fund. (See attachment B.) A constitutional amendment created the available school fund which receives the earnings from the principal of the permanent school fund. A separate permanent fund was created for the University of Texas.
- (2) Management. The fund is supervised by the Board Investment Committee, a subcommittee of the State Board of Education. The Texas Education Agency (Texas department of education) employs an investment staff to manage the day to day operations of the fund. The Chief Investment Officer of the investment staff is directly responsible to the Board Investment Committee and the Deputy Commissioner of Education for Program Administration and Finance. External review of general investment policies is provided by a five member Investment Advisory Committee which is appointed by the State Board of Education. Specific review of investment transactions is provided by a private investment counseling firm recommended by the Board Investment Committee and retained by the State Board of Education.
- (3) Allocation. All permanent fund income, except capital gains, is transferred to the available school fund. The available school fund also receives one quarter of the revenue derived from state gasoline excise taxes. The available school fund is allocated to each school district in proportion to the size of its enrollment.<sup>2</sup>
- (4) Funding. In 1854, the Texas Legislature deposited \$2 million to the principal of the fund. For the fiscal year ending August 31, 1980 the principal contained \$2.5 billion which is a 19.5 per

---

<sup>2</sup> Previously this formula had been quite complex, involving a weighted average of property value, income and other social and economic factors.

cent increase over the previous fiscal year. Oil and gas royalties, leases and bonuses added nearly \$400 million to the principal during fiscal year 1980. Royalties from sulphur, coal and other hard minerals also accrue to the fund and their combined contribution during fiscal 1980 was approximately \$10 million.

- (5) Investments. In 1961, the State Board of Education was authorized to invest in corporate securities. Approximately 45 percent of assets are held in corporate stocks and 55 percent in bonds. The fund cannot be invested in real estate, commodities, precious metals, or foreign investments.
- (6) Performance. The overall rate of return for fiscal 1980 was 7.92% based on a 6.7% return on equities, 8.9% return on corporate bonds, and 8.7% return on U.S. government obligations. The earnings on equities does not count capital gains. Since 1961, capital gains have added \$10 million to the principal of the fund. In fiscal year 1980 the fund provided \$64.26 per pupil from earnings of \$166 million.
- (7) Outlook. The funds Chief Investment Officer, Jay Hooks, expects a yield of \$3 to \$4 billion over the next ten years. By the end of 1983, the fund is expected to provide \$100 per pupil for over 2.5 million pupils. The return on investment is expected to improve as \$250 million in low yielding treasury bonds reach maturity. In fiscal year 1981, low yielding bonds worth nearly \$50 million will mature and be rolled over into high yield investments.

#### New Mexico Permanent School Fund

- (1) Legal Standing. The Permanent School Fund was established by the original New Mexico State Constitution which endowed the proceeds of land sales of sections two, sixteen, thirty-two, and thirty-six in each township to the public schools. The Constitution created a current school fund to receive the earnings of the permanent fund and a constitutional amendment directed the State Investment Officer to invest the principal of the fund. (See Attachment C.)
- (2) Management. The State Investment Council is responsible for the management of the fund.<sup>3</sup> The council is composed of three elected officials (Governor, Lands Commissioner, and Treasurer), Secretary

---

<sup>3</sup> The Constitution and statutes vary in their concept of the Investment Council. Legislation, 6-8-1, 6-8-16 reduces the function of the council to that of an advisory group, 1957-58 Op. Att'y Gen. No. 58-10.

- of the Department of Finance, Secretary of the Department of Administration, and four citizens appointed by the Governor. A State Investment Officer is appointed by the Governor and serves as director of the Investment Division of the Department of Education. He is responsible for the daily supervision of the fund. There are two investment strategy committees providing advice to the Investment Officer, the equity advisory committee and the fixed income advisory committee.
- (3) Allocation. Local public schools own 83% of all trust lands, and the remaining 17% is divided among 19 public beneficiaries including hospitals and correctional facilities. A separate account is kept for each beneficiary and permanent fund income attributable to public school lands, except capital gains, is transferred to the current school fund. The current school fund also receives all fines and forfeitures collected under general law. The fund is allocated to each school district in proportion to its enrollment.
  - (4) Funding. The principal of the fund is valued at \$1.2 billion. Oil and gas royalties account for the largest share of the principal. Royalties are also received from uranium, pot ash and other minerals. The initial dedication of territorial education lands was mandated by the Federal Government under the Ferguson Act of 1898.
  - (5) Investments. Allowable investments include bonds, stocks (up to 50% of principal), and notes securing loans to New Mexico businesses or organizations which are obligated to use the loan proceeds within New Mexico. The principal is primarily invested in fixed income securities; 60% of fixed income securities are government obligations and 40% are corporate obligations. Only 10% of the principal is invested in equities.
  - (6) Performance. The earnings rate is slightly over 10% and the fund provides nearly \$400 per pupil per year.

We can provide a more detailed analysis of any of the permanent education funds which are discussed in this memorandum and we can assist in developing a research design for evaluating the possible establishment of an Alaska Permanent Education Endowment Fund. Do not hesitate to contact us if you have any questions or would like additional information.

IW/bf  
Attachments

ARTICLE VIII  
EDUCATION AND SCHOOL LANDS

- Sec. 1. Superintendent of Public Instruction  
2. Common School Fund  
3. System of common schools

4. Distribution of school fund income  
5. State Land Board; land management  
6. Qualifications of voters in school elections

**Section 1. Superintendent of Public Instruction.** The Governor shall be superintendent of public instruction, and his powers, and duties in that capacity shall be such as may be prescribed by law; but after the term of five years from the adoption of this Constitution, it shall be competent for the Legislative Assembly to provide by law for the election of a superintendent, to provide for his compensation, and prescribe his powers and duties.—

**Section 2. Common School Fund.**

(1) The sources of the Common School Fund are:

(a) The proceeds of all lands granted to the state for educational purposes, except the lands granted to aid in the establishment of institutions of higher education under the Acts of February 14, 1859 (11 Stat. 383) and July 2, 1862 (12 Stat. 503).

(b) All the moneys and clear proceeds of all property which may accrue to the state by escheat or forfeiture.

(c) The proceeds of all gifts, devises and bequests, made by any person to the state for common school purposes.

(d) The proceeds of all property granted to the state, when the purposes of such grant shall not be stated.

(e) The proceeds of the five hundred thousand acres of land to which this state is entitled under the Act of September 4, 1841 (5 Stat. 455).

(f) The five percent of the net proceeds of the sales of public lands to which this state became entitled on her admission into the union.

(2) All revenues derived from the sources mentioned in subsection (1) of this section shall become a part of the Common School Fund. The State Land Board may expend moneys in the Common School Fund to carry out its powers and duties under subsection (2) of section 5 of this Article. Unexpended moneys in the Common School Fund shall

be invested as the Legislative Assembly shall provide by law. Interest derived from the investment of the Common School Fund shall be applied to the support of primary and secondary education as provided under section 4 of this Article.

[Constitution of 1859; amendment proposed by H.J.R. No. 7, 1967, and adopted by people May 28, 1968]

**Section 3. System of common schools.** The Legislative Assembly shall provide by law for the establishment of a uniform, and general system of Common schools.

**Section 4. Distribution of school fund income.** Provision shall be made by law for the distribution of the income of the common school fund among the several Counties of this state in proportion to the number of children resident therein between the ages, four and twenty years.—

**Section 5. State Land Board; land management.** (1) The Governor, Secretary of State and State Treasurer shall constitute a State Land Board for the disposition and management of lands described in section 2 of this Article, and other lands owned by this state that are placed under their jurisdiction by law. Their powers and duties shall be prescribed by law.

(2) The board shall manage lands under its jurisdiction with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management.

[Constitution of 1859; Amendment proposed by H.J.R. No. 7, 1967, and adopted by people May 28, 1968]

**Section 6. Qualifications of voters in school elections.** In all school district elections every citizen of the United States of the age of twenty-one years and upward who shall have resided in the school district during the six months immediately preceding such election, and who shall be duly registered prior to such election in the manner provided by law,

a larger amount, but not exceeding five per centum additional for supplying such city or town with water, artificial light, and sewers, when the works for supplying such water, light, and sewers shall be owned and controlled by the municipality and (b) any school district with such assent, may be allowed to become indebted to a larger amount but not exceeding five per centum additional for capital outlays. [AMENDMENT 27, 1951 House Joint Resolution No. 8, p 961. Approved November 4, 1952.]

*Provisions of Art. 7 § 2 (Limitation on Levies) also subject to limitations contained in Art. 8 § 6: Art. 7 § 2 (b).*

**Original text—Art. 8 § 6 LIMITATIONS UPON MUNICIPAL INDEBTEDNESS—***No county, city, town, school district or other municipal corporation, shall for any purpose become indebted in any manner to an amount exceeding one and one-half per centum of the taxable property in such county, city, town, school district or other municipal corporation, without the assent of three-fifths of the voters therein, voting at an election to be held for that purpose, nor in cases requiring such assent shall the total indebtedness at any time exceed five per centum on the value of the taxable property therein, to be ascertained by the last assessment for state, and county purposes previous to the incurring of such indebtedness, except that in incorporated cities the assessment shall be taken from the last assessment for city purposes; Provided, That no part of the indebtedness allowed in this section, shall be incurred for any purpose other than strictly county, city, town, school district, or other municipal purposes. Provided further; that any city, or town, with such assent may be allowed to become indebted to a larger amount but not exceeding five per centum additional for supplying such city or town with water, artificial light, and sewers, when the works for supplying such water, light, and sewers shall be owned and controlled by the municipality.*

**§ 7 CREDIT NOT TO BE LOANED.** No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

**§ 8 PORT EXPENDITURES—INDUSTRIAL DEVELOPMENT—PROMOTION.** The use of public funds by port districts in such manner as may be prescribed by the legislature for industrial development or trade promotion and promotional hosting shall be deemed a public use for a public purpose, and shall not be deemed a gift within the provisions of section 7 of this Article. [AMENDMENT 45, 1965 ex.s. Senate Joint Resolution No. 25, p 2819. Approved November 8, 1966.]

**§ 9 STATE BUILDING AUTHORITY.** The legislature is empowered notwithstanding any other provision in this Constitution, to provide for a state building authority in corporate and politic form which may contract with agencies or departments of the state government to construct upon land owned by the state or its agencies, or to be acquired by the state building authority, buildings and appurtenant improvements which such state agencies or departments are hereby empowered to lease at reasonable rental rates from the Washington state building authority for terms up to seventy-five years with provisions for eventual vesting of title in the state or its agencies. This section shall not be construed as

authority to provide buildings through lease or otherwise to nongovernmental entities. The legislature may authorize the state building authority to borrow funds solely upon its own credit and to issue bonds or other evidences of indebtedness therefor to be repaid from its revenues and to secure the same by pledging its income or mortgaging its leaseholds. The provisions of sections 1 and 3 of this article shall not apply to indebtedness incurred pursuant to this section. [AMENDMENT 51, 1967 Senate Joint Resolution No. 17. Approved November 5, 1968.]

*Note: This section which was adopted as Sec. 8, is herein renumbered Sec. 9, to avoid confusion with Sec. 8, supra.*

## ARTICLE IX EDUCATION

**§ 1 PREAMBLE.** It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.

**§ 2 PUBLIC SCHOOL SYSTEM.** The legislature shall provide for a general and uniform system of public schools. The public school system shall include common schools, and such high schools, normal schools, and technical schools as may hereafter be established. But the entire revenue derived from the common school fund and the state tax for common schools shall be exclusively applied to the support of the common schools.

**§ 3 FUNDS FOR SUPPORT.** The principal of the common school fund as the same existed on June 30, 1965, shall remain permanent and irreducible. The said fund shall consist of the principal amount thereof existing on June 30, 1965, and such additions thereto as may be derived after June 30, 1965, from the following named sources, to wit: Appropriations and donations by the state to this fund; donations and bequests by individuals to the state or public for common schools; the proceeds of lands and other property which revert to the state by escheat and forfeiture; the proceeds of all property granted to the state when the purpose of the grant is not specified, or is uncertain; funds accumulated in the treasury of the state for the disbursement of which provision has not been made by law; the proceeds of the sale of stone, minerals, or property other than timber and other crops from school and state lands, other than those granted for specific purposes; all moneys received from persons appropriating stone, minerals or property other than timber and other crops from school and state lands other than those granted for specific purposes, and all moneys other than rental recovered from persons trespassing on said lands; five per centum of the proceeds of the sale of public lands lying within the state, which shall be sold by the United States subsequent to the admission of the state into the Union as approved by section 13 of the act of congress enabling the admission of the state into the Union; the principal of all funds arising from the sale of lands and other property which have been, and hereafter may be granted to the state for

the support of common schools. The legislature may make further provisions for enlarging said fund.

There is hereby established the common school construction fund to be used exclusively for the purpose of financing the construction of facilities for the common schools. The sources of said fund shall be: (1) Those proceeds derived from the sale or appropriation of timber and other crops from school and state lands subsequent to June 30, 1965, other than those granted for specific purposes; (2) the interest accruing on said permanent common school fund from and after July 1, 1967, together with all rentals and other revenues derived therefrom and from lands and other property devoted to the permanent common school fund from and after July 1, 1967; and (3) such other sources as the legislature may direct. That portion of the common school construction fund derived from interest on the permanent common school fund may be used to retire such bonds as may be authorized by law for the purpose of financing the construction of facilities for the common schools.

The interest accruing on the permanent common school fund together with all rentals and other revenues accruing thereto pursuant to subsection (2) of this section during the period after the effective date of this amendment and prior to July 1, 1967, shall be exclusively applied to the current use of the common schools.

To the extent that the moneys in the common school construction fund are in excess of the amount necessary to allow fulfillment of the purpose of said fund, the excess shall be available for deposit to the credit of the permanent common school fund or available for the current use of the common schools, as the legislature may direct. [AMENDMENT 43, 1965 ex.s. Senate Joint Resolution No. 22, part 1, p 2817. Approved November 8, 1966.]

Original text—Art. 9 § 3. FUNDS FOR SUPPORT. *The principal of the common school fund shall remain permanent and irreducible. The said fund shall be derived from the following named sources, to wit: Appropriations and donations by the state to this fund; donations and bequests by individuals to the state or public for common schools; the proceeds of lands and other property which revert to the state by escheat and forfeiture; the proceeds of all property granted to the state when the purpose of the grant is not specified, or is uncertain; funds accumulated in the treasury of the state for the disbursement of which provision has not been made by law; the proceeds of the sale of timber, stone, minerals, or other property from school and state lands, other than those granted for specific purposes; all moneys received from persons appropriating timber, stone, minerals or other property from school and state lands other than those granted for specific purposes, and all moneys other than rental recovered from persons trespassing on said lands; five per centum of the proceeds of the sale of public lands lying within the state, which shall be sold by the United States subsequent to the admission of the state into the Union as approved by section 13 of the act of congress enabling the admission of the state into the Union; the principal of all funds arising from the sale of lands and other property which have been, and hereafter may be granted to the state for the support of common schools. The legislature may make further provisions for enlarging said fund. The interest accruing on said fund together with all rentals and other revenues derived therefrom and from lands and other property devoted to the common school fund shall be exclusively applied to the current use of the common schools.*

§ 4 SECTARIAN CONTROL OR INFLUENCE PROHIBITED. All schools maintained or supported

wholly or in part by the public funds shall be forever free from sectarian control or influence.

§ 5 LOSS OF PERMANENT FUND TO BECOME STATE DEBT. All losses to the permanent common school or any other state educational fund, which shall be occasioned by defalcation, mismanagement or fraud of the agents or officers controlling or managing the same, shall be audited by the proper authorities of the state. The amount so audited shall be a permanent funded debt against the state in favor of the particular fund sustaining such loss, upon which not less than six per cent annual interest shall be paid. The amount of liability so created shall not be counted as a part of the indebtedness authorized and limited elsewhere in this Constitution.

*Investment of permanent school fund: Art. 16 § 5.*

## ARTICLE X MILITIA

§ 1 WHO LIABLE TO MILITARY DUTY. All able-bodied male citizens of this state between the ages of eighteen (18) and forty-five (45) years except such as are exempt by laws of the United States or by the laws of this state, shall be liable to military duty.

§ 2 ORGANIZATION—DISCIPLINE—OFFICERS—POWER TO CALL OUT. The legislature shall provide by law for organizing and disciplining the militia in such manner as it may deem expedient, not incompatible with the Constitution and laws of the United States. Officers of the militia shall be elected or appointed in such manner as the legislature shall from time to time direct and shall be commissioned by the governor. The governor shall have power to call forth the militia to execute the laws of the state to suppress insurrections and repel invasions.

§ 3 SOLDIERS' HOME. The legislature shall provide by law for the maintenance of a soldiers' home for honorably discharged Union soldiers, sailors, marines and members of the state militia disabled while in the line of duty and who are *bona fide* citizens of the state.

§ 4 PUBLIC ARMS. The legislature shall provide by law, for the protection and safe keeping of the public arms.

§ 5 PRIVILEGE FROM ARREST. The militia shall, in all cases, except treason, felony and breach of the peace, be privileged from arrest during their attendance at musters and elections of officers, and in going to and returning from the same.

§ 6 EXEMPTION FROM MILITARY DUTY. No person or persons, having conscientious scruples against bearing arms, shall be compelled to do militia duty in time of peace: *Provided*, such person or persons shall pay an equivalent for such exemption.

ments for pupils in absence of specific statutory authority, 78 A. L. R. 2d 1021.

Constitutionality and construction of statutes in relation to admission of non-resident pupils to school privileges, 72 A. L. R. 499, 113 A. L. R. 177.

Determination of residence or nonresidence for purpose of fixing tuition fees or the like in public school or college, 83 A. L. R. 2d 497.

Sectarian control: see entries under sections 12 and 13 of this article.

#### Law Reviews.

Higher Education and the Utah Constitution, Jerry R. Andersen, 1966 Utah L. Rev. 371.

School Boards, School Books and the Freedom to Learn, 59 Yale L. J. 928.

### Sec. 2. [Defining what shall constitute the public school system.]

The public schools system shall include kindergarten schools; common schools, consisting of primary and grammar grades; high schools, an agricultural college; a university; and such other schools as the Legislature may establish. The common schools shall be free. The other departments of the system shall be supported as provided by law. (As amended November 6, 1906, effective January 1, 1907; November 8, 1910, effective January 1, 1911.)

#### Compiler's Notes.

The 1906 amendment empowered the legislature to authorize the use of state school funds to assist in supporting high schools.

The 1910 amendment was proposed by House Joint Resolution No. 14, Laws 1909, p. 350, to become effective January 1, 1911. This amendment deleted provisions concerning maintenance of free high schools.

#### Nonresident fees.

Children, resident in county school district, could not attend city high school and junior high school without payment of nonresident fees under provision of this section that the common schools shall be free, since "common schools" means only first to eighth grades, inclusive. Logan City School Dist. v. Kowallis, 94 U. 342, 77 P. 2d 348.

Where county school district provides inadequate schools and facilities, equal to those of city, which were open and free and reasonably convenient for attendance to all children within district, no child in such district had legal right to insist upon attendance at high school or junior high school in city without payment of nonresident fees. Logan City School Dist. v. Kowallis, 94 U. 342, 77 P. 2d 348.

#### Collateral References.

Schools and School Districts—  
78 C.J.S. Schools and School Districts § 13.

47 Am. Jur. 297, Schools § 2 et seq.

What is common or public school within contemplation of constitutional or statutory provision, 113 A. L. R. 697.

### Sec. 3. [Proceeds of lands and other property—Per cent of proceeds—Perpetual fund.]

The proceeds of the sales of all lands that have been or may hereafter be granted by the United States to this state, for the support of the common schools, and five per centum of the net proceeds of the sales of United States public lands lying within the states and sold by the United States subsequent to the admission of this state into the Union, shall be and remain a permanent fund, to be called the State School Fund, the interest of which only, shall be expended for the support of the common schools. The interest on the State School Fund, the proceeds of a property that may accrue to the state by the escheat or forfeiture, and unclaimed shares and dividends of any corporation incorporated under the laws of this state, the proceeds of the sales of timber, and the proceeds of the sale or other disposition of minerals or other property from scho

and state lands, other than those granted for specific purposes, shall, with such other revenues as the Legislature may from time to time allot thereto, constitute a fund to be known as the Uniform School Fund, which Uniform School Fund shall be maintained and used for the support of the common and public schools of the state and apportioned in such manner as the Legislature shall provide. The provisions of Section 7, Article XIII of this Constitution shall be construed as a limitation in the rate of taxation on tangible property for district school purposes and not on the amount of funds available therefor and, further, no moneys allocated to the Uniform School Fund shall be considered in fixing the rates of taxation specified in Section 7 of Article XIII. (As amended November 8, 1910, effective January 1, 1911; November 4, 1930, effective January 1, 1931; November 8, 1938, effective January 1, 1939.)

**Compiler's Notes.**

The 1910 amendment was proposed by House Joint Resolution No. 14, Laws 1909, p. 350, to become effective January 1, 1911. Prior to this amendment the section provided for the permanent fund only.

The 1930 amendment was proposed by House Joint Resolution No. 3, Laws 1929, p. 25, to become effective January 1, 1931. This amendment added a provision for apportionment of funds derived from state tax for high schools.

The 1938 amendment was proposed by House Joint Resolution No. 5, Laws 1937, p. 284, to become effective January 1, 1939. This amendment placed the section in its present form.

**Cross-References.**

Land grants to schools, Enabling Act, § 6 et seq.

Uniform school fund, 53-7-1 et seq.

**Adverse possession of school lands.**

Land granted to state by the Enabling Act for support of common schools could not be acquired by defendants by adverse possession although state had sold land in controversy to plaintiff. *Van Wagoner v. Whitmore*, 58 U. 418, 199 P. 670.

This provision was not impinged by the quieting of title in one claiming, by adverse possession, land which was granted to the state by the federal government for the use of an agricultural college, where the state had received the purchase price long before the claimant's entry and state denied interest in the land, even though purchaser and his successors had not demanded or received the patent. *Minersville Land & Livestock Co. v. Staten*, 7 U. (2d) 331, 325 P. 2d 260.

**Escheat.**

Under 75-12-27, property may escheat for benefit of school fund notwithstanding existence of heirs, where no claim is made within five years of intestate's death, as

therein provided. *In re Apostolopoulos' Estate*, 68 U. 344, 250 P. 469, 253 P. 1117, 48 A. L. R. 1322.

Statutes relating to the subject of escheats, roughly speaking, are divided into three classes: (1) Those that provide for the disposition of decedents' estates who die without heirs; (2) those that provide for the disposition of bank deposits or other property where the owners have departed from the town, city, or state wherein the property is located or the deposits were made, and where the whereabouts of such owners is unknown and it is not known or cannot be ascertained whether they are living or dead; and (3) those where the death of the owner is known and his death has been judicially established and the estate has in due course been administered, but no claimant has appeared to claim succession within the period of time fixed by statute. *In re Apostolopoulos' Estate*, 68 U. 344, 250 P. 469, 253 P. 1117, 48 A. L. R. 1322; *In re Montello Salt Co.*, 88 U. 283, 287, 53 P. 2d 727.

This is not a self-executing provision. *In re Montello Salt Co.*, 88 U. 283, 53 P. 2d 727.

Unclaimed funds ordered to be distributed to persons named as stockholders of a dissolved private corporation, but who had not appeared to receive or claim the said funds, are neither a share nor a dividend of a corporation in the sense used in this section of the Constitution, and therefore are not subject to escheat. *In re Montello Salt Co.*, 88 U. 283, 53 P. 2d 727.

**Exemption from taxation.**

Proceeds from sale of lands granted by federal government to the state of Utah for the support of the common schools are exempt from taxation. *Duchesne County v. State Tax Comm.*, 104 U. 365, 140 P. 2d 335.

70 C.J.S. Paupers §§ 3, 67; 81 C.J.S. Social Security and Public Welfare, §§ 1, 2.

Reimbursement of public for financial assistance to aged persons. 29 ALR 2d 731.

Requisite residence for purpose of old age assistance. 43 ALR 2d 1427.

## ARTICLE XI

### EDUCATION

**Section 1.** It shall be the duty of the legislative assembly of Montana to establish and maintain a general, uniform and thorough system of public, free, common schools.

#### Classification of School Districts for the Election of Trustees Does Not Violate This Provision

This section does not prohibit the enactment of a law classifying school districts for the purposes of the election of trustees according to population, so long as the law provides for a reasonable classification and is reasonable and uniform in its operation and effect upon all districts within the same classification—although, at the time of the passage of the act, only a few districts would be included within the law. *State ex rel. Bray v. Long*, 21 M 28, 30, 52 P 645.

#### "Education" Defined

"Education" in its broadest and best sense embraces mental, moral and physical powers or faculties, within the meaning of section 1, article XI of the constitution, declaring that it shall be the duty of the legislature to establish and maintain a general, uniform and thorough system of public, free, common schools. *McNair v. School District No. 1*, 87 M 423, 427, 288 P 188.

#### Operation and Effect

The fact that state tax imposed on foreign corporation's freight cars in state went into state common school income and interest fund did not remove it from constitutional limitation on levies for state purposes. *State v. North American Car Corp.*, 118 M 183, 164 P 2d 161, 167.

#### Purpose of This Provision

This section and section 11 of this article are not exclusive so as to limit the legislative power to the establishment and maintenance of common schools and state institutions only. The purpose of this section is to insure a system of common schools, but there is nothing in it which limits the power of the legislature to provide for other schools. The section is not a limitation upon the legislative power, but is a solemn mandate to the legislature. *Evers v. Hudson*, 36 M 135, 150, 92 P 462.

The clear intent of section 1, article XI of the constitution, imposing upon the legislature the duty of establishing and maintaining a general, uniform and thorough system of public, free, common schools is that adequate facilities for the education of all children shall be furnished. *Grant et al. v. Michaels et al.*, 94 M 452, 464, 23 P 2d 266.

The primary purpose underlying constitutional provisions under which the legislature is charged with the duty of maintaining a general, uniform and thorough system of free public schools and providing sufficient funds, etc. is the promotion of the general intelligence of the people constituting the body politic and thereby to increase the usefulness and efficiency of the citizens upon which the government of society depends. *State ex rel. Lien v. School District No. 73*, 106 M 223, 226, 71 P 2d 330.

#### Uniform Text Books Not Required by This System

While the legislative assembly has the power to establish a series of text book for use in the public schools of the state this section does not require the adoption of a uniform series of text books throughout the state by that body. *Campana v. Calderhead*, 17 M 548, 550, 44 P 83.

#### References

Cited in *State ex rel. Shapley v. Board of Commrs. of Yellowstone County*, 1 M 503, 506, 31 P 78; *State ex rel. Hederson v. Dawson County*, 87 M 122, 13 236 P 125; *Perkins v. Trask et al.*, 95 M 1, 7, 23 P 2d 982; *State ex rel. Gebhar v. City Council of the City of Helena*, 1 M 27, 40, 55 P 2d 671; *State ex rel. School District No. 29 v. Cooney*, 102 M 521, 55 59 P 2d 48; *Rhoades v. School District No. 9*, 115 M 352, 359, 142 P 2d 890; *Eaman v. School District No. 1*, 20 M 180 P 2d 472, 480.

#### Collateral References

*Schools and School Districts*—9-11.  
78 C.J.S. *Schools and School Districts* § 13.

Sectarianism in schools. 5 ALR 866 and 141 ALR 1144.

Schools: extent of legislative power with respect to attendance and curriculum. 39 ALR 477 and 53 ALR 832.

Schools: free text books and other school supplies for individual use of pupils. 67 ALR 1196.

Power of municipal or school authorities to prescribe vaccination or other health

measure as a condition of school attendance. 93 ALR 1413.

What is common or public school within contemplation of constitutional or statutory provisions. 113 ALR 697.

Title to buildings when school lands revert for nonuse for school purposes. 28 ALR 2d 564.

Racial segregation in schools. 38 ALR 2d 1189.

Sec. 2. The public school fund of the state shall consist of the proceeds of such lands as have heretofore been granted, or may hereafter be granted, to the state by the general government known as school lands; and those granted in lieu of such; lands acquired by gift or grant from any person or corporation under any law or grant of the general government; and of all other grants of land or money made to the state from the general government for general educational purposes, or where no other special purpose is indicated in such grant; all estates, or distributive shares of estates that may escheat to the state; all unclaimed shares and dividends of any corporation incorporated under the laws of the state, and all other grants, gifts, devises or bequests made to the state for general educational purposes.

**Interpretation and Effect**

Neither this provision nor that contained in section 1 of article XVII deals with the subject of the capacity of the state to acquire property. Both are limitations upon the power of disposal by the legislature. They also embody an express injunction upon the legislature that the property with which they deal must be devoted exclusively to the purposes for which it has been or may be acquired. In *re Beck's Estate*, 44 M 561, 576, 121 P 784.

The provisions of section 7 of ordinance No. 1, with relation to grants of land made by the United States to the state; of section 1, article XVII of the constitution, providing the manner of disposal of such land, and of sections 2 and 12, article XI, providing that the school fund derived from the proceeds of such land shall be guaranteed against loss or diversion, are limitations upon the power of disposal of school land by the legislature. *Newton v. Weiler*, 87 M 164, 286 P 133.

Sections 91-519 et seq., prohibiting inheritance by alien heirs whose country does not permit inheritance by residents of this state creates an escheat. The above constitutional provision requires all escheated estates or distributive shares of escheated estates to go to the public school fund of the state, and the legislature had no power to direct that such property go to either the county general fund or the school fund of the state. *Bottomly v. Meagher County et al.*, 114 M 220, 224, 133 P 2d 770.

The provision of section 91-523 before amendment providing for delivery to county general fund of all property of decedent's estate which would have vested in his nonresident alien next of kin but for other provisions of the statute was invalid as violating this constitutional provision placing in state public school fund all escheated estates and escheated interests in estates. In *re Nielsen's Estate*, 118 M 304, 165 P 2d 792, 794.

**What Part of Estate Escheats to State**

Held, that both under section 91-420 and chapter 104, Laws of 1939 (91-519 to 91-522), if all nonresident alien heirs of a decedent are disqualified from sharing in an escheated estate the entire estate is taken, and if only a part of the heirs are disqualified only their interests are taken, since this provision speaks of "estates, or distributive shares of estates." *Bottomly v. Meagher County*, 114 M 220, 230, 133 P 2d 770.

**References**

Cited or applied in *State ex rel. Knight v. Cave*, 20 M 468, 471, 52 P 200; *State ex rel. Evans v. Stewart*, 53 M 18, 23, 161 P 309; *School District No. 1 v. City of Helena*, 87 M 300, 307, 287 P 164; *Toole County Irrigation District v. State*, 104 M 420, 432, 67 P 2d 980; cited or applied in dissenting opinion in *State ex rel. Dickgraber v. Sheridan*, 126 M 447, 254 P 2d 390, 403; In *re Stoian's Estate*, 128 M 52, 269 P 2d 1085, 1091.

## ARTICLE 7. EDUCATION; STATE INSTITUTIONS; PROMOTION OF HEALTH AND MORALS; PUBLIC BUILDINGS

### Public Schools and School Funds

Sec.

1. Legislature to provide for public schools.
2. School revenues.
3. Other sources of school revenues.
4. Restriction in use of revenues.
5. Fines and penalties to belong to public school fund.
6. State to keep school funds; investment.
7. Application of school funds.
8. Distribution of school funds.
9. Taxation for schools.
10. No discrimination between pupils.
11. Textbooks.
12. Sectarianism prohibited.
13. Land commissioners. [Superseded.]
14. Supervision of schools entrusted to state superintendent of public instruction.

### The University

15. Establishment of university confirmed.

Sec.

16. Tuition free.
17. Government of university.

### Charitable and Penal Institutions

18. Establishment; supervision by state board of charities and reform.
19. Territorial institutions pass to state.

### Public Health and Morals

20. Duty of legislature to protect and promote health and morality of people.

### Public Buildings

21. Buildings and property of territory pass to state.
22. Construction and supervision.
23. Permanent location.

### *Public Schools and School Funds*

#### § 1. Legislature to provide for public schools.

The legislature shall provide for the establishment and maintenance of a complete and uniform system of public instruction, embracing free elementary schools of every needed kind and grade, a university with such technical and professional departments as the public good may require and the means of the state allow, and such other institutions as may be necessary.

**Cross reference.** — For other provisions concerning education, see art. 1, § 23, and art. 21, § 28, Wyo. Const., and title 21.

**Delegation of legislative function held valid.** — While establishment of school districts and changes therein is a legislative function under this section, legislative delegation of such duty to district boundary boards in each county has been held valid. *Chicago, B. & Q.R.R. v. Byron School Dist. No. 1*, 37 Wyo. 259, 260 P. 537 (1927).

"Such other institutions as may be necessary" includes community colleges. — In giving consideration to the various categories of schools referred to in this section, it is entirely clear that community colleges can only come under the category of "such other institutions as may be necessary." *Goshen County Community College Dist. v. School Dist. No. 2*, 399 P.2d 64 (Wyo. 1965).

**Agricultural college.** — The legislature could repeal an act establishing the agricultural college, which was located by a vote of the people. *State ex rel. Wyoming Agrl. College v. Irvine*, 14 Wyo. 318, 84 P. 90 (1906), aff'd, 200 U.S. 278, 27 S. Ct. 613, 51 L. Ed. 1063 (1907).

A high school is a component part of a school district. *Erickson v. School Dist. No. 2*, 67 Wyo. 216, 217 P.2d 887 (1950).

**School bond elections.** — Statute requiring payment of realty tax as a qualification to vote at a school bond election was invalid. *West v. School Dist. No. 9*, 37 Wyo. 36, 258 P. 583 (1927).

Cited in *Gale v. School Dist. No. 4*, 49 Wyo. 384, 54 P.2d 811 (1936).

**Law review.** — For comment, "Equal Protection and the Financing of Public Education in Wyoming," see 8 *Land & Water L. Rev.* 273 (1973).

## § 2. School revenues.

The following are declared to be perpetual funds for school purposes, of which the annual income only can be appropriated, to wit: Such per centum as has been or may hereafter be granted by congress on the sale of lands in this state; all moneys arising from the sale or lease of sections number sixteen and thirty-six in each township in the state, and the lands selected or that may be selected in lieu thereof; the proceeds of all lands that have been or may hereafter be granted to this state, where by the terms and conditions of the grant, the same are not to be otherwise appropriated; the net proceeds of lands and other property and effects that may come to the state by escheat or forfeiture, or from unclaimed dividends or distributive shares of the estates of deceased persons; all moneys, stocks, bonds, lands and other property now belonging to the common school funds. Provided, that the rents for the ordinary use of said lands shall be applied to the support of public schools and, when authorized by general law, not to exceed thirty-three and one-third ( $33\frac{1}{3}$ ) per centum of oil, gas, coal, or other mineral royalties arising from the lease of any said school lands may be so applied. (As amended by Laws 1923, Senate Joint Resolution No. 7, p. 225.)

**Cross references.** — As to state tax to support schools, see art. 15, § 15, Wyo. Const. For provision that unexpended income or interest shall be added to and become part of perpetual school fund, see art. 18, § 6, Wyo. Const.

**Amendment.** — Laws 1923, Senate Joint Resolution No. 7, p. 225, authorized the submission of a proposed amendment of this section, which was adopted by vote of the people at the general election held November 4, 1924, and was proclaimed in effect December 10, 1924.

The 1924 amendment added the second sentence.

**Requests to state.** — Where property is bequeathed to the state with an annual income payable to a legatee out of income, the property cannot be considered "not otherwise appropriated" and must be added to the common school fund. *Bond v. State ex rel. Wilson*, 45 Wyo. 133, 16 P.2d 53 (1932).

**Contract with an expert to investigate leases of state lands and ascertain if correct accounting was being made, and if not, to assist in recovering amount due state, on contingent basis, is not violative of constitution as depleting school funds, as moneys so recovered are a new fund brought into existence through the investigation.** *Bourne v. Cole*, 53 Wyo. 31, 77 P.2d 617 (1938).

**Supreme court's duty.** — It is bounden duty of supreme court, insofar as possible, to carry provisions that permanent school funds shall remain forever inviolate and undiminished into force and effect. *Alamo Drainage Dist. v. Board of County Comm'rs*, 60 Wyo. 177, 148 P.2d 229 (1944).

Quoted in *Oregon Basin Oil & Gas Co. v. Ohio Oil Co.*, 70 Wyo. 263, 248 P.2d 198 (1952).

## § 3. Other sources of school revenues.

To the sources of revenue above mentioned shall be added all other grants, gifts and devises that have been or may hereafter be made to this state and not otherwise appropriated by the terms of the grant, gift or devise.

**Requests to state.** — Where property is bequeathed to the state with an annual income payable to a legatee out of income, the property cannot be considered "not otherwise appropriated" and must be added to the common

school fund. *Bond v. State ex rel. Wilson*, 45 Wyo. 133, 16 P.2d 53 (1932).

Cited in *In re Board of Comm'rs*, 4 Wyo. 133, 32 P. 850 (1893).

#### § 4. Restriction in use of revenues.

All money, stocks, bonds, lands and other property belonging to a county school fund, except such moneys and property as may be provided by law for current use in aid of public schools, shall belong to and be invested by the several counties as a county public school fund, in such manner as the legislature shall by law provide, the income of which shall be appropriated exclusively to the use and support of free public schools in the several counties of the state. (As amended by Laws 1969, Senate Joint Resolution No. 3, p. 494.)

**Amendment.** — Laws 1969, Senate Joint Resolution No. 3, p. 494, authorized the submission of a proposed amendment of this section, which was adopted by vote of the people at the general election held November 3, 1970, and was proclaimed in effect December 3, 1970.

The 1970 amendment deleted "securely" preceding "invested," substituted "by" for "and

sacredly preserved in" following "invested" and inserted "in such manner as the legislature shall by law provide."

**Taxing district responsibility.** — It is competent for the state to make taxing district responsible as principal debtor for its quota of state tax assessed within it. *State v. Board of County Comm'rs*, 8 Wyo. 104, 55 P. 451 (1898).

#### § 5. Fines and penalties to belong to public school fund.

All fines and penalties under general laws of the state shall belong to the public school fund of the respective counties and be paid over to the custodians of such funds for the current support of the public schools therein.

Stated in *Wyoming Disct. Corp. v. Lamar*, 444 P.2d 620 (Wyo. 1968).

Cited in *State v. Board of County Comm'rs*, 8 Wyo. 104, 55 P. 451 (1898).

#### § 6. State to keep school funds; investment.

All funds belonging to the state for public school purposes, the interest and income of which only are to be used, shall be deemed trust funds in the care of the state, which shall keep them for the exclusive benefit of the public schools. The legislature shall provide by law for the investment of such trust funds. (As amended by Laws 1915, House Joint Resolution No. 2, p. 264; Laws 1969, Senate Joint Resolution No. 4, p. 492.)

**Cross reference.** — As to investment of permanent state funds, see §§ 9-7-1001 to 9-7-1006.

**Amendments.** — Laws 1915, House Joint Resolution No. 2, p. 264, authorized the submission of a proposed amendment of this section, which was adopted by vote of the people at the general election held November 7, 1916, and was proclaimed in effect December 22, 1916.

The 1916 amendment rewrote the second sentence.

Laws 1969, Senate Joint Resolution No. 4, p. 492, authorized the submission of a proposed amendment of this section, which was adopted by vote of the people at the general election held November 3, 1970, and was proclaimed in effect December 3, 1970.

The 1970 amendment deleted "and shall make good any losses that may in any manner occur, so that the same shall remain forever inviolate and undiminished" following "schools" at the end of the first sentence and rewrote the second sentence.

A high school is a component part of a school district. *Ericksen v. School Dist. No. 2*, 67 Wyo. 216, 217 P.2d 887 (1950).

Contract with an expert to investigate lenses of state lands and ascertain if correct accounting was being made, and if not, to assist in recovering amount due state, on contingent basis, is not violative of constitution as depleting school funds, as moneys so recovered are a new

fund brought into existence through the investigation. *Bourne v. Cole*, 53 Wyo. 31, 77 P.2d 617 (1938).

**Unauthorized contract.** — Contract whereby land commissioners authorized auditing company to investigate debts due state under mineral leases was void as delegating discretionary power. *MacDougall v. Board of Land Comm'rs*, 48 Wyo. 493, 49 P.2d 663 (1935).

**Supreme court's duty.** — It is bounden duty of supreme court, insofar as possible, to carry provisions that permanent school funds shall remain forever inviolate and undiminished into force and effect. *Alamo Drainage Dist. v. Board of County Comm'rs*, 60 Wyo. 177, 148 P.2d 229 (1944).

Cited in *Oregon Basin Oil & Gas Co. v. Ohio Oil Co.*, 70 Wyo. 263, 248 P.2d 198 (1952).

## § 7. Application of school funds.

The income arising from the funds mentioned in the preceding section, together with all the rents of the unsold school lands and such other means as the legislature may provide, shall be exclusively applied to the support of free schools in every county in the state.

**Requests to state.** — Where property is bequeathed to the state with an annual income payable to a legatee out of income, the property cannot be considered "not otherwise appropriated" and must be added to the common school fund. *Bond v. State ex rel. Wilson*, 45 Wyo. 133, 16 P.2d 53 (1932).

Cited in *State v. Board of County Comm'rs*, 8 Wyo. 104, 55 P. 451 (1898); *Oregon Basin Oil & Gas Co. v. Ohio Oil Co.*, 70 Wyo. 263, 248 P.2d 198 (1952).

## § 8. Distribution of school funds.

Provision shall be made by general law for the equitable distribution of such income among the several counties according to the number of children of school age in each; which several counties shall in like manner distribute the proportion of said fund by them received respectively to the several school districts embraced therein. But no appropriation shall be made from said fund to any district for the year in which a school has not been maintained for at least three months; nor shall any portion of any public school fund ever be used to support or assist any private school, or any school, academy, seminary, college or other institution of learning controlled by any church or sectarian organization or religious denomination whatsoever.

**Cross references.** — As to distribution to counties for use of public schools, see § 21-13-301. As to distribution by county treasurer to school districts, see § 21-13-302. As to distribution of funds from foundation program account, see §§ 21-13-313 and 21-13-314.

**School bond elections.** — An act requiring payment of tax as a qualification to vote on the question of a school bond issue is unconstitutional. *West v. School Dist. No. 9*, 37 Wyo. 36, 258 P. 583 (1927).

**Law review.** — For article, "Through the Front Door," see 19 Wyo. L.J. 164 (1965).

of sovereignty, are declared to possess the ultimate property, in and to all lands within the jurisdiction of the state; and all lands the title to which shall fail from a defect of heirs shall revert or escheat to the people.

## ARTICLE X.

### EDUCATION.

**Superintendent of public instruction.**  
SECTION 1. [As amended Nov. 1902] The supervision of public instruction shall be vested in a state superintendent and such other officers as the legislature shall direct; and their qualifications, powers, duties and compensation shall be prescribed by law. The state superintendent shall be chosen by the qualified electors of the state at the same time and in the same manner as members of the supreme court, and shall hold his office for four years from the succeeding first Monday in July. The state superintendent chosen at the general election in November, 1902, shall hold and continue in his office until the first Monday in July, 1905, and his successor shall be chosen at the time of the judicial election in April, 1905. The term of office, time and manner of electing or appointing all other officers of supervision of public instruction shall be fixed by law. [1899 J.R. 16, 1901 J.R. 3, 1901 c. 258, vote Nov. 1902]

**School fund created; income applied.**  
SECTION 2. The proceeds of all lands that have been or hereafter may be granted by the United States to this state for educational purposes (except the lands heretofore granted for the purposes of a university) and all moneys and the clear proceeds of all property that may accrue to the state by forfeiture or escheat, and all moneys which may be paid as an equivalent for exemption from military duty; and the clear proceeds of all fines collected in the several counties for any breach of the penal laws, and all moneys arising from any grant to the state where the purposes of such grant are not specified, and the five hundred thousand acres of land to which the state is entitled by the provisions of an act of congress, entitled "An act to appropriate the proceeds of the sales of the public lands and to grant pre-emption rights," approved the fourth day of September, one thousand eight hundred and forty-one; and also the five per centum of the net proceeds of the public lands to which the state shall become entitled on her admission into the Union (if congress shall consent to such appropriation of the two grants last mentioned) shall be set apart as a separate fund to be called "the school fund," the interest of which and all moneys derived from the school lands

shall be exclusively applied to the following objects, to wit:

1. To the support and maintenance of common schools, in each school district, and the purchase of suitable libraries and apparatus therefor.

2. The residue shall be appropriated to the support and maintenance of academies and normal schools, and suitable libraries and apparatus therefor.

Section 59.20 (8), as to retention of 50% of traffic fines and forfeitures is valid. State ex rel. Comrs. of Pub. Lands v. Anderson, 56 W (2d) 666, 203 NW (2d) 84.

The clear proceeds of fines imposed (at least 50% under 59.20 (8)) after the accused forfeits a deposit by nonappearance must be sent to the state treasurer for the school fund. 58 Atty. Gen. 142.

See note to 177.18, citing 61 Atty. Gen. 208.

**District schools; tuition; sectarian instruction; released time.** SECTION 3. [As amended April 1972] The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years; and no sectarian instruction shall be allowed therein; but the legislature by law may, for the purpose of religious instruction outside the district schools, authorize the release of students during regular school hours. [1969 J.R. 37, 1971 J.R. 28, vote April 1972]

The constitution does not require that school districts be uniform in size or equalized valuation. Larson v. State Appeal Bd. 36 W (2d) 823, 202 NW (2d) 920.

Establishment of a kindergarten for 4 and 5-year old children is not required, but the statutes establish December 1 as the date on which a child must be 5 years old in order to enter kindergarten, and the age must be uniform throughout the state. Pacyna v. Board of Education, 57 W (2d) 562, 204 NW (2d) 671.

Public schools may sell or charge fees for the use of books and items of a similar nature when authorized by statute without violating sec. 3. Bd. of Education v. Sinclair, 65 W (2d) 179, 222 NW (2d) 143.

Use of the word "shall" in 118.155, making cooperation by school boards with programs of religious instruction during released time mandatory rather than discretionary does not infringe upon the inherent powers of a school board. State ex rel. Holt v. Thompson, 66 W (2d) 659, 225 NW (2d) 678.

School districts are not constitutionally compelled to admit gifted four-year old children into kindergarten. Zweifel v. Joint Dist., No. 1, Belleville, 76 W (2d) 648, 251 NW (2d) 822.

The state and its agencies, except the department of public instruction, constitutionally can deny service or require the payment of fees for services to children between 4 and 20 who seek admission to an institution or program because school services are lacking in their community or district. 58 Atty. Gen. 53.

VTAE schools are not "district schools" within meaning of this section. 64 Atty. Gen. 24.

Intrastate inequalities in public education; the case for judicial relief under the equal protection clause. Silard, White, 1970 WLR 7.

The constitutional mandate for free schools. 1971 WLR 971.

**Annual school tax.** SECTION 4. Each town and city shall be required to raise by tax, annually, for the support of common schools therein,

a sum not less than one-half the amount received by such town or city respectively for school purposes from the income of the school fund.

**Income of school fund.** SECTION 5. Provision shall be made by law for the distribution of the income of the school fund among the several towns and cities of the state for the support of common schools therein, in some just proportion to the number of children and youth resident therein between the ages of four and twenty years, and no appropriation shall be made from the school fund to any city or town for the year in which said city or town shall fail to raise such tax; nor to any school district for the year in which a school shall not be maintained at least three months.

**State university; support.** SECTION 6. Provision shall be made by law for the establishment of a state university at or near the seat of state government, and for connecting with the same, from time to time, such colleges in different parts of the state as the interests of education may require. The proceeds of all lands that have been or may hereafter be granted by the United States to the state for the support of a university shall be and remain a perpetual fund to be called "the university fund," the interest of which shall be appropriated to the support of the state university, and no sectarian instruction shall be allowed in such university.

Vocational education is not exclusively a state function. *West Milwaukee v. Area Bd. Vocational, T. & A. Ed.* 51 W (2d) 356, 187 NW (2d) 387.

See note to art. I, sec. 18, citing 63 Atty. Gen. 374, concerning lease of space to church.

**Commissioners of public lands.** SECTION 7. The secretary of state, treasurer and attorney general, shall constitute a board of commissioners for the sale of the school and university lands and for the investment of the funds arising therefrom. Any two of said commissioners shall be a quorum for the transaction of all business pertaining to the duties of their office.

**Sale of public lands.** SECTION 8. Provision shall be made by law for the sale of all school and university lands after they shall have been appraised; and when any portion of such lands shall be sold and the purchase money shall not be paid at the time of the sale, the commissioners shall take security by mortgage upon the lands sold for the sum remaining unpaid, with seven per cent interest thereon, payable annually at the office of the treasurer. The commissioners shall be authorized to execute a good and sufficient conveyance to all purchasers of such lands, and to discharge any mortgages taken as security, when the sum due thereon shall have been

paid. The commissioners shall have power to withhold from sale any portion of such lands when they shall deem it expedient, and shall invest all moneys arising from the sale of such lands, as well as all other university and school funds, in such manner as the legislature shall provide, and shall give such security for the faithful performance of their duties as may be required by law.

Legislature may direct public land commissioners to invest monies from sale of public lands in student loans under 39.32 but may not direct a specific investment. 65 Atty. Gen. 28.

State reservation of land and interests in lands under ch. 452, laws of 1911, 24.11 (3) and Art. X, sec. 8 discussed. 65 Atty. Gen. 207.

## ARTICLE XI.

### CORPORATIONS.

**Corporations; how formed.** SECTION 1. Corporations without banking powers or privileges may be formed under general laws, but shall not be created by special act, except for municipal purposes, and in cases where, in the judgment of the legislature, the objects of the corporation cannot be attained under general laws. All general laws or special acts enacted under the provisions of this section may be altered or repealed by the legislature at any time after their passage.

499.02 (4), providing that the Solid Waste Recycling Authority's existence may not be terminated while it has outstanding obligations, does not violate the Wisconsin Constitution's reserved power provisions because: (1) The Authority is not a corporation created pursuant to section 1, and section 1 is directed only to laws enacted under the provisions of that section; and (2) any attempt to terminate the Authority while it has outstanding obligations would contravene the impairment of contract clauses of both the United States and Wisconsin Constitutions. *Wisconsin Solid Waste Recycling Auth. v. Earl*, 70 W (2d) 464, 235 NW (2d) 648.

**Property taken by municipality.** SECTION 2. [As amended April 1961] No municipal corporation shall take private property for public use, against the consent of the owner, without the necessity thereof being first established in the manner prescribed by the legislature. [1959 J.R. 47, 1961 J.R. 12, vote April 1961]

**Municipal home rule; debt limit; tax to pay debt.** SECTION 3. [As amended Nov. 1874, Nov. 1912, Nov. 1924, Nov. 1932, April 1951, April 1955, Nov. 1960, April 1961, April 1963 and April 1966] Cities and villages organized pursuant to state law are hereby empowered, to determine their local affairs and government, subject only to this constitution and to such enactments of the legislature of state-wide concern as shall with uniformity affect every city or every village. The method of such determination shall be prescribed by the legislature. No county, city, town, village, school district or other municipal corporation may become in-

justice according to law and evidence. No person shall be convicted of a crime unless by the concurrence of two-thirds of the senators present.

Attachment; grounds; judgment. The governor, secretary general and the judges of the supreme and district courts shall be removed from office and disqualification for corrupt conduct in office or for crimes and misdemeanors further than to removal from office and disqualification of honor, trust or profit in this state. The mode of impeachment, trial, judgment and punishment shall be ascertained by law.

shall exercise the duties of his office after he has been impeached.

papers. No person shall be tried on impeachment unless a copy thereof at least 20 days previous to the trial be laid on the table.

ers. The legislature of this state may provide for the removal of any officer for neglect or nonfeasance in the performance of his duty.

## ARTICLE IX

### AMENDMENTS TO THE CONSTITUTION

Section 1. A majority of the members elected to each session shall propose amendments to this constitution. Proposed amendments shall be passed at the same session and submitted to the voters at a general election. If a majority of the vote to ratify an amendment, it becomes a part of the constitution. If amendments are submitted at the same time, voted on separately.

Section 2. Two-thirds of the members elected to each session shall propose amendments to this constitution. If a majority of all the electors at the next general election ratify the amendment, the legislature at its next session, convention, the legislature at its next session, convention. The convention shall consist of as many members as the house of representatives. Delegates shall be chosen from the house of representatives and shall be elected for one year. Section 5 of Article IV of the constitution shall apply to this convention.

Section 3. A convention shall be called to draft a new constitution. A convention shall submit any revision to the people for approval at a general election held not less than 90 days after submission of the draft. The electors voting on the question vote to ratify the draft of the state of Minnesota.

## ARTICLE X

### TAXATION

Section 1. Exemptions; legislative powers. The power of taxation shall not be extended or contracted away. Taxes shall be uniform and shall be levied and collected for public purposes. Exemptions shall be provided for public school houses, public hospitals, academies, libraries, learning, all churches, church property, houses of charity, and public property used exclusively for educational purposes. Exemptions shall be provided from taxation except as provided in this section for personal property not exceeding in value the value of the head of a family, and household goods and chattels. The legislature may authorize municipal governments for local improvements upon property by special valuation. The legislature by law may define the term "personal property" in this section other than churches, houses of worship, and educational purposes by academies, colleges, uni-

Section 2. **Forestation.** To encourage and promote forestation and reforestation of lands whether owned by private persons or the public, laws may be enacted fixing in advance a definite and limited annual tax on the lands for a term of years and imposing a yield tax on the timber and other forest products at or after the end of the term.

Section 3. **Occupation tax; ores.** Every person engaged in the business of mining or producing iron ore or other ores in this state shall pay to the state an occupation tax on the valuation of all ores mined or produced, which tax shall be in addition to all other taxes provided by law. The tax is due on the first day of May in the calendar year next following the mining or producing. The valuation of ore for the purpose of determining the amount of tax shall be ascertained as provided by law. Funds derived from the tax shall be used as follows: 50 percent to the state general revenue fund, 40 percent for the support of elementary and secondary schools and ten percent for the general support of the university.

Section 4. **Motor fuel taxation.** The state may levy an excise tax upon any means or substance for propelling aircraft or for propelling or operating motor or other vehicles or other equipment used for airport purposes and not used on the public highways of this state.

Section 5. **Aircraft.** The legislature may tax aircraft using the air space overlying the state on a more onerous basis than other personal property. Any such tax on aircraft shall be in lieu of all other taxes. The legislature may impose the tax on aircraft of companies paying taxes under any gross earnings system of taxation notwithstanding that earnings from the aircraft are included in the earnings on which gross earnings taxes are computed. The law may exempt from taxation aircraft owned by a non-resident of the state temporarily using the air space overlying the state.

Section 6. **Taconite taxation.** Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof shall not be repealed, modified or amended, nor shall any laws in conflict therewith be valid until November 4, 1989. Laws may be enacted fixing or limiting for a period not extending beyond the year 1990, the tax to be imposed on persons engaged in (1) the mining, production or beneficiation of copper, (2) the mining, production or beneficiation of copper-nickel, or (3) the mining, production or beneficiation of nickel. Taxes imposed on the mining or quarrying of taconite or semi-taconite and on the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this amendment.

Section 7. [Repealed November 5, 1974]

## ARTICLE XI

### APPROPRIATIONS AND FINANCES

Section 1. **Money paid from state treasury.** No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law.

Section 2. **Credit of the state limited.** The credit of the state shall not be given or loaned in aid of any individual, association or corporation except as hereinafter provided.

Section 3. **Internal improvements prohibited; exceptions.** The state shall not be a party in carrying on works of internal improvements except as authorized by this constitution. If grants have been made to the state especially dedicated to specific purposes, the state shall devote the proceeds of the grants to those purposes and may pledge or appropriate the revenues derived from the works in aid of their completion.

Section 4. **Power to contract public debt; public debt defined.** The state may contract public debts for which its full faith, credit and taxing powers may be pledged at the times and in the manner authorized by law, but only for the purposes and subject to the conditions stated in section 5. Public debt includes any obligation payable directly in whole or in part from a tax of state wide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes.

Section 5. **Public debt and works of internal improvement; purposes.** Public debt may be contracted and works of internal improvements carried on for the following purposes:

(a) to acquire and to better public land and buildings and other public improvements of a capital nature and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes if the law authorizing the debt is adopted by the vote of at least three-fifths of the members of each house of the legislature;

(b) to repel invasion or suppress insurrection;

(c) to borrow temporarily as authorized in section 6;

(d) to refund outstanding bonds of the state or any of its agencies whether or not the full faith and credit of the state has been pledged for the payment of the bonds;

(e) to establish and maintain highways subject to the limitations of article XIV;

(f) to promote forestation and prevent and abate forest fires, including the compulsory clearing and improving of wild lands whether public or private;

(g) to construct, improve and operate airports and other air navigation facilities;

(h) to develop the state's agricultural resources by extending credit on real estate security in the manner and on the terms and conditions prescribed by law; and

(i) as otherwise authorized in this constitution.

As authorized by law political subdivisions may engage in the works permitted by (f) and (g) and contract debt therefor.

**Sec. 6. Certificates of indebtedness.** As authorized by law certificates of indebtedness may be issued during a biennium, commencing on July 1 in each odd-numbered year and ending on and including June 30 in the next odd-numbered year, in anticipation of the collection of taxes levied for and other revenues appropriated to any fund of the state for expenditure during that biennium.

No certificates shall be issued in an amount which with interest thereon to maturity, added to the then outstanding certificates against a fund and interest thereon to maturity, will exceed the then unexpended balance of all money which will be credited to that fund during the biennium under existing laws. The maturities of certificates may be extended by refunding to a date not later than December 1 of the first full calendar year following the biennium in which the certificates were issued. If money on hand in any fund is not sufficient to pay all non-refunding certificates of indebtedness issued on a fund during any biennium and all certificates refunding the same, plus interest thereon, which are outstanding on December 1 immediately following the close of the biennium, the state auditor shall levy upon all taxable property in the state a tax collectible in the ensuing year sufficient to pay the same on or before December 1 of the ensuing year with interest to the date of payment.

**Sec. 7. Bonds.** Public debt other than certificates of indebtedness authorized in section 6 shall be evidenced by the issuance of bonds of the state. All bonds issued under the provisions of this section shall mature not more than 20 years from their respective dates of issue and each law authorizing the issuance of bonds shall distinctly specify the purposes thereof and the maximum amount of the proceeds authorized to be expended for each purpose. The state treasurer shall maintain a separate and special state bond fund on his official books and records. When the full faith and credit of the state has been pledged for the payment of bonds, the state auditor shall levy each year on all taxable property within the state a tax sufficient with the balance then on hand in the fund to pay all principal and interest on bonds issued under this section due and to become due within the ensuing year and to and including July 1 in the second ensuing year. The legislature by law may appropriate funds from any source to the state bond fund. The amount of money actually received and on hand pursuant to appropriations prior to the levy of the tax in any year shall be used to reduce the amount of tax otherwise required to be levied.

**Sec. 8. Permanent school fund; source; investment; board of investment.** The permanent school fund of the state consists of (a) the proceeds of lands granted by the United States for the use of schools within each township, (b) the proceeds derived from swamp lands granted to the state, (c) all cash and investments credited to the permanent school fund and to the swamp land fund, and (d) all cash and investments credited to the internal improvement land fund and the lands therein. No portion of these lands shall be sold otherwise than at public sale, and in the manner provided by law. All funds arising from the sale or other disposition of the lands, or income accruing in any way before the sale or disposition thereof, shall be credited to the permanent school fund. Within limitations prescribed by law, to secure the maxi-

The investment earnings distributed from the permanent school fund in 1981 were about \$21,000,000. The portfolio for the fund on April 30, 1981 was:

Stocks: \$51,370,627  
 Bonds: 225,221,021  
 Short term: 13,754,584  
 \$ 290,346,232

xxxviii

xxxix

MINNESOTA CONSTITUTION

public land and buildings and other public improve-  
 provide money to be appropriated or loaned to any  
 the state for such purposes if the law authorizing  
 at least three-fifths of the members of each house

insurrection;

authorized in section 6;

of the state or any of its agencies whether or not  
 has been pledged for the payment of the bonds;

highways subject to the limitations of article XIV;

prevent and abate forest fires, including the com-  
 wild lands whether public or private;

operate airports and other air navigation facilities;

cultural resources by extending credit on real estate  
 terms and conditions prescribed by law; and

this constitution

subdivisions may engage in the works permitted  
 reformed.

ness. As authorized by law certificates of indebt-  
 biennium, commencing on July 1 in each odd-  
 including June 30 in the next odd-numbered year,  
 taxes levied for and other revenues appropriated to  
 during that biennium.

in an amount which with interest thereon to matu-  
 certificates against a fund and interest thereon to  
 pending balance of all money which will be credited  
 under existing laws. The maturities of certificates  
 date not later than December 1 of the first full cal-  
 in which the certificates were issued. If money on  
 to pay all non-refunding certificates of indebtedness  
 am and all certificates refunding the same, plus in-  
 on December 1 immediately following the close  
 shall levy upon all taxable property in the state a  
 sufficient to pay the same on or before December 1  
 the date or dates of payment.

her than certificates of indebtedness authorized in  
 issuance of bonds of the state. All bonds issued  
 shall mature not more than 20 years from their  
 authorizing the issuance of bonds shall distribute  
 the maximum amount of the proceeds authorized to  
 state treasurer shall maintain a separate and inde-  
 books and records. When the full faith and credit  
 payment of bonds, the state auditor shall levy on  
 the state a tax sufficient with the balance then on  
 and interest on bonds issued under this section  
 ensuing year and to and including July 1 in the sec-  
 y law may appropriate funds from any source to  
 money actually received and on hand pursuant to  
 the tax in any year shall be used to reduce the  
 be levied.

d; source; investment; board of investment. The  
 consists of (a) the proceeds of lands granted to  
 schools within each township, (b) the proceeds of  
 the state, (c) all cash and investments credited to  
 the swamp land fund, and (d) all cash and invest-  
 ment land fund and the lands therein. No prop-  
 erty shall be sold otherwise than at public sale, and in the manner pre-  
 scribed by law, and the proceeds of the sale or other disposition of the lands or  
 the sale or disposition thereof, shall be credited to  
 limitations prescribed by law, to secure the main-

return thereon consistent with the maintenance of the perpetuity of the fund,  
 and with the approval of the board of investment, the fund may be invested in: (1) in-  
 interest bearing fixed income securities of the United States and of its agencies, fixed  
 income securities guaranteed in full as to payment of principal and interest by the  
 United States, bonds of the state of Minnesota or its political subdivisions or agencies,  
 or of other states, but not more than 50 percent of any issue by a political subdivision  
 shall be purchased; (2) stocks of corporations on which cash dividends have been paid  
 from earnings for five consecutive years or longer immediately prior to purchase, but  
 not more than 20 percent of the fund shall be invested therein at any given time nor  
 more than one percent in stock of any one corporation, nor shall more than five per-  
 cent of the voting stock of any one corporation be owned; (3) bonds of corporations  
 whose earnings have been at least three times the interest requirements on outstand-  
 ing bonds for five consecutive years or longer immediately prior to purchase, but not  
 more than 40 percent of the fund shall be invested in corporate bonds at any given  
 time. The percentages referred to above shall be computed using the cost price of the  
 stocks or bonds. The principal of the permanent school fund shall be perpetual and in-  
 violate forever. This does not prevent the sale of any public or private stocks or bonds  
 at less than the cost to the fund; however, all losses not offset by gains shall be repaid  
 to the fund from the interest and dividends earned thereafter. The net interest and divi-  
 dends arising from the fund shall be distributed to the different school districts of the  
 state in proportion to the number of students in each district between the ages of 5  
 and 21 years.

A board of investment consisting of the governor, the state auditor, the state  
 treasurer, the secretary of state, and the attorney general is hereby constituted for the  
 purpose of administering and directing the investment of all state funds. The board  
 shall not permit state funds to be used for the underwriting or direct purchase of mu-  
 nicipal securities from the issuer or his agent.

Sec. 9. Investment of permanent university fund; restrictions. The permanent  
 university fund of this state may be loaned to or invested in the bonds of any county,  
 school district, city or town of this state and in first mortgage loans secured upon im-  
 proved and cultivated farm lands of this state, but no such investment or loan shall be  
 made until approved by the board of investment; nor shall a loan or investment be  
 made when the bonds to be issued or purchased would make the entire bonded in-  
 debtedness exceed 15 percent of the assessed valuation of the taxable property of the  
 county, school district, city or town issuing the bonds; nor shall any farm loan or in-  
 vestment be made when the investment or loan would exceed 30 percent of the actual  
 cash value of the farm land mortgaged to secure the investment; nor shall investments  
 or loans be made at a lower rate of interest than two percent per annum nor for a  
 shorter period than one year nor for a longer period than 30 years.

Sec. 10. Exchange of public lands; reservation of rights. As the legislature may  
 provide, any of the public lands of the state, including lands held in trust for any pur-  
 pose, may be exchanged for lands of the United States or privately held lands with the  
 unanimous approval of the governor, the attorney general and the state auditor. Lands  
 so acquired shall be subject to the trust, if any, to which the lands exchanged therefor  
 were subject. The state shall reserve all mineral and water power rights in lands  
 transferred by the state.

Sec. 11. Timber lands set apart as state forests; disposition of revenue. School  
 and other public lands of the state better adapted for the production of timber than  
 for agriculture may be set apart as state school forests, or other state forests as the  
 legislature may provide. The legislature may also provide for their management on  
 forestry principles. The net revenue therefrom shall be used for the purposes for  
 which the lands were granted to the state.

Sec. 12. County, township or municipal aid to railroads limited. The legislature  
 shall not authorize any county, township or municipal corporation to become indebted  
 to aid in the construction or equipment of railroads to any amount that exceeds five  
 per cent of the value of the taxable property within that county, township or munic-  
 ipal corporation. The amount of taxable property shall be determined by the last as-  
 sessment previous to the incurring of the indebtedness.

Sec. 13. Safekeeping state funds; security; deposit of funds; embezzlement. All  
 officers and other persons charged with the safekeeping of state funds shall be re-  
 quired to give ample security for funds received by them and to keep an accurate en-  
 try of each sum received and of each payment and transfer. If any person converts to

ment indicating the employee's physical fitness for the resumption of regular duties.

(e) An employee returning to active duty after a leave of absence for temporary disability shall be entitled to an assignment at the school where the employee formerly taught, subject to the availability of an appropriate teaching position. In any event, the employee shall be placed on active duty no later than the beginning of the next term.

(f) The length of a leave of absence for temporary disability shall be granted by the superintendent as required by the individual employee. The governing board of a school district may establish a maximum length for a leave of absence for temporary disability, but in no event shall that maximum be set at less than 180 days.

[Acts 1973, 63rd Leg., p. 1276, ch. 470, § 1, eff. June 14, 1973.]

#### CHAPTER 14. SCHOLASTIC CENSUS [REPEALED]

*Chapter 14, Scholastic Census, was repealed by Acts 1975, 64th Leg., p. 6, ch. 4, § 1.*

§§ 14.01, 14.02. Repealed by Acts 1975, 64th Leg., p. 6, ch. 4, § 1, eff. Feb. 13, 1975

§§ 14.03 to 14.06. Repealed by Acts 1971, 62nd Leg., p. 1533, ch. 405, § 54(1), eff. May 26, 1971

§§ 14.07 to 14.09. Repealed by Acts 1975, 64th Leg., p. 6, ch. 4, § 1, eff. Feb. 13, 1975

#### CHAPTER 15. STATE FUNDS FOR THE SUPPORT OF PUBLIC SCHOOLS

Section	
15.01.	Composition of the Public School Funds.
15.02.	Investment of Permanent School Fund.
15.03.	Purchase and Sale or Exchange of Securities.
15.04.	Treatment of Premium and Discount.
15.05.	Prepayment of Certain Bonds Held by the Permanent School Fund.
15.06.	Default of School District Securities Held by the Permanent School Fund.
15.07.	Authorized Refunding of Defaulted School Bonds.
15.08.	Refunding Other Defaulted Obligations.
15.09.	Jurisdiction.
15.10.	Duties of the State Comptroller of Public Accounts.
15.11.	Duties of the State Treasurer.
15.12.	Use of Available School Fund.
15.13.	Use of Commercial Banks as Agents for Collection of Income from Permanent School Fund Investments.
15.14.	Participation in Fully Secured Securities Loan Programs.

#### § 15.01. Composition of the Public School Funds

(a) The permanent school fund, which shall constitute a perpetual endowment for the public free schools of this state, shall consist of:

(1) all land appropriated for the public schools by the constitution and laws of Texas;

(2) all the unappropriated public domain remaining in Texas, including all land recovered by the state by suit or otherwise except pine forest land as defined in Section 12, Article 2613, Revised Civil Statutes of Texas, 1925, as amended;<sup>1</sup>

(3) all proceeds from the authorized sale of permanent school fund land, or any portion thereof, surveyed or unsurveyed;

(4) all proceeds from the lawful sale of any other properties belonging to the permanent school fund;

(5) all investments (authorized in Section 15-02 of this code) of properties belonging to the permanent school fund; and

(6) all income from the mineral development of land constituting the permanent school fund, including income from mineral development of riverbeds and other submerged land.

(b) The available school fund, which shall be apportioned annually to the several counties of Texas according to the scholastic population of each, shall consist of:

(1) the interest and dividends arising from any securities or funds belonging to the permanent school fund;

(2) all interest derivable from the proceeds of the sale of land set apart for the permanent school fund;

(3) all money derived from the lease of land belonging to the permanent school fund;

(4) all revenue collected by the state from an annual state ad valorem tax of an amount not to exceed 35 cents on the \$100 valuation, exclusive of delinquencies and cost of collection;

(5) one-fourth of all revenue derived from all state occupation taxes, exclusive of delinquencies and cost of collection;

(6) \$1 dollar from each poll tax collected by the state, exclusive of cost of collection;

(7) one-fourth of revenue derived from state gasoline and special fuels excise taxes as provided by law; and

(8) all other appropriations to the available school fund as made or may be made by the legislature for public free school purposes.

(c) The term "scholastic population" in Subsection (b) of this section, and when and wherever found in the several laws governing the apportionment, distribution, and transfer of the state available school fund, is hereby defined to mean and include all pupils within scholastic age enrolled in average daily attendance the next preceding scholastic year in the public elementary and high school grades of school districts within or under the jurisdiction of a county of this state. The basis provided herein for the apportionment, distribution, and transfers of the

state available school fund shall be applicable to such fund to be apportioned for the year beginning September 1, 1969, and annually thereafter.

[Acts 1969, 61st Leg., p. 2798, ch. 889, § 1, eff. Sept. 1, 1969; Acts 1971, 62nd Leg., p. 1489, ch. 405, § 17, eff. May 26, 1971.]

<sup>1</sup> Repealed; see, now, § 89.111.

§ 15.02. Investment of Permanent School Fund

(a) In compliance with provisions of this section, the State Board of Education is authorized and empowered to invest the permanent school fund in the types of securities, which must be carefully examined by the State Board of Education and be found to be safe and proper investments for the fund as specified below:

(1) securities, bonds, or other obligations issued, insured, or guaranteed in any manner by the United States Government or any of its agencies; and in bonds issued by the State of Texas;

(2) obligations and pledges of The University of Texas;

(3) corporate bonds, debentures, or obligations, of United States corporations of at least "A" rating;

(4) bonds issued, assumed, or guaranteed by the Inter-American Development Bank, the International Bank of Reconstruction and Development (the World Bank), and the Asian Development Bank;

(5) bonds of counties, school districts, incorporated cities or towns, road precincts, drainage, irrigation, navigation, and levee districts in Texas, under the following rules and regulations:

(A) such securities, prior to their purchase, must have been diligently investigated by the attorney general of Texas both as to their form and as to their legal compliance with applicable laws;

(B) the attorney general's certificate of validity procured by the party offering such bonds, obligations, or pledges must accompany these securities when they are submitted for registration to the state comptroller, who must preserve the certificates;

(C) these public securities, if purchased, and when certified and registered as specified above, shall be incontestable unless issued fraudulently or in violation of a constitutional limitation, and the certificates of the attorney general shall be prima facie evidence of the validity of the bonds and coupons thereto; and

(D) after the issuing political subdivision of Texas has received the proceeds from

the sales of such public securities, the issuing agency shall be estopped to deny their validity, and the same shall be held to be valid and binding obligations;

(6) preferred stocks and common stocks as to the State Board of Education may deem to be proper investments for the permanent school fund, under the following rules and regulations:

(A) in making all such investments the State Board of Education shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital;

(B) stocks eligible for purchase are restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors;

(C) not more than one percent of the permanent school fund may be invested in stock issued by one corporation nor shall more than five percent of the voting stock of any one corporation be owned;

(D) at the discretion of the State Board of Education, corporate securities of the permanent school fund may be sold and the proceeds reinvested for the fund under the terms of this code; and

(7) notwithstanding any other law or provisions in this code, first lien real estate mortgage securities insured by the Federal Housing Administration under the National Housing Act of the United States,<sup>1</sup> as amended from time to time, or in any other first lien real estate mortgage securities guaranteed in whole or in part by the United States Government or any agency thereof.

(b) to (g) Repealed by Acts 1979, 66th Leg., p. 1537, ch. 661, § 2, eff. June 13, 1979.

[Acts 1969, 61st Leg., p. 2799, ch. 889, § 1, eff. Sept. 1, 1969; Acts 1971, 62nd Leg., p. 1490, ch. 405, § 18, eff. May 26, 1971; Acts 1971, 62nd Leg., p. 1668, ch. 472, § 3, eff. Aug. 30, 1971; Acts 1977, 65th Leg., p. 1957, ch. 779, § 1, eff. June 16, 1977; Acts 1979, 66th Leg., p. 1535, ch. 661, §§ 1, 2, eff. June 13, 1979.]

<sup>1</sup> 12 U.S.C.A. § 1701 et seq.

**§ 15.03. Purchase and Sale or Exchange of Securities**

(a) The State Board of Education may authorize the purchase of all of the types of securities in which it is authorized by law to invest the permanent school fund in either registered or negotiable form; and it may authorize the reissue of such securities held at any time for the account of the permanent school fund in either registered or negotiable form. The State Board of Education may authorize the sale of any of the securities held for the account of the permanent school fund and reinvest the proceeds of sale for the fund; and it may authorize the exchange of any of the securities held for the account of the permanent school fund.

\* ~~(A)~~ None may be sold for a price less than the actual amount of money of the permanent school fund invested in it;

\* ~~(A)~~ None may be exchanged for a public security having a principal value less than the principal value of the security exchanged; and

(b) In making each and all of such purchases, sales, exchanges and reissues the State Board of Education shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

(c) When any securities are sold, reissued, or exchanged as provided in Subsection (a) of this section, the custodian of such securities shall make delivery of the securities sold, reissued, or exchanged in accordance with the directions of the State Board of Education.

[Acts 1969, 61st Leg., p. 2801, ch. 889, § 1, eff. Sept. 1, 1969; Acts 1977, 65th Leg., p. 1958, ch. 779, § 2, eff. June 16, 1977; Acts 1979, 66th Leg., p. 1537, ch. 661, § 3, eff. June 13, 1979.]

**§ 15.04. Treatment of Premium and Discount**

(a) If the State Board of Education authorizes the payment of a premium out of the permanent school fund in the purchase of any bond, obligation, or pledge as an investment for that fund, then the principal of such securities and an amount of the interest first accruing thereon equal to the premium so paid shall be treated as principal in such investment, and when the first interest is collected, the amount of the premium shall be returned to the permanent school fund.

(b) If the State Board of Education authorizes the purchase of a public security at less than par, the discount received in the purchase shall be paid to the

available school fund when the bonds, obligations, or pledges are paid off and discharged.

[Acts 1969, 61st Leg., p. 2802, ch. 889, § 1, eff. Sept. 1, 1969.]

**§ 15.05. Prepayment of Certain Bonds Held by the Permanent School Fund**

(a) The State Board of Education may authorize the governing body of any school district or political subdivision in Texas to pay off and discharge, at any interest paying date whether the bonds are matured or not, all or any part of any outstanding bond indebtedness now owned or hereafter to be owned by the permanent school fund, under the rules and regulations of this section.

(b) The governing body of the respective political subdivision desiring to pay off and discharge any such bonded indebtedness owned by the fund shall make such desire known by direct application in writing to the State Board of Education, at least 30 days before any interest paying date on the bonds, describing the bonds or part thereof it desires to pay off and discharge. The application shall be accompanied by an affidavit stating that only such tax money as may be collected by virtue of tax levy made for the specific purpose of providing a sinking fund and paying interest on the particular bonds to be redeemed shall be expended in the redemption, taking up, or paying off the bonds.

(c) The State Board of Education upon receipt of such application and affidavit shall take action on them in such manner as it may deem best and notify the applicant whether the application is refused or granted in whole or in part.

(d) It shall be unlawful for any person on whom any duty rests in carrying out the provisions of this section to give or receive any commission, premium, or compensation for the performance of such duty.

(e) Only such tax money as had been collected by virtue of tax levies made for the specific purpose of providing a sinking fund and paying interest on the particular bonds to be redeemed shall be expended in the redemption, taking up, or paying off of such bonds as provided in this section, unless such bonds are being redeemed for the purpose of being refunded.

[Acts 1969, 61st Leg., p. 2802, ch. 889, § 1, eff. Sept. 1, 1969.]

**§ 15.06. Default of School District Securities Held by the Permanent School Fund**

(a) If interest and/or principal has not been paid for two years or more on any bonds issued by any school district (city controlled or otherwise) and held by the permanent school fund, the State Board of Education shall have the authority described in this section.

(b) The State Board of Education may compel any such school district to levy a tax sufficient to meet the interest and principal payments as then or later due.

(c) If any such district furnishes to the State Board of Education satisfactory proof that its taxing ability is insufficient, the State Board of Education may require the district to exhaust all legal remedies in collecting taxes then delinquent, and to levy a tax at the maximum lawful rate on the bona fide valuation of taxable property located in the district.

(d) Revenue collected by either method specified in Subsections (b) and (c) of this section shall be distributed proportionately to all owners of the defaulted securities and shall be in compliance with the following rules:

(1) The proportionate share for each owner will be based on the interest and principal requirements of the original security before authorized refunding; and

(2) Prior acceptance of refunding securities will not reduce an owner's proportionate share.

(e) As long as any such school district is delinquent in its payments of principal and/or interest on any of its bonds owned by the permanent school fund, the State Board of Education shall have the authority to specify the method of crediting payments to the state made by the district as to principal and interest.

(f) The comptroller of public accounts shall not issue any warrant from the foundation school fund to or for the benefit of any district which has been for as long as two years in default in the payment of principal or interest on any security owned by the permanent school fund unless and until the State Board of Education certifies that the district has satisfactorily complied with the appropriate provisions of this section, in which event the comptroller shall resume making payments to or for the benefit of the district, including the making of pretermitted payments.

[Acts 1969, 61st Leg., p. 2803, ch. 889, § 1, eff. Sept. 1, 1969.]

**§ 15.07. Authorized Refunding of Defaulted School Bonds**

(a) In compliance with the provisions of this section, the State Board of Education is authorized to revise, readjust, modify, refinance, or refund defaulted bonds issued by any school district in Texas and owned by either the permanent school fund or the available school fund.

(b) Application must be made to the State Board of Education by the district which issued the bonds and must show that:

(1) delinquent interest totals at least 50 percent of the principal amount of the bonds; and

(2) taxable valuation has decreased to such an extent that a full application of the proceeds of the voted authorized tax authorized to be levied on the \$100 taxable property valuation will not meet interest and principal annually maturing on the bonds.

(c) The State Board of Education may effect a refunding of the debt due and to become due only if the board finds that:

(1) the district is unable to pay the sums already matured and the sums contracted to be paid as they mature by paying annually to the State Board of Education the full proceeds of a 50-cent tax levy on the \$100 of all taxable valuation of property within the district;

(2) the taxable valuation of property in the district has decreased at least 75 percent since the bonds were issued and that the decrease was not caused by the district or any of its officials;

(3) the district for a period of at least five years before applying to the State Board of Education for refunding has levied a tax of 50 cents on the \$100 of taxable valuation of property in the district, and that despite such levies, the aggregate amount due the State Board of Education exceeds the aggregate amount due at the beginning of the period;

(4) no additional bonds of the district have been authorized and sold during the five-year period immediately preceding the application; and

(5) the district has in good faith endeavored to pay its debt in accordance with the contract evidenced by the bonds held for the account of the permanent school fund or the available school fund.

(d) If the conditions specified in Subsection (c) of this section are found to exist, the district shall, for the purposes of this section, be deemed to be insolvent, and the State Board of Education may exchange the bonds, interest coupons, and other evidences of indebtedness for new refunding bonds of the district issued in compliance with the following regulations:

(1) The principal amount of the refunding bonds shall not be less than the total amount of the bonds; matured interest coupons, accrued interest, and interest on delinquent interest then actually due to the permanent school fund and/or the available school fund;

(2) The rate of interest to be borne by the refunding bonds may be lower than that borne by the bonds to be refunded if in consideration of the interest reduction the district agrees to levy a tax each year for a period of 40 years at a rate sufficient to produce annually a sum equal to 90 percent of the amount that can be calcu-

lated by the levy of a tax at the rate of 50 cents on the \$100 of taxable valuation of property as determined by the latest approved tax roll of the district, and in determining the rate of interest to be borne by the refunding bonds, the State Board of Education shall be governed by the following:

(A) The State Board of Education is authorized to require the rate to be such percent per annum as in its judgment will represent the maximum rate that can be paid by the district and still permit an orderly and certain retirement of the refunding bonds within 40 years from their date;

(B) The interest rate of refunding bonds to be received in exchange for bonds owned by the permanent school fund shall not be less than the minimum rate at which bonds may then be purchased as investments for the permanent school fund; and

(C) The rate of interest of refunding bonds to be received in exchange for bonds owned by the available school fund may be set by the State Board of Education at any rate which it deems feasible, and such refunding bonds may, at the discretion of the State Board of Education, be made non-interest bearing to such date as may be fixed by the board.

(e) No revision, readjustment, modification, refinancing, or refunding shall be made by the State Board of Education that will release or extinguish any debt or obligation then due and payable to the permanent school fund or to the available school fund.

(f) Except as otherwise provided or permitted by this section, the refunding of the bonds of school districts herein authorized shall be in compliance with the general provisions with regard to the refunding of school district bonds as specified in this code.

[Acts 1969, 61st Leg., p. 2803, ch. 889, § 1, eff. Sept. 1, 1969.]

#### § 15.08. Refunding Other Defaulted Obligations

(a) Defaulted obligations (other than bonds of school districts as provided in Section 15.07 of this code) due the available school fund may be refinanced or refunded with the approval of the State Board of Education in compliance with the provisions of this section.

(b) "Defaulted obligations," as used herein, shall include delinquent interest whether represented by coupons or not, interest on delinquent interest, and any other form of obligation due the available school fund.

(c) The obligor must make application to the State Board of Education and show:

(1) that the obligations due the available school fund have been in default in whole or in part for a continuous period of at least 15 years; and

(2) that the obligor is not in default in the payment of the principal of any bonds owned by the permanent school fund.

(d) If the State Board of Education finds that the above-specified requirements have been met, it may approve a refinancing or the issuance of refunding bonds on the conditions:

(1) that the refunding bonds must mature serially in not exceeding 40 years from the date of issuance;

(2) that the principal amount of the refunding bonds shall be not less than the total amount of the obligations then in default and due the available school fund;

(3) that the refunding bonds shall bear interest at such rate or rates as may be determined by the State Board of Education to be for the best interest of the available school fund.

(e) The State Board of Education in its discretion is authorized to accept refunding bonds in lieu of either matured or unmatured bonds held for the benefit of the permanent school fund, provided that the rate of interest on the new refunding bonds is at least the same rate as that of the bonds being refunded.

(f) Refunding bonds issued with the approval or pursuant a refunding agreement with the State Board of Education in compliance with either this section or Section 15.07 shall, on the order of the State Board of Education, be exchanged by the state treasurer for the defaulted obligations they have been issued to refund.

[Acts 1969, 61st Leg., p. 2805, ch. 889, § 1, eff. Sept. 1, 1969.]

#### § 15.09. Jurisdiction

The district courts of Travis County shall have jurisdiction of any suit on bonds or obligations belonging to the permanent school fund, or purchased therewith, concurrent with that of any other court having jurisdiction in said case.

[Acts 1969, 61st Leg., p. 2806, ch. 889, § 1, eff. Sept. 1, 1969.]

#### § 15.10. Duties of the State Comptroller of Public Accounts

(a) On or before July 1 of each year, the comptroller of public accounts shall estimate the amount of the available school fund receivable from every source during the coming scholastic year and report this estimate to the State Board of Education.

(b) On or before the meeting of each regular session of the legislature, the comptroller of public accounts shall report to the legislature an estimate of the amount of the available school fund to be received for the succeeding two years, and the several sources from which the same accrues, and which may be subject to appropriation for the establishment and support of public schools.

(c) On or before the first working day of each month, the comptroller shall certify to the state commissioner of education the total amount of money collected from every source during the preceding month and on hand to the credit of the available school fund.

(d) On receipt of certificates issued to him by the commissioner of education, the comptroller shall draw his warrants on the state treasurer and in favor of the treasurer (depository) of the available school fund of each school district for the amounts stated in the certificates. All such warrants shall be registered and transmitted to the state treasurer. [Acts 1969, 61st Leg., p. 2806, ch. 889, § 1, eff. Sept. 1, 1969.]

§ 15.11. Duties of the State Treasurer

(a) At least 30 days before each regular session of the legislature and 10 days before any special session at which there can be legislation respecting the public schools, the state treasurer shall report to the governor the condition of the permanent school fund and the available school fund, the amount of each and the manner of its disbursement.

(b) The treasurer shall provide the State Board of Education with the reports specified in Subsection (a) of this section, and with such additional reports as to those funds which the State Board of Education may request.

(c) The treasurer shall see to it that no portion of either the permanent school fund or the available school fund is used to pay any warrant drawn against any other fund.

(d) The treasurer shall receive and hold in a special deposit and keep account for all properties belonging to the available school fund. All warrants drawn on this fund by the comptroller of public accounts pursuant to certificate of the state commissioner of education must be registered by the state treasurer and then transmitted to the commissioner of education; and when properly endorsed shall be paid by the treasurer in the order of their presentation.

(e) On order of the State Board of Education, the treasurer shall exchange or accept refunding bonds in lieu of:

- (1) either matured or unmatured bonds held for the benefit of the permanent school fund, which are being refunded under the terms of this chapter;

(2) defaulted obligations held for the benefit of the available school fund, provided that the refunding bonds are issued in compliance with Section 15.08 of this code;

(3) defaulted obligations of any school district of Texas held for the benefit of the permanent school fund or the available school fund, provided the refunding bonds are issued in compliance with Section 15.07 of this code;

(4) refunding bonds of any school district of Texas for school bonds not matured held by the state treasurer for the permanent school fund, when such new refunding bonds are issued by the school district in compliance with this code.

(f) The state treasurer shall be the custodian of all securities enumerated in Subdivision (5) of Subsection (a) of Section 15.02 of this code and of such other securities as may be designated from time to time by the State Board of Education in which the school funds of the state have been or may hereafter be invested, and shall keep these securities in his custody until paid off, discharged, delivered as required by the State Board of Education, or otherwise disposed of by the proper authorities of the state, and on the proper installment of any interest or dividend, shall see that the proper credit is given, and the coupons on bonds, when paid, shall be properly separated therefrom and cancelled by the treasurer.

[Acts 1939, 61st Leg., p. 2806, ch. 889, § 1, eff. Sept. 1, 1969; Acts 1979, 66th Leg., p. 1537, ch. 661, § 4, eff. June 13, 1979.]

§ 15.12. Use of Available School Fund

(a) All available public school funds of Texas shall be appropriated in each county for the education of its children.

(b) No part of the permanent school fund or the available school fund shall be appropriated or used for the support of any sectarian school.

(c) Repealed by Acts 1979, 66th Leg., p. 1326, ch. 602, § 35(a), eff. Aug. 27, 1979.

[Acts 1969, 61st Leg., p. 2807, ch. 889, § 1, eff. Sept. 1, 1969; Acts 1975, 64th Leg., p. 2378, ch. 734, § 3, eff. June 21, 1975; Acts 1979, 66th Leg., p. 1326, ch. 602, § 35(a), eff. Aug. 27, 1979.]

§ 15.13. Use of Commercial Banks as Agents for Collection of Income from Permanent School Fund Investments

(a) The State Board of Education is authorized and empowered to contract with a commercial bank or banks to receive payments of dividends and interest on securities in which the state permanent school funds are invested and to transmit such money with identification of their source to the state treasurer

for the account of the available school fund by the fastest available means.

(b) In choosing each commercial bank or banks with which to contract as authorized in Subsection (a) of this section, the State Board of Education shall assure itself of:

- (1) the financial stability of such commercial bank;
- (2) the location of such commercial bank with respect to its proximity to the banks upon which checks are drawn in payment of dividends and interest on securities of the permanent school fund;
- (3) the experience and reliability of such commercial bank in acting as agent for others in the similar collection and expeditious remittance of money; and
- (4) the reasonableness of such commercial bank's charges for such services, both in amount of such charges and in relation to the increased investment earnings of the available school fund which will result from speedier receipt by the state treasurer of such money.

[Acts 1979, 66th Leg., p. 1538, ch. 661, § 5, eff. June 13, 1979.]

#### § 15.14. Participation in Fully Secured Securities Loan Programs

(a) The State Board of Education is authorized and empowered to contract with a commercial bank or banks to serve both as a custodian of securities in which the state permanent school funds are invested and to lend these securities, under the conditions set out in Subsection (b) of this section, to securities brokers and dealers on short-term loan.

(b) The State Board of Education may contract with a commercial bank or banks pursuant to this section only in accordance with the following requirements:

- (1) the bank shall be located in a city having a major stock exchange;
- (2) the bank shall be experienced in the operation of a fully secured securities loan program;
- (3) the bank shall have adequate capital in the prudent judgment of the State Board of Education to assure the safety of the securities entrusted to it as a custodian;
- (4) the bank shall require of any securities broker or dealer to which it lends securities owned by the state permanent school fund that such broker or dealer deliver to it cash collateral for such loan of securities, which cash collateral shall at all times be not less than 100 percent of the market value, from time to time, of such securities lent;

(5) the bank shall execute an indemnification agreement, satisfactory in form and content to the State Board of Education, fully indemnifying the permanent and available school funds against loss resulting from the bank's service as custodian of securities of the permanent school fund and its operation of a securities loan program using securities of the permanent school fund;

(6) the bank shall speedily collect and remit on the day of collection by the fastest available means to the state treasurer any dividends and interest collectible by it on securities held by it as custodian together with identification as to source; and

(7) the bank or banks chosen shall be the bank or banks agreeing to pay to the available school fund the largest sum or highest percentage of the income derived by it from use of the securities of the permanent school fund in the operation of a securities loan program.

[Acts 1979, 66th Leg., p. 1538, ch. 661, § 6, eff. June 13, 1979.]

### CHAPTER 16. FOUNDATION SCHOOL PROGRAM

#### SUBCHAPTER A. GENERAL PROVISIONS

##### Section

- 16.001. State Policy.
- 16.002. Purpose of Foundation School Program.
- 16.003. Student Eligibility.
- 16.004. Scope of Program.
- 16.005. Administration of the Program.

#### SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

- 16.051. Required Compliance.
- 16.052. Operation of Schools.
- 16.053. Accreditation.
- 16.054. Student/Teacher Ratios.
- 16.055. Compensation of Professional and Paraprofessional Personnel.
- 16.056. Texas Public Education Compensation Plan.

#### SUBCHAPTER C. PERSONNEL SUPPORT COMPONENT

- 16.101. Personnel Support: General Rules.
- 16.102. Education Program Personnel.
- 16.103. Vocational Personnel Units.
- 16.104. Comprehensive Special Education Program for Handicapped Children.
- 16.105. [Blank].
- 16.106. Support for Fast-Growing School Districts.
- 16.161. Responsiveness to Special Needs of Blind and Deaf Children.

#### SUBCHAPTER D. CURRENT OPERATING COST COMPONENT

- 16.151. Operating Cost Allotment.
- 16.152. Use of Operating Allotment.

This section invested in Legislature full power to do whatever is necessary to establish and maintain an "efficient" system of public free schools, and Legislature had authority to delegate to districts such power as may be necessary to accomplish end intended. *Id.*

Legislature has wide constitutional authority in establishing and maintaining a system of public free schools and is free to change or constitute school districts or validate changes after they have been made. *Live Oak County Bd. of School Trustees v. North Common School Dist., Civ.App., 195 S.W.2d 426, affirmed 145 T. 251, 199 S.W.2d 764.*

Legislature has power to validate independent school district even if district was invalid in its creation. *Id.*

Where a school district is performing some function, the duty of which is placed on it by law, and which is for the welfare of the public at large, and one not voluntarily assumed and merely for benefit of people in some particular locality, such function is "governmental" in character and not "proprietary", and school district is not required to respond in damages for negligence of its agents, servants and employees, in absence of statute. *Troadaway v. Whitney Independent School Dist., Civ.App., 205 S.W.2d 97.*

Though a school district is local in territorial limits, it is an integral part of the vast school system which is coextensive with the confines of the state, and therefore the activities of a school district are "governmental". *Id.*

Independent school districts have no authority to spend local tax moneys for the purpose of conducting classes for adults over 21 years of age. *Op.Atty.Gen., 1939, No. 1676.*

Property of independent school district was not exempt from taxation, where it was not being used for public purposes. *Op.Atty.Gen., 1940, No. 6-2596.*

The county boards of school trustees have legal discretionary power to sponsor and administer schools organized by state board for vocational education in cooperation with Veterans' Administration for purpose of providing vocational educational training for World War II veterans. *Op.Atty.Gen., 1947, No. V-51.*

## § 2. Perpetual school fund

Sec. 2. All funds, lands and other property heretofore set apart and appropriated for the support of public schools; all the alternate sections of land reserved by the State out of grants heretofore made or that may hereafter be made to railroads or other corporations of any nature whatsoever; one half of the public domain

## 7. Colleges

The North Texas State Teachers College is a "state governmental agency" within meaning of that term as used in Acts Dec. 22, 1944, ch. 665, § 4, 58 Stat. 889, 16 U.S.C.A. § 460d, and is thus able to obtain special consideration in leasing of federal lands. *Op.Atty.Gen., 1946, No. 0-7049.*

## 8. Fraternities and sororities

Order of school board requiring all junior and senior high school students to sign pledge cards pledging that they are not and will not become a member of any fraternity, sorority or secret organization, not approved by principal, as a prerequisite to becoming eligible to participate in extra-curricular activities is authorized by this section. *Wilson v. Abilene Independent School Dist., Civ. App., 190 S.W.2d 406, ref. w. m.*

School board did not abuse its discretion in passing order requiring all junior and senior high school students to sign a pledge card pledging that they are not and will not become a member of any fraternity, society or secret organization, not approved by principal, as a prerequisite to becoming eligible to participate in extra-curricular activities, except as it sought to extend such regulation to the vacation period which to that extent was invalid as invasion of parental authority. *Id.*

## 9. Curative legislation

Although proceeding of county school trustees in abolishing school district and transferring territory to other district was unauthorized, Legislature could enact curative legislation. *Cowan v. Clay County Board of Education, Civ.App., 41 S.W. 2d 513.*

## 10. Appropriations

Salaries of employees of department of education employed to administer national school lunch program and school plant division of department for inspecting school plans and plants for architectural and engineering safety, who have not been paid their salaries, may be paid by an appropriation to be contained in the miscellaneous claims bill, if allowed and included therein by legislature. *Op.Atty.Gen., 1947, No. V-113.*

PERPETUAL SCHOOL FUND      Art. 7, § 2

of the State; and all sums of money that may come to the State from the sale of any portion of the same, shall constitute a perpetual public school fund.

INTERPRETIVE COMMENTARY

Although public education led a precarious existence throughout the early history of Texas, nonetheless, vast tracts of land were set aside to establish a permanent source of revenue for the educational system. As early as 1839, the Republic passed a law providing that three leagues of public domain (13,284 acres) should be surveyed and set apart in each county for the purpose of establishing a primary school system (2 Gammel's Laws of Texas, pp. 134-136). In 1840 a fourth league was added (2 Gammel's Laws of Texas, pp. 320-322); the original three leagues could only be leased while the fourth could be sold by the county to defray school expenses. Thus in a two-year period the Republic had granted 4,209,413 acres of land to endow the educational system. The funds obtained from these lands were handed over unconditionally to the counties, congress reserving no supervisory powers thereover. The benefits of these early grants were reaped much later, for by the year 1855 but 41 of the then existing 99 counties had completed their surveys.

By the treaty of annexation between the United States and Texas, the federal government acquired no part or interest in the public lands of Texas, save for certain key locations on the Gulf of Mexico for public defense. The balance of the public domain was retained by the state to pay off the indebtedness of the Republic which the Federal government preferred not to assume. The first state constitution provided that all public lands granted in the past or future for public schools could not be alienated and could only be leased for 20 years. Such counties as had not received school lands were declared entitled to the same quantity appropriated by the Republic to other counties (Art. 10, Const. 1845).

"There have always existed with the people of this State three prominent objects which, through their constitution and laws, they have worked to accomplish by means of the public domain. These objects were to secure immigration, promote education, and to encourage the construction of railroads." (Galveston, H. & S. A. Ry. Co. v. State, 77 Tex. 367, 12 S.W. 988.) And it might be added that education and railroads were often closely entwined. In 1854 the legislature passed "An act to encourage the construction of railroads in Texas by donation of lands" (3 Gammel's Laws of Texas, p. 1178) which provided that whenever a company had completed 25 miles of roadbed it should be entitled to receive 16 sections of land of 640 acres a section. The land was to be surveyed by the company at its own expense in double the amount it was entitled to receive; each

alternate section so surveyed being set aside for the state. The 1866 Constitution provided that all the alternate sections of land reserved by the state out of previous or future grants to railroads or other corporations were to be set aside as a part of the perpetual school fund. (Art. 10, Sec. 3, Const. 1866). The wording was somewhat changed but the idea of reserving public lands and creating therefrom a vast public trust fund for the benefit of education was continued in the 1869 Constitution (Art. 9, Sec. 4) and also in the present constitution, which added to the fund one-half of the remaining unreserved portion of the public domain. It was discovered in 1898 that the then remaining unappropriated public domain was insufficient to satisfy the claims of the public school fund for its half of the unreserved lands as provided by the Constitution. The Texas Supreme Court, in *Hogue v. Baker*, 92 T. 58, 45 S.W. 1004 (1898), barred further locations on the public domain. The accounting made between the State and the school fund the following year, 1899, disclosed a shortage to the school fund of 5,902,076 acres. The remaining public domain was discovered to consist of 5,167,075 acres, 1,722,880 acres of which was in lakes, bays, islands, etc., leaving the total for the school fund at 4,444,195 acres. To satisfy the balance, the legislature made a cash settlement of \$17,180 for the difference (11 Gammel's Laws of Texas, pp. 14-15).

Of the 42,549,000 acres of land Texas appropriated to the permanent school fund over the years, only one million acres remains, the rest having been sold for the benefit of the fund. It is estimated that at present the fund has a potential value of \$400,000,000 not counting the public domain as encompassed in the off-shore lands.

**Historical Note**

**Earlier Constitutions:**

Const. 1845, art. X, § 2.  
 Const. 1861, art. X, §§ 2, 3.

Const. 1866, art. X, § 2.  
 Const. 1869, art. IX, §§ 1-9.

**Cross References**

Permanent and available school funds, see section 5 of this article.

**Notes of Decisions**

Construction and application 1  
 Diversion of fund 7  
 Exchange of bonds 12  
 Interest 6  
 Investments 11  
 Lands constituting funds 2  
 Leases 9  
 Location of certificates 10  
 Proceeds of lands sold 4  
 River beds 5  
 School boards 13  
 State's ownership and control 3  
 Supervision of funds 8

1. Construction and application  
 The words "public domain," as here used, meant simply that one-half of the public domain then unappropriated to some use by the constitution, or some precedent obligation, should be so appropriated. It makes that which, in a general sense, was public domain, and that which was unappropriated public domain to the named extent, with other things named, the aggregated perpetual school fund formed from funds all of which were in a general sense public domain; some, however, already appropriated, and others unappro-

PERPETUAL SCHOOL FUND Art. 7, § 2

printed, until this was done by the express declaration that "one-half of the public domain of the state . . . shall constitute a perpetual school fund." *Day Land and Cattle Co. v. State*, 68 T. 526, 6 S.W. 865.

Acts 1929, 41st Leg. 3d C.Sess. c. 14, providing for promotion of public school interest of rural schools, and equalizing educational opportunities afforded by state to all children, held not to violate this section. *Marrs v. Mumme*, Civ.App., 25 S.W.2d 315, error denied 120 T. 333, 40 S.W.2d 31.

Vernon's Ann.Civ.St. art. 5414b, held in violation of this section. *Armstrong v. Walker*, 123 T. 503, 73 S.W.2d 520.

2. Lands constituting funds

The effect of this section was not to vest in the school fund an individual half of all the public domain unappropriated at the time of its adoption, but to vest title in half of such public land as should remain unappropriated for the other purposes enumerated in the Constitution. *Galveston H. & S. A. R. Co. v. State*, 77 T. 367, 12 S.W. 933.

The school fund in addition to alternate sections granted to the state is not entitled to one-half of the other sections. *Schley v. Maddox*, Civ.App., 22 S.W. 998.

The plain purpose of the section is to declare what shall be the school fund. Lands theretofore set apart to that fund are preserved to it, and it is further declared that one-half of the public domain shall constitute a part of the constitutional dedication. In our opinion it fixed the right of the school fund in one-half of the unappropriated public domain, but left the legislature with extended authority over the segregation of that interest by partition of the lands, or of their proceeds. It gave to the school fund the right to an equitable half of the public domain, and in doing so this provision executed itself. The mode of partition, or of the segregation of that half, except as to alternate certificates granted to railroad companies and other corporations, was left wholly to legislative control; and it seems to us that if the legislature had made a partition, or provided a mode of segregation, its action would have been conclusive. *Hogue v. Baker*, 92 T. 63, 45 S.W. 1004.

Under this section public lands remaining after appropriation of more than one-half of the public domain existing at the time of the adoption of the Constitution to purposes other than the school funds constitutes a part of the lands belonging to the public school fund which the commissioner of the general land office is empowered to lease and one holding the lease is entitled to possession as against one having shown no title other than pos-

session. *Hall v. Rushing*, 21 C.A. 631, 54 S.W. 30.

Act Feb. 3, 1833, § 1, provides that all public lands surveyed for the benefit of the public schools by virtue of any certificate shall belong to the public schools. Land was located and surveyed in 1861 under a railroad land grant, the alternate sections being reserved to the state under this section one of which was sold by the state in 1898 to defendant after it had been patented to plaintiff. Held that the lands were school lands subject to sale and not to patent, though the land grant under which the survey was made was invalid. *Mills v. Needham*, 28 C.A. 547, 67 S.W. 1097.

Rev.St.1879, art. 4167, relating to railroad rights of way over state lands when construed in the light of Const art. 7, §§ 4, 5, and this section, does not embrace the public free school lands. *T. C. Ry. Co. v. Bowman*, Civ.App., 75 S.W. 554.

Under this section and Rev.St.1895, art. 4265, any mistake of the land commissioner in failing to charge such lands to the school fund in the adjustment on the partition between the state and the permanent school fund of the lands jointly owned by the state and that fund as provided by law cannot affect the character of the lands as school lands. *Eyl v. State*, 37 C.A. 297, 84 S.W. 607.

Under Rev.St.1895, art. 4269, and this section, a location of school land for the state will prevail over a subsequent location of county school land although a patent is first issued on the county location. *Ellwood v. Stallcup*, Civ.App., 122 S.W. 906.

Unless, when the judgment was rendered, more than half the public domain had been exhausted by grants and patents from the state for the benefit of others than the public free school fund, land covered by a patent issued by the state did not at once by virtue of a judgment in favor of the state canceling the patent become the property of such school fund under this section. *State v. Powell*, Civ. App., 134 S.W. 746.

Under this section upon the segregation of the land by survey the right of the school fund attaches and the state becomes trustee to dispose of it for the benefit of such fund without the power to divert it to other purposes. *Post v. Embry*, Civ. App., 205 S.W. 514.

Constitutional provision held not to appropriate to school fund land held adversely until actually recovered through suit by state or otherwise. *State v. Bradford*, Civ.App., 25 S.W.2d 706, affirmed in part and reversed in part on other grounds 121 T. 515, 50 S.W.2d 1065.

**3. State's ownership and control**

The provision setting apart the alternate sections of land reserved and all money from the sale thereof, for the support of the public schools, does not constitute the relation of trustee on the part of the state seized of the lands for the use of another with power of sale added. The dedication simply withdraws from the Legislature the power to appropriate the land to any other purpose. *Smisson v. State*, 71 T. 222, 9 S.W. 112.

Notwithstanding art. 7, §§ 4, 5, and this section the legislature to facilitate the sale of school lands and to enhance their value may grant an easement on the lands for dam and reservoir sites for water for irrigation, such power being inherent in the sovereign government and growing out of necessity. *Imperial Irrigation Co. v. Jayne*, 104 T. 395, 138 S.W. 575, Ann.Cas. 1914B, 322.

Public school lands belong to state as fully as before they were appropriated for that purpose. *State v. Bradford*, Civ.App., 25 S.W.2d 706, affirmed in part and reversed in part on other grounds 121 T. 515, 50 S.W.2d 1065.

Under Relinquishment Act, state held entitled to one-half of any bonus or delay rentals under oil and gas lease exceeding 10 cents per acre. *Empire Gas & Fuel Co. v. State*, 121 T. 138, 47 S.W.2d 265.

**4. Proceeds of lands sold**

Under art. 7, §§ 1, 3, 5, 6, 8, and this section, where the commissioners' court has paid the proceeds of the school fund received by it to the county treasurer as provided in Rev.St.1895, art. 3935, it has discharged its duty, and the county cannot be held liable for the failure of the county superintendent to make the apportionment required by law, since such apportionment is a function assumed by the state to be discharged by officer acting for it. *Webb County v. Board of School Trustees*, 95 T. 131, 65 S.W. 878.

Rev.St.1895, art. 4207, providing that one-half of the proceeds of the sale of public school land shall go to the permanent school fund complied with this section, the constitution not requiring a division of the whole, but leaving the mode of division to the legislative discretion with certain exceptions. *Tatum v. Kincannon*, 54 C.A. 633, 119 S.W. 113.

**5. River beds**

Where school fund had no vested interest in beds of stream, state, as owner, through Legislature, had power to determine disposition it would make of beds of statutory navigable streams, including minerals found therein. *State v. Bradford*, Civ.App., 25 S.W.2d 706, affirmed in part and reversed in part on other grounds 121 T. 515, 50 S.W. 2d 1065.

Statute adjusting account between public school fund and public domain did not appropriate river beds to public free school fund. *State v. Bradford*, 121 T. 515, 50 S.W.2d 1065.

Constitutional provision held not to automatically place one-half of public domain, including beds of navigable streams, in permanent school fund. *Id.*

The diversion of water of navigable stream into a new channel on authority given by state to city and county of levee improvement district, with result that part of old river bed was no longer a part of the navigable river bed, was not such an "abandonment" of any of the land involved, as would, without specific legislation, authorize its sale either as part of the "unappropriated public domain" or as "unsurveyed school land". *Ray v. State*, Civ.App., 153 S.W.2d 660, error refused.

Realty which was formed when navigable stream was, on authority given by the state, diverted to a new channel, was not "unappropriated public domain" belonging to the "permanent school fund" or "unsurveyed school land" subject as such to sale, since the realty remained a part of the bed of the navigable stream and title was in the state for the benefit of the public at large, since the beds and channels of navigable streams are no part of the permanent school fund. *Id.*

Though former river bed left after diversion of navigable stream be deemed an abandoned river bed, still it was not subject to sale either as unappropriated public domain or as unsurveyed school land in absence of legislation authorizing such sale. *Id.*

**6. Interest**

Accrued uncollected interest on bonds owned by permanent school fund of a county is the property and a part of permanent school fund until collected and is not the property and a part of the available school fund until such collection. *Op.Atty.Gen.*, 1940, No. 0-2271.

**7. Diversion of fund**

Under art. 7, § 4, and this section a patent as a homestead donation of land reserved as school land is void. *Williamson v. Brown*, 49 C.A. 402, 109 S.W. 412.

*Vernon's Ann.Civ.St. arts. 5367-5352*, held not void, as gift or diversion of school fund. *Greene v. Robison*, 117 T. 516, 8 S.W. 2d 655; *McDaniel v. Robison*, 117 T. 544, 8 S.W.2d 663; *Bowen v. Robison*, 117 T. 546, 8 S.W.2d 664; *McDaniel v. Robison*, 117 T. 539, 8 S.W.2d 666.

**8. Supervision of funds**

Under *Vernon's Ann.Civ.St. art. 1467*, providing that it shall be the duty of the

auditor to have a general oversight of all the books and records of all the officers of the county, district, or state who are authorized or required by law to receive or collect any money, funds, fees, or any other property for the use of or belonging to the county, a county auditor has no supervision of the funds of a common school district of the county, a supervision which is given school officers, such as trustees, superintendents, etc., named in the general statute governing the public free schools of the state; funds of a school district not being "funds for the use or belonging to the county." *Houston Nat'l Exchange Bank v. School Dist. No. 25*, Civ. App., 185 S.W. 589.

#### 9. Leases

Under this section a lease of public lands by the land commissioner is not invalidated by the fact that the lands are designated as unsurveyed school lands, even though the lands may not belong to the school fund. *Harrington v. Blankenship*, Civ. App., 52 S.W. 585.

#### 10. Location of certificates

Under this section and the Act of Feb. 4, 1856, providing for the incorporation of the Memphis, El Paso & Pacific Railroad Co., and the Act of March, 1873, requiring all certificates issued to any railroad company should be located in alternate sections, the survey of an alternate section for the state, when the certificate was located outside of the reservation was authorized. *Williams v. Finley*, Civ. App., 87 S.W. 738, 737.

#### 11. Investments

Commissioners' court cannot legally invest permanent school fund of county in such bonds as boards of school trustees are authorized to issue under Vernon's Ann. Civ. St. art. 2802-1. *Op. Atty. Gen.*, 1940, No. 0-2796.

Investments of permanent university fund may be made in bonds of common and independent school districts in State. *Op. Atty. Gen.*, 1950, No. V-1052.

#### 12. Exchange of bonds

Board of Education would be without authority to exchange bonds of Cisco Independent School District for refunding bonds bearing a lower rate of interest. *Op. Atty. Gen.*, 1946, No. 0-6933.

#### 13. School boards

A rule of the school board requiring vaccination, but providing for exceptions where the health of the pupils was such that it could not be done, does not violate art. 7, §§ 1, 3, 5, or this section, authorizing the Legislature to provide for the support and maintenance of public schools. *Zucht v. San Antonio School Board*, Civ. App., 170 S.W. 840.

Resolution of board of education for exclusion from schools of unvaccinated children held not in violation of Const. art. 7, §§ 1, 3-5, and this section or Vernon's Ann. Civ. St. arts. 2901, 2902 as to public free schools. *Staffel v. San Antonio School Board of Education*, Civ. App., 201 S.W. 413.

### § 3. Taxes for benefit of schools; school districts

Sec. 3. One-fourth of the revenue derived from the State occupation taxes and poll tax of one dollar on every inhabitant of the State, between the ages of twenty-one and sixty years, shall be set apart annually for the benefit of the public free schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax of such an amount not to exceed thirty-five cents on the one hundred (\$100.00) dollars valuation, as with the available school fund arising from all other sources, will be sufficient to maintain and support the public schools of this State for a period of not less than six months in each year, and it shall be the duty of the State Board of Education to set aside a sufficient amount out of the said tax to provide free text books for the use of children attending the public free schools of this State; provided, however, that should the limit of taxation herein named be insufficient the deficit may be met by appropriation from the general funds of the State and the Legislature may also provide for the formation of school district by general laws; and all such school districts may embrace parts of two

Marriage or pregnancy of public school student as ground for expulsion or exclusion or restriction of activities, 11 A.L.R.3d 996.

78 C.J.S. Schools and School Districts § 13; 79 C.J.S. Schools and School Districts § 445.

## Sec. 2. [Permanent school fund.]

The permanent school fund of the state shall consist of the proceeds of sales of Sections Two, Sixteen, Thirty-Two and Thirty-Six in each township of the state, or the lands selected in lieu thereof; the proceeds of sales of all lands that have been or may hereafter be granted to the state not otherwise appropriated by the terms and conditions of the grant; such portion of the proceeds of sales of land of the United States within the state as has been or may be granted by congress; also all other grants, gifts and devises made to the state, the purpose of which is not otherwise specified.

Constitution confirms Enabling Act grants. — Provisions of constitution confirm grants made to state under Enabling Act (June 20, 1910, 36 Stat. 557, ch. 310, §§ 6 to 10, set out in Pamphlet 3). 1935-36 Op. Att'y Gen. 84.

Land exchanges with United States proper. — Under this section and the Enabling Act (set out in Pamphlet 3), the state may relinquish title to United States to school lands for other lands taken in lieu thereof. 1933-34 Op. Att'y Gen. 141.

Under Taylor Grazing Act (43 U.S.C. § 315 et seq.), state may exchange its lands where title is vested in it for other lands of federal government through secretary of the interior, who has power to exchange such lands in same manner as provided for exchange of privately-owned lands. 1935-36 Op. Att'y Gen. 84.

Rent for national forest lands applied to current fund. — Money received from United States from rental of school lands in the national forest, in accordance with Enabling Act (set out in Pamphlet 3), should be applied to state current school fund. 1912-13 Op. Att'y Gen. 140.

Comparable provisions. — Idaho Const., art. IX, §§ 3, 4.

Montana Const., art. XI § 2.

Utah Const., art. X, § 3.

Wyoming Const., art. VII, § 2.

Am. Jur. 2d and C.J.S. references. — 68 Am. Jur. 2d Schools § 86.

78 C.J.S. Schools and School Districts § 18.

## Sec. 3. [Control of constitutional educational institutions; use of state land proceeds and other educational funds.]

The schools, colleges, universities and other educational institutions provided for by this constitution shall forever remain under the exclusive control of the state, and no part of the proceeds arising from the sale or disposal of any lands granted to the state by congress, or any other funds appropriated, levied or collected for educational purposes, shall be used for the support of any sectarian, denominational or private school, college or university.

I. General Consideration.

II. State Control.

III. No Support of Private Schools.

### I. GENERAL CONSIDERATION.

Cross-references. — For provisions establishing freedom of religion, see N.M. Const., art. II, § 11, and art. XII, § 9. For general prohibition of aid to charities, see N.M. Const., art. IV, § 31. As to prohibition of aid to private enterprise, see N.M. Const., art. IX, § 14.

Purpose of this section is to insure exclusive control by state over public educational system and to insure that none of state's public schools ever become sectarian or denominational. *Prince v. Board of Educ.*, 88 N.M. 548, 543 P.2d 1176 (1975).

Private schools not "rural school rooms". — Private or denominational schools are not "rural school rooms under the jurisdiction of the county school superintendent" for purposes of determining salary of county school superintendent under 73-5-1, 1953 Comp. (now repealed). *Thomson v. Board of County Comm'rs*, 66 N.M. 159, 344 P.2d 171 (1959).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 68 Am. Jur. 2d Schools §§ 95, 299, 311.

Religious meeting in schoolhouse, 5 A.L.R. 886; 141 A.L.R. 1153; 75 A.L.R.2d 742.

Schoolhouse as a "public building," 19 A.L.R. 545.

Pledge or mortgage of property or income therefrom, power as to, 71 A.L.R. 828.

Hiring or leasing schoolhouse to private persons for occasional use, 86 A.L.R. 1175.

Lease of school property, power of school or local authorities as to grant of, 111 A.L.R. 1051.

Sectarianism in schools, 141 A.L.R. 1144.

Inclusion of period of service in sectarian school in determining public schoolteachers' seniority, salary or retirement benefits, as violation of constitutional separation of church and state, 2 A.L.R.2d 1033.

Bible distribution in public schools, 45 A.L.R.2d 742.

Wearing of religious garb by public school teachers, 60 A.L.R.2d 300.

Use of public school premises for religious purposes during nonschool time, 79 A.L.R.2d 1148.

Public payment of tuition, scholarship or the like, to sectarian school, 81 A.L.R.2d 1309.

Prayer in public schools, 86 A.L.R.2d 1304.

Furnishing free textbooks to sectarian school or student therein, 93 A.L.R.2d 986.

Use of school property for other than school or religious purposes, 94 A.L.R.2d 1274.

Lease or sublease of school property, power of municipal corporations as to, 47 A.L.R.3d 19.

78 C.J.S. Schools and School Districts §§ 5, 19.

## II. STATE CONTROL.

"Control" construed. — "Control" means control over curriculum, disciplinary control, financial control, administrative control and, in general, control over all affairs of the school. *Prince v. Board of Educ.*, 88 N.M. 548, 543 P.2d 1176 (1975).

Leasing school lands from Navajos does not prevent state control. — Fact that some schools to be constructed from proceeds of bond issue would be located on reservation lands leased from Navajo tribe would not prevent state from exercising exclusive control over such schools. *Prince v. Board of Educ.*, 88 N.M. 548, 543 P.2d 1176 (1975).

Nor contract for medical training in Colorado. — Contract entered into by university of New Mexico regents for medical training for limited number of students to be taught at university of Colorado would be valid and would not contravene constitution or laws of New Mexico if said contract would be so drawn as to withhold in New Mexico and the university such control as would not contravene this section. 1951-52 Op. Att'y Gen. No. 5334.

But city ordinances inapplicable to university land. — Ordinances of city of Albuquerque dealing with crimes do not apply to land under control of board of regents of university of New Mexico, except for traffic offenses as provided in 35-14-2 NMSA 1978. 1969 Op. Att'y Gen. No. 69-48.

Proper to regulate teachers who are members of religious orders. — Members of religious orders who are employed as public school teachers must refrain from teaching sectarian religion and doctrines and from disseminating religious literature during such time, and wearing of religious garb and insignia must be barred during time members of religious orders are on duty as public school teachers. Teachers must be under actual control and supervision of responsible school authorities. *Zellers v. Huff*, 55 N.M. 501, 236 P.2d 949 (1951).

And to bar disobedient from teaching in public schools. — Barring certain members of religious order from again teaching after they had knowingly taught sectarian religion in public schools during regular school hours was not improper. *Zellers v. Huff*, 55 N.M. 501, 236 P.2d 949 (1951).

But state may not bar prayers at university functions. — State educational institution may neither order nor ban prayers at university functions. To do

either act would violate constitutional duty of strict neutrality in church-state relations. 1970 Op. Att'y Gen. No. 70-27.

## III. NO SUPPORT OF PRIVATE SCHOOLS.

Section forbids disbursement of public money to nonpublic schools. — New Mexico Const., art. IV, § 31, art. IX, § 14 and this section would be violated if public money was disbursed to nonpublic schools in order to purchase secular education service. 1969 Op. Att'y Gen. No. 69-6.

But voucher system would aid children, not schools. — Under a voucher system for exceptional children, parents would apply for money already allocated to their children and would use that money to purchase educational services at a private school. The money, therefore, is used for children and not for schools. The "support," if any, of private schools is only an indirect consequence. The prohibition in this section is limited to direct support of private schools, and thus voucher system would not be in violation of that provision. 1976 Op. Att'y Gen. No. 76-6.

Public school trucks may not be used to transport pupils of private schools. 1921-22 Op. Att'y Gen. 92.

Driver of school bus can legally refuse to transport school children attending Catholic school, for county board of education is prohibited from using public school funds for benefit of sectarian schools. 1931-32 Op. Att'y Gen. 36.

But statute allowing transportation of students compelled to attend school proper. — Section 73-7-36, 1953 Comp. (now repealed), extending scope of school bus transportation by allowing transportation of all pupils attending school in compliance with compulsory school attendance laws under certain conditions does not violate constitution of New Mexico. 1951-52 Op. Att'y Gen. No. 5339.

No religious instruction in public school buildings without payment. — In the absence of payment for such use, public school buildings may not be used for religious instruction. 1969 Op. Att'y Gen. No. 69-16.

But noninterfering use of gymnasium proper. — School board may permit students from parochial schools to use gymnasiums or other school facilities if such use does not interfere with regular school activities, but they may not use public school property and funds for support of parochial schools. 1937-38 Op. Att'y Gen. 36.

Salary to public school teacher not aid to religion. — Since salaries of members of religious orders who serve as teachers are the same as those of other teachers, this is not aid to religion or to the church denounced by federal and state constitutions. *Zellers v. Huff*, 55 N.M. 501, 236 P.2d 949 (1951).

## Sec. 4. [Current school fund.]

All fines and forfeitures collected under general laws; the net proceeds of property that may come to the state by escheat; the rentals of all school lands and other lands granted to the state, the disposition of which is not otherwise provided for by the terms of the grant or by act of congress; and the income derived from the permanent school fund, shall constitute the current school fund of the state. (As amended November 2, 1971.)

The 1971 amendment, which was proposed by S.J.R. No. 30 (Laws 1971) and adopted at the special election held on November 2, 1971, by a vote of 43,139 for and 28,945 against, deleted everything after the first sentence. The deleted provisions related to the school tax, distribution of the current school fund and the minimum school year.

Compiler's notes. — An amendment to this section proposed by S.J.R. No. 10 (Laws 1961), which would have provided for deduction of administrative costs from fines and forfeitures before transmission to current school fund, was submitted to the people at a special election held on September 19, 1961. It was defeated by a vote of 20,780 for and 28,202 against.

House J.R. No. 3 (Laws 1969) proposed the repeal of this section but provided that the proposal would not be submitted to the people if the constitutional convention submitted a new constitution or an amendment to repeal this section. A proposed constitution was submitted to the voters and rejected on December 9, 1969.

House J.R. No. 3 (Laws 1970), which proposed the repeal of this section, was submitted to the people at the general election held on November 3, 1970. It was defeated by a vote of 60,531 for and 68,720 against.

Amendments considered in even-numbered years. — Eight amendments to the constitution were proposed by 1970 session of legislature although attorney general has stated that constitutional amendments may not be considered in even-numbered years (1969-70 Op. Att'y Gen. No. 69-151; 1965-66 Op. Att'y Gen. No. 65-212).

Special election. — Laws 1971, ch. 308, §§ 1 and 2, provides that all constitutional amendments proposed by the thirtieth legislature be voted upon at a special election on the first Tuesday of November, 1971, unless otherwise specified, and appropriates \$171,000 for election expenses.

"Common school fund" appropriate name. — Although this section provides that school funds shall be kept in the "current school fund," the "common school income fund" created by 19-1-17 NMSA 1978 shall be carried in the treasurer's books and funds shall be transferred to the "common school fund." 1912-13 Op. Att'y Gen. 104.

County taxes for school maintenance valid. — Taxes levied in county for school maintenance under Laws 1917, ch. 105 (now repealed), were county taxes levied for a public purpose and did not violate this section. *Raynolds v. Swope*, 28 N.M. 141, 207 P. 581 (1922).

Section does away with previous statutory provisions on disposition of fines. — All fines must go into state treasury to credit of current school fund. This section does away with all previous statutory provisions on the subject. 1912-13 Op. Att'y Gen. 112.

Disposition of fines under game and fish law unconstitutional. — Laws 1912, ch. 85, § 49 (now repealed), which provided that fines collected for violations of act for protection of game and fish should be sent to state treasurer and by him set aside to the "game protection fund," and § 50 (now repealed), which provided that one-half of fines collected should go to state treasurer and be credited by him as aforesaid and the other half should go to persons instituting prosecution were unconstitutional insofar as they related to disposition of fines, being in direct conflict with this section requiring all fines collected under general laws to be credited to current school fund. 1915-16 Op. Att'y Gen. 14.

Medical licensing fines go into current school fund. — Fines collected under Laws 1907, ch. 34 (superseded by 61-6-1 NMSA 1978 et seq., relating to licensing of doctors and surgeons), go into current school fund by virtue of this section. 1912-13 Op. Att'y Gen. 195.

Proper disposition of fines levied by justices of the peace. — Justices of the peace should collect their own fines and report them to board of county commissioners who should see that such fines are paid to state treasurer for current school fund. 1937-38 Op. Att'y Gen. 137.

Costs not part of fine. — Section 53-1-10, 1953 Comp. (now repealed), relating to state game commission, is constitutional as it imposes costs in criminal

cases which are not part of fine. 1931-32 Op. Att'y Gen. 101.

Payment made upon forfeiture of bond was properly sent to state treasury. 1915-16 Op. Att'y Gen. 251.

Fines exempt from referendum. — Under this section all fines collected by the state go to maintenance of public schools, thus falling within exemption from referendum provided in N.M. Const., art. IV, § 1. 1955-56 Op. Att'y Gen. No. 6268.

Proper disposition of escheated property. — Net proceeds of property that comes to state by escheat go into current school fund, and after expiration of a year, which is given to permit claims or administration of estate, such proceeds should be remitted to state treasurer. 1937-38 Op. Att'y Gen. 173.

Rental income from school lands goes into fund. — State superintendent of schools may no longer use income from rental, sale or lease of common school lands, but such funds must go into current school fund. 1912-13 Op. Att'y Gen. 209.

Delinquent taxes provision subject to this section. — Section 72-7-32, 1953 Comp. (now repealed), providing for 10% of delinquent taxes to be paid into tax commission fund, cannot divest taxes from levies for state current school fund, which must be used as provided in this section. 1939-40 Op. Att'y Gen. 44.

Constitution does not require distribution of current school funds on any certain day. 1961-62 Op. Att'y Gen. No. 61-19 (opinion rendered prior to 1971 amendment).

Time for opening and closing schools. — County boards of education may set time for opening and closing of schools provided they comply with provisions of this section and 73-13-13, 1953 Comp. (now repealed), requiring that school be maintained for at least seven months each year. 1949-50 Op. Att'y Gen. No. 5318 (opinion rendered prior to 1971 amendment).

Comparable provisions. — Idaho Const., art. IX, § 4. Montana Const., art. X, §§ 2, 3. Utah Const., art. XIII, § 7. Wyoming Const., art. VII, § 3.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 68 Am. Jur. 2d Schools §§ 79, 86, 91 to 95.

Injunction against enforcement of illegal school tax, upon joinder of several affected thereby, 32 A.L.R. 1273; 156 A.L.R. 319.

Recovery of tax illegally exacted, judgment in favor of taxpayer for, as subject to provisions of statute regarding substance and form, manner of collection or enforcement of judgment against political unit, 101 A.L.R. 800.

Common or public school, what is, within contemplation of constitutional or statutory provisions as to taxation, 113 A.L.R. 715.

Right of other governmental unit, or officers thereof, to compensation for collecting or disbursing special school taxes levied by school district, 114 A.L.R. 1098.

Kinds or types of contractual obligations within general terms "contracts," "obligations," etc., or specific terms "bonds," "notes," etc., in statute validating or legalizing obligations of public bodies, 128 A.L.R. 1411.

Rescission of vote authorizing school district bond issue, expenditure or tax, 68 A.L.R.2d 1041.

Amount of property which may be condemned for public school, 71 A.L.R.2d 1071.

Determination of school attendance, enrollment or pupil population for purpose of apportionment of funds, 80 A.L.R.2d 953.

78 C.J.S. Schools and School Districts §§ 18, 21; 79 C.J.S. Schools and School Districts § 377.

may require that such routes be established to serve both local districts and municipal or independent school district, and in such case boards of county and municipal or independent district to be served have right to establish them with approval of state board. But if boards could not agree, state board, under its authority and responsibility created by constitution, must establish routes when satisfactory ones are not proposed by August 15 of each year. 1939-40 Op. Att'y Gen. 109.

And to approve proper high school budget estimates. — It is mandatory on state board of education and superintendent of public instruction to approve proper budget estimates for high schools. 1931-32 Op. Att'y Gen. 168.

But power to hire and fire in municipal boards. — Power to employ and discharge teachers and other school employees was reposed in municipal boards of education. *Bourne v. Board of Educ.*, 46 N.M. 310, 128 P.2d 733 (1942).

State board only has jurisdiction over teacher where teacher appeals to board from adverse ruling by local board of education. *Amador v. State Bd. of Educ.*, 80 N.M. 336, 455 P.2d 840 (1969).

Board without authority to manage private schools. — Legislature has constitutional authority to invest state board with power to approve courses of instruction in private schools, but 22-12-2 NMSA 1978 does not extend to board authority to supervise or exercise control or management over private schools. *Santa Fe Community School v. State Bd. of Educ.*, 85 N.M. 783, 518 P.2d 272 (1974).

Board lacks exclusive power to remove district board members. — State board did not have exclusive power to remove member of district board of education. *State ex rel. Hannah v. Armijo*, 37 N.M. 423, 24 P.2d 274 (1933).

Board action not within purpose of its authority. — Suspension of teacher for incompatibility with membership on the state board of education does not

fall within purpose of insuring high quality of public instruction. *Amador v. State Bd. of Educ.*, 80 N.M. 336, 455 P.2d 840 (1969).

Teacher's salary cannot be based upon residence within district. — No school board may lawfully increase or decrease a teacher's salary solely upon basis of residence or nonresidence within school district. 1963-64 Op. Att'y Gen. No. 64-85.

### III. MEMBERSHIP OF BOARD.

Members of state board of education are state officers and not local officers. *State ex rel. Apodaca v. State Bd. of Educ.*, 82 N.M. 558, 484 P.2d 1268 (1971).

No right to elect board members from district where child attends school. — Although nothing in constitution or statutes prohibits school district from crossing either county or judicial district boundaries, and there is no requirement that children attend public schools within judicial district where they reside, yet there is nothing in N.M. Const., art. VII, §§ 1 and 3, which suggests that there is conferred on a qualified elector the right to cast his vote for a candidate for state board of education from judicial district in which elector's child attends public school. Rather, his right is to vote for the candidate of his choice, to be elected from the judicial district in which he has voting residence. *State ex rel. Apodaca v. State Bd. of Educ.*, 82 N.M. 558, 484 P.2d 1268 (1971).

State board member appealing from local board action. — If teacher who is also member of state board should appeal from action of local board, the teacher would simply refrain from acting as member of the board in his case, just as would a member of any other trade or profession who appealed to board of which he was member. *Amador v. State Bd. of Educ.*, 80 N.M. 336, 455 P.2d 840 (1969).

Board member's right to vote. — Ex-officio officers and members of state boards have right to vote unless that right is specifically denied them by constitution or statute. 1951-52 Op. Att'y Gen. No. 5408.

## Sec. 7. [Investment of permanent school fund.]

The principal of the permanent school fund, and other permanent funds, shall be invested by a state investment officer in accordance with policy regulations promulgated by a state investment council. The legislature may by a three-fourths vote of the members elected to each house provide that said funds may be invested in interest-bearing or other securities. All losses from such interest-bearing notes or securities which have definite maturity dates shall be reimbursed by the state.

The state investment officer, in order to realize increased income, may, with the approval of the state investment council, sell interest-bearing notes or securities at less than their original acquisition cost, providing the proceeds are immediately reinvested in sufficiently higher yielding interest-bearing notes or securities, to provide for a portion of the increased interest income to be amortized over the life of the new investment which will restore to the corpus of the fund the amount of the capital loss realized on the sale of the original investment.

In making investments, the state investment officer, under the supervision of the state investment council, shall exercise the judgment and care under the circumstances then prevailing which businessmen of ordinary prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital; provided, not more than fifty percent of the permanent school fund or other permanent fund, shall be invested at any given time in corporate stocks and bonds nor shall more than ten percent of the voting stock of a corporation be held; and provided further, stocks eligible for purchase shall be restricted to those stocks of businesses

incorporated within the United States which have paid dividends for ten consecutive years or longer immediately prior to the date of purchase and which are listed upon a national stock exchange. (As amended November 4, 1958 and September 28, 1965.)

- I. General Consideration.
- II. Investments Generally.
- III. Reimbursement of Losses.
- IV. Sale at Loss with Reinvestment.

### I. GENERAL CONSIDERATION.

**Cross-reference.** — For statutes establishing state investment council, see 6-8-1 to 6-8-16 NMSA 1978.

The 1958 amendment, which was proposed by S.J.R. No. 12 (Laws 1957) and adopted at the general election held on November 4, 1958, with a vote of 56,877 for and 26,332 against, completely rewrote the section, which prior to amendment had read: "The principal of the permanent school fund shall be invested in the bonds of the state or territory of New Mexico, or of any county, city, town, board of education or school district therein. The legislature may by three-fourths vote of the members elected to each house provide that said funds may be invested in other interest-bearing securities. All bonds or other securities in which any portion of the school fund shall be invested must be first approved by the governor, attorney general and secretary of state. All losses from such funds, however occurring, shall be reimbursed by the state."

The 1965 amendment, which was proposed by H.J.R. No. 12 (Laws 1965) and adopted at a special election held on September 28, 1965, by a vote of 27,687 for and 22,502 against, designated the former second paragraph as the present third paragraph, increased therein the maximum investment in corporate stocks and bonds from 25% to 50% and inserted the present second paragraph.

**Comparable provisions.** — Idaho Const., art. IX, § 3.

Montana Const., art. X, § 3.

Utah Const., art. X, § 7.

Wyoming Const., art. VII, § 6.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 68 Am. Jur. 2d Schools § 88.

Particular purposes within contemplation of statute authorizing issuance of bonds or use of funds by school district for special purposes, 124 A.L.R. 883.

Stock of private corporation, constitutional or statutory provision prohibiting school districts from acquiring or subscribing to, 152 A.L.R. 495.

78 C.J.S. Schools and School Districts § 20.

### II. INVESTMENTS GENERALLY.

**Investment officer to exercise sovereign power.** — Constitution contemplates that state investment officer, in determining investments to be made, will be exercising portion of sovereign power of state. 1957-58 Op. Att'y Gen. No. 58-10.

**Constitution and statutes vary in concepts of investment council.** — The entire concept of the activities of the investment council, as reflected in act establishing council (6-8-1 to 6-8-16 NMSA 1978) appears at variance with concept reflected in this section. The constitution apparently visualizes the independent exercise of delegated sovereign power by the investment council acting as public officers. The legislation apparently reduces the function of the council to that of an advisory group. 1957-58 Op. Att'y Gen. No. 58-10.

**Investment officer may use service of investment counselor or other sources of advice to aid in making an investment policy recommendation to investment council.** 1959-60 Op. Att'y Gen. No. 59-21.

**Council regulations likely to restrict scope of investments.** — This section provides that investment council may prescribe policy regulations with respect to investment of permanent funds. Such regulations, in prescribing classifications of permissible investment, will necessarily restrict scope of investment authority to extent that by silence they exclude investments which might otherwise be permissible under the constitution. 1957-58 Op. Att'y Gen. No. 58-10.

**Debentures to anticipate proceeds of gasoline excise tax proper investment.** — Debentures to anticipate proceeds of gasoline excise tax, authorized by Laws 1927, ch. 20 (now repealed), were eligible as an investment for permanent school fund, by virtue of 11-2-13, 1953 Comp. (now repealed), even though the provisions of Laws 1927, ch. 20, to render them so eligible failed of passage by vote of three-fourths of members elected to each house, as required by this section. State v. Graham, 32 N.M. 485, 259 P. 623 (1927).

**But not bank deposit.** — This provision expressly limits the class of securities in which permanent school fund might be invested, until the legislature should otherwise provide. Joint R. No. 14 (Laws 1913), insofar as it required deposit of those funds in banks, was beyond legislative power and void, for such deposits were investments. State v. Marron, 18 N.M. 426, 137 P. 845, 50 L.R.A. (n.s.) 274 (1913).

**Nor mutual fund or investment trust.** — State treasurer cannot invest moneys of educational retirement fund (a permanent fund) in shares of mutual funds or investment trusts. 1957-58 Op. Att'y Gen. No. 57-279.

**"Securities" construed.** — Term "securities," as used in constitution, is used in technical sense; it applies to obligations such as mortgage or pledge given by debtor in order to make sure the payment or performance of his debt. In this technical sense, the term refers to interest-bearing obligations which are more than mere naked promises of liability by debtor. 1957-58 Op. Att'y Gen. No. 57-279.

### III. REIMBURSEMENT OF LOSSES.

**Purpose of loss reimbursement provision.** — Loss provision of constitution and detailed statutory provisions under which council operates (6-8-1 to 6-8-16 NMSA 1978) were conceived out of jealous regard by constitutional framers and members of legislature for the safekeeping of permanent funds held in trust for school children. 1961-62 Op. Att'y Gen. No. 62-46.

**Reimbursement requirement not self-executing.** — This section is not self-executing insofar as loss requirement is concerned. 1961-62 Op. Att'y Gen. No. 62-46.

**"Loss" in this section refers to entire sale or transaction rather than to individual securities or to securities of a corporation or to securities of a certain type.** 1971 Op. Att'y Gen. No. 71-113.

**Exchange is distinct from separate sale and purchase.** — "Exchange" is a term of art of precise import, meaning the giving of one thing for another and excluding transactions into which money enters

either as consideration or as a basis of measure. 1961-62 Op. Att'y Gen. No. 62-46.

Separate transactions will not be construed together. — Placing together two money transactions so as to create a fiction that no loss occurred from the sale and purchase would be opening the door to eventual nullification of the constitutional requirement of loss reimbursement. A subsequent transaction cannot affect the fact of loss in any single transaction. 1961-62 Op. Att'y Gen. No. 62-46.

Effect of 1965 amendment on offsetting gains and losses. — See same catchline in notes under analysis line IV.

#### IV. SALE AT LOSS WITH REINVESTMENT.

"Capital loss" means the difference between the original acquisition cost of bonds to be sold and the proceeds of sale. 1968 Op. Att'y Gen. No. 68-3.

Loss determined by sale transaction alone. — Whether capital loss will be realized and amount of the loss must be determined by considering sale of the bonds alone, without reference to higher-yielding bonds which will subsequently be purchased. 1968 Op. Att'y Gen. No. 68-3.

### Sec. 8. [Teachers to learn English and Spanish.]

The legislature shall provide for the training of teachers in the normal schools or otherwise so that they may become proficient in both the English and Spanish languages, to qualify them to teach Spanish-speaking pupils and students in the public schools and educational institutions of the state, and shall provide proper means and methods to facilitate the teaching of the English language and other branches of learning to such pupils and students.

Meaning of section. — This section does not require that all teachers in the state be proficient in both English and Spanish or that all teachers who teach Spanish-speaking pupils be proficient in both English and Spanish. The clear intent is to teach English to Spanish-speaking students and to assure that the Spanish and English languages will always be available to prospective teachers in the teachers' colleges and that Spanish-speaking pupils will be provided the means and methods to learn the English language as well as other subjects of learning. 1968 Op. Att'y Gen. No. 68-15.

This section is a mandate to the legislature to provide teachers proficient in both English and Spanish to teach Spanish-speaking pupils; it does not

"Increased interest income" means annual income rather than total income. 1968 Op. Att'y Gen. No. 68-62.

Loss must be restored from income accruing from new investment in insured loans, and that income accruing from investment of recoveries of principal cannot be used to restore capital loss. 1968 Op. Att'y Gen. No. 68-62.

Loss must be amortized from portion of the increased interest income only. 1968 Op. Att'y Gen. No. 68-62.

New investment must yield increase in income after capital loss is restored to corpus of permanent fund. 1968 Op. Att'y Gen. No. 68-62.

Effect of 1965 amendment on offsetting gains and losses. — Since 1965 amendment to this section, the investment council has not had power to sell common stocks realizing a capital gain and to use such gain to offset loss taken on sale of fixed income security. 1968 Op. Att'y Gen. No. 68-116. But see notes under analysis line III.

require all teachers to have this proficiency. 1971 Op. Att'y Gen. No. 71-102.

Law reviews. — For student symposium, "Constitutional Revision — Constitutional Amendment Process," see 9 Nat. Resources J. 422 (1969).

For comment, "Education and the Spanish-Speaking — An Attorney General's Opinion on Article XII, Section 8 of the New Mexico Constitution," see 3 N.M. L. Rev. 364 (1973).

For note, "Bilingual Education: Serna v. Portales Municipal Schools," see 5 N.M. L. Rev. 321 (1975).

Am. Jur. 2d and C.J.S. references. — 68 Am. Jur. 2d Schools § 283.

78 C.J.S. Schools and School Districts § 169; 79 C.J.S. Schools and School Districts § 485.

### Sec. 9. [Religious tests in schools.]

No religious test shall ever be required as a condition of admission into the public schools or any educational institution of this state, either as a teacher or student, and no teacher or student of such school or institution shall ever be required to attend or participate in any religious service whatsoever.

Cross-references. — For provisions guaranteeing freedom of religion, see N.M. Const., art. II, § 11, and art. XXI, § 1. As to excusing students from school for religious instruction, see 22-12-3 NMSA 1978.

Sister teaching in public school entitled to salary. — Under this section and N.M. Const., art. II, § 11, there can be nothing in the law prohibiting payment of Sisters who are qualified and employed to teach in public schools. Such a law would result in making their religious life or religious vows a test of their ad-

mission as teachers to our public schools contrary to the constitution. 1939-40 Op. Att'y Gen. 35.

There is no objection to reading portions of Bible without comment in public school assembly. 1921-22 Op. Att'y Gen. 150.

Court may properly enjoin dissemination of sectarian literature in schoolrooms. *Miller v. Cooper*, 56 N.M. 355, 244 P.2d 520 (1952).

Comparable provisions. — Idaho Const., art. IX, § 6.

### 6-8-2. State investment council.

There is created in the department a "state investment council." The investment council shall be composed of:

- A. the governor, who shall be an ex-officio member;
- B. the state treasurer;
- C. the commissioner of public lands;
- D. the secretary, who shall vote only in case of tie;
- E. four public members appointed by the governor; and
- F. the state investment officer, who shall be a nonvoting member of the council.

The chairman of the council shall be the secretary.

All actions of the council shall be by majority; at least three public members must be present to constitute a quorum.

Members of the council, except the state treasurer, the commissioner of public lands and the secretary shall be reimbursed per diem and mileage pursuant to the provisions of the Per Diem and Mileage Act [10-8-1 to 10-8-8 NMSA 1978].

History: 1953 Comp., § 11-2-8.5, enacted by Laws 1957, ch. 179, § 2; 1977, ch. 247, § 96; 1979, ch. 273, § 1.

The 1979 amendment substituted "per diem and mileage pursuant to the provisions of the Per Diem

and Mileage Act" for "for necessary expenses, incurred by attending meetings of the council, by amounts determined and approved by the council" at the end of the last paragraph.

### 6-8-9. Securities and investment.

Cross-reference. — As to investment in severance tax bonds, see 7-27-19 NMSA 1978.

## ARTICLE 10

### Public Money

Sec.

- 6-10-10. Deposit and investment of funds.
- 6-10-11. Approval of investment of state funds.
- 6-10-26. Quarterly reports of funds on demand deposit; investment in interest-bearing deposits and securities.

Sec.

- 6-10-50. Loss of money deposited in qualified banks; treasurers relieved of liability.

### 6-10-10. Deposit and investment of funds.

A. Upon the certification or designation of any bank or savings and loan association whose deposits are insured by an agency of the United States, to receive public money on deposit, the state treasurer, and the several county or municipal treasurers, who shall then have on hand any public money by virtue of their several offices, shall make deposit of such money in the bank or banks whose deposits are insured by an agency of the United States, and savings and loan association whose deposits are insured by an agency of the United States, designated, by the authority authorized by law to so designate, to receive such deposits of all money thereafter received or collected by them.

B. The several county or municipal treasurers may deposit money in one or more accounts with any such bank or insured savings and loan association located in their respective counties but no county or municipal treasurer, in any official capacity, shall deposit money in any one such insured savings and loan association the aggregate of which would exceed the amount of federal savings and loan insurance corporation insurance for a single public account.

C. The state treasurer may deposit money in one or more accounts with any such bank or insured savings and loan association but the state treasurer, in any official capacity, shall not deposit money in any one such insured savings and loan association the aggregate of which would exceed the amount of federal savings and loan insurance corporation insurance for a single public account.

**6-7-3. [Expenditure of funds; manner.]**

The moneys appropriated by this act [6-7-1 to 6-7-3 NMSA 1978] shall be expended for disaster relief for any disaster declared by the governor to be of such magnitude as to be beyond local control and requiring the resources of the state. Such funds shall be expended by the governor or any agent or agency designated by him for such purposes, either as a state project, or for securing matching federal funds. Said moneys shall be paid out upon warrants drawn by the state auditor upon vouchers approved by the governor or such agent or agency designated by him for such purpose.

History: 1953 Comp., § 11-7-3, enacted by Laws 1955, ch. 185, § 3.

**ARTICLE 8****Investment of Public Money**

Sec.	Sec.
6-8-1. Definitions.	6-8-11. Custody of securities.
6-8-2. State investment council.	6-8-12. Collection of income and principal; availability of income and proceeds for investment.
6-8-3. Council terms and qualifications.	6-8-13. Record of investments.
6-8-4. Investment division; state investment officer; terms.	6-8-14. Monthly reports.
6-8-5. Bond; staff; budget.	6-8-15. Post-audit.
6-8-6. Transfer of investment powers.	6-8-16. Annual report.
6-8-7. Powers and duties of investment officer; investment policy.	6-8-17. Purpose of act.
6-8-8. Compromise; adjustment.	6-8-18. Permanent funds; investment in interest-bearing time deposits.
6-8-9. Securities and investment.	
6-8-10. Investment standards.	

**6-8-1. Definitions.**

As used in Sections 6-8-1 through 6-8-16 NMSA 1978:

- A. "secretary" means the secretary of finance and administration;
- B. "department" means the department of finance and administration; and
- C. "permanent fund" means those funds derived from lands under the direction, control, care and disposition of the commissioner of public lands conferred by Article 13, Sections 1 and 2 of the constitution of the state of New Mexico.

History: 1953 Comp., § 11-2-8.4, enacted by Laws 1957, ch. 179, § 1; 1977, ch. 247, § 95.

The 1977 amendment rewrote Subsection A which read: "Financial officer" means the state comptroller, or the director of the state department of finance and administration if that office or department is subsequently created; and," rewrote Subsection B

which read: "'Finance department' means the office of the state comptroller, or the department of finance and administration if that office is subsequently established" and substituted "means" for "shall mean" in Subsection C.

The restrictions specified in this article are valid and constitutional. 1957-58 Op. Att'y Gen. No. 58-10.

**6-8-2. State investment council.**

There is created in the department a "state investment council." The investment council shall be composed of:

- A. the governor, who shall be an ex-officio member;
- B. the state treasurer;
- C. the commissioner of public lands;
- D. the secretary, who shall vote only in case of tie;
- E. four public members appointed by the governor; and
- F. the state investment officer, who shall be a nonvoting member of the council.

The chairman of the council shall be the secretary.

All actions of the council shall be by majority; at least three public members must be present to constitute a quorum.

Members of the council, except the state treasurer, the commissioner of public lands and

the secretary shall be reimbursed for necessary expenses, incurred by attending meetings of the council, by amounts determined and approved by the council.

**History:** 1953 Comp., § 11-2-8.5, enacted by Laws 1957, ch. 179, § 2; 1977, ch. 247, § 96.

**Cross-reference.** — As to investment advisory service to educational retirement board, see 22-11-13 NMSA 1978.

The 1977 amendment deleted "Composition — Quorum — Expenses" from the catchline, deleted "finance" preceding "department" in the introductory phrase and substituted "secretary" for "financial officer."

**Powers and rights of council limited to those granted by constitution and statute.** — The investment council is a creature of statute, being unknown at common law, and has only those powers

and rights granted to it by the constitution and legislative enactment. 1961-62 Op. Att'y Gen. No. 61-49.

**Members of council are employees and not officers.** — The constitutional provision relative to the investment council does not explicitly provide for the term of the position created, the method of appointment or the specific duties of the position. These matters are left to the legislature, acting within its powers subject to constitutional restrictions. Accordingly, members of the investment council are public employees and not public officers. 1957-58 Op. Att'y Gen. No. 58-10.

### 6-8-3. Council terms and qualifications.

Public members of the council shall be appointed by the governor for terms of five years; provided, however, that for the first appointments the terms shall be for two, three, four and five years respectively. Members of the council shall serve until their successors are appointed and have qualified.

The public members of the council shall be qualified by competence and experience in the field of investment or finance. During tenure, a member of the council shall not be engaged in the sale of securities to the state; nor shall a member benefit directly or indirectly from a transaction entered into by the state investment officer. A council member shall not hold an office, position or employment in a political party.

A member of the council may be removed from office by the governor, for cause, after notice and opportunity to be heard at a public hearing. A vacancy in the membership of the council occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.

**History:** 1953 Comp., § 11-2-8.6, enacted by Laws 1957, ch. 179, § 3.

### 6-8-4. Investment division; state investment officer; terms.

There is established in the department an "investment division." The director of the division shall be known as the "state investment officer."

The state investment officer shall be appointed by the governor. Recommendations as to his appointment shall be made to the governor by the secretary and the investment council. If within sixty days after a vacancy an appointment is not made, the power of appointment shall vest in the investment council. The state investment officer shall devote his entire time and attention to the duties of his office, shall not engage in any other occupation or profession, nor shall he hold any other public office, appointive or elective. He shall be a person qualified, by training and investment experience, to direct the work of the investment division. He shall receive a salary to be determined by the investment council, but in no case less than twelve thousand five hundred dollars (\$12,500) annually.

The investment officer shall serve without term but may be removed from office by the governor for cause, or upon recommendation of the council, after notice and opportunity to be heard at a public hearing.

**History:** 1953 Comp., § 11-2-8.7, enacted by Laws 1957, ch. 179, § 4; 1977, ch. 247, § 97.

**Cross-references.** — As to appointment of director, see 9-6-5 B(10) NMSA 1978. As to investment advisory service to educational retirement board, see 22-11-13 NMSA 1978.

The 1977 amendment substituted "investment divi-

sion" for "division of investment" in the catchline, re-wrote the first two sentences which formerly read: "There is established in the finance department a 'division of investment,' which shall be under the immediate supervision of a person designated 'state investment officer.'" substituted "secretary" for "financial officer" in the fourth sentence and deleted

"after the effective date of this act, or" following "days" in the fifth sentence.

### 6-8-5. Bond; staff; budget.

A. Before the state investment officer, or other responsible employee of the investment division, shall enter upon his duties, the secretary shall require an individual bond, or shall include the state investment officer and other responsible employees under a blanket bond, for an amount and for a coverage deemed best to protect the state's interest. The bond premiums shall be paid by the state.

B. The state investment officer shall, annually, prepare a budget which shall be reviewed by the council and the secretary. Any funds provided for the operating budget of the division shall be appropriated from earnings on investments of permanent funds before distribution to the income funds as authorized by law.

C. The state investment officer shall appoint all employees of the investment division.

History: 1953 Comp., § 11-2-8.8, enacted by Laws 1957, ch. 179, § 5; 1976, ch. 6, § 1; 1977, ch. 247, § 98.

The 1976 amendment substituted "Bond; staff; budget" for "Bonds of investment officer and employee — Staff" in the catchline, added subsection designations before each paragraph, substituted "division of investment" for "division of finance" in the first sentence of Subsection A, inserted "state" preceding "investment officer" in the first sentence of

Subsection A and added the last sentence to Subsection B.

The 1977 amendment substituted "investment division" for "division of investment" in Subsections A and C and "secretary" for "financial officer" in Subsections A and B.

Effective date. — Laws 1976, ch. 6, § 2, makes the act effective on July 1, 1976.

### 6-8-6. Transfer of investment powers.

The functions, powers and duties, vested by law relating to the investment or reinvestment of moneys and the purchase, sale or exchange of investments or securities of the permanent fund are transferred to the state investment officer under the supervision of the secretary. The state treasurer shall maintain custody of the state permanent fund but shall at all times render the fund or any part of it available for investment in accordance with the provisions of Sections 6-8-1 through 6-8-16 NMSA 1978.

Any provision of existing law requiring or designating an elected state official to serve by virtue of his office in an active or advisory capacity, concerning the investment of the state permanent fund shall be inoperative.

History: 1953 Comp., § 11-2-8.9, enacted by Laws 1957, ch. 179, § 6; 1977, ch. 247, § 99.

Cross-reference. — As to investment responsibility of state investment council for "public buildings at capitol, permanent fund," see 19-1-19 NMSA 1978.

The 1977 amendment substituted "secretary" for

"financial officer" and deleted "from the effective date of this act" at the beginning of the last sentence.

Limitation on investment of "permanent fund". — This section limits the power of the state investment officer to investment of those funds which are in the "permanent fund." 1961-62 Op. Att'y Gen. No. 62-76.

### 6-8-7. Powers and duties of investment officer; investment policy.

Subject to the limitations, conditions and restrictions contained in policy-making regulations or resolutions promulgated by the council with the approval of the secretary, and subject to prior authorization by the council, the state investment officer shall have the power to make purchases, sales, exchanges, investments and reinvestments of the permanent state fund. The state investment officer is charged with the duty of seeing that moneys invested are at all times handled to the best interests of the state.

Securities or investments purchased or held may be sold or exchanged for other securities and investments; provided, however, that no sale or exchange shall be at a price less than the going market at the time the securities or investments are sold or exchanged.

In purchasing bonds the state investment officer shall require a certified or original written opinion of a reputable bond attorney or the attorney general of the state certifying the legality of the bonds to be purchased; provided, however, this written opinion may be the approving legal opinion ordinarily furnished with the bond issue.

The state investment officer shall formulate and recommend to the investment council, for approval, investment regulations or resolutions pertaining to the kind or nature of investments and limitations, conditions and restrictions upon the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions which should govern the activities of the investment division.

The council shall meet at least once each month, and as often as exigencies may demand, to consult with the state investment officer concerning the work of the investment division. The council shall have access to all files and records of the investment division and may require the investment officer to report and provide information necessary to the performance of council functions.

**History:** 1953 Comp., § 11-2-8.10, enacted by Laws 1957, ch. 179, § 7; 1977, ch. 247, § 100.

**Cross-reference.** — For constitutional provision as to duties of state investment officer relative to permanent school fund, see N.M. Const., art. XII, § 7.

The 1977 amendment substituted "secretary" for "financial officer" in the first sentence, "investment division" for "division of investment" in the fifth sentence and "division" for "department" in the last sentence.

**Investment officer has only powers granted by constitution or statute.** — The investment officer is a creature of statute, being unknown at common law, and has only those powers and rights granted to him by the constitution and legislative enactment. 1961-62 Op. Att'y Gen. No. 61-49.

**Requirements for exchange of securities.** — The requirement of this section, as it pertains to an exchange, is that the securities which are to be received in the exchange must have an aggregate price which is equal to or in excess of the market price of the securities which are to be given by the state. 1959-60 Op. Att'y Gen. No. 60-9.

**Determination of "market price".** — The term "market price" has been the subject of many comments by the courts of the several states. The generally accepted definition or meaning indicates that the words imply price or value in an open market where one desires but is not compelled to buy and one is willing but not compelled to sell. In order for an item to have a market price, the same or similar items must have been sold enough times so that the items obtain a somewhat fixed price or value to purchasers. 1959-60 Op. Att'y Gen. No. 60-9.

The mere combining of funds from several trusts for investment does not violate the intermingling rule. 1959-60 Op. Att'y Gen. No. 60-9.

**Investment officer may sell or exchange securities originally held in state portfolio.** — This section confers upon the investment officer the power to sell and exchange securities originally held in the state

portfolio. 1959-60 Op. Att'y Gen. No. 60-9.

**And is not limited to current funds.** — The primary purpose for the creation of the investment council was to improve the position of the permanent fund in regard to its investments generally, and specifically, its return on the funds invested, keeping in mind the preservation of the principal. This goal could not be accomplished if the powers of the council were limited to investing only current funds. 1959-60 Op. Att'y Gen. No. 60-9.

**Capital gains from sale of common stock may not be used to offset loss on sale of fixed income security.** — Since the 1965 amendment to N.M. Const., art. XII, § 7, the state investment council has not had the power to sell common stocks realizing a capital gain and use such gain to offset a loss taken on the sale of a fixed income security. 1968 Op. Att'y Gen. No. 68-116.

The investment council can make a definite commitment for the purchase of Capehart mortgages prior to the actual investment in them. 1959-60 Op. Att'y Gen. No. 59-160.

**Employment of management company constitutes unlawful delegation of powers of investment officer.** — If a management company is to be of any real value to the investment council, it must by the very nature of its duties possess a portion of the decision-making powers of the investment officer. Unless the management company is to be nothing more than a firm of bookkeepers or a firm merely to collect funds for the investment officer, it must have some power to act in certain situations on its own initiative. When a default occurs, the management company must have some freedom of action in supervising the servicer in handling the matter. In reaching a decision of whether any specific mortgage meets the standards of the council, the company is exercising some of the decision-making powers granted only to the investment officer. This is an unlawful delegation of the investment power of the investment officer. 1961-62 Op. Att'y Gen. No. 61-49.

### 6-8-8. Compromise; adjustment.

In the event of default in the payment of principal, or interest on, an investment made, the secretary is authorized to institute proper proceedings to collect matured interest and principal; the secretary may, with the consent of the governor, after consultation with the investment council, accept for exchange purposes refunding bonds or other evidences of indebtedness at interest rates to be agreed upon with the obligor. The secretary with the approval of the governor and after consultation with the council is authorized to adjust past-due interest or principal in default.

**History:** 1953 Comp., § 11-2-8.11, enacted by Laws 1957, ch. 179, § 8; 1977, ch. 247, § 101.

The 1977 amendment substituted "secretary" for "financial officer."

**6-8-9. Securities and investment.**

Moneys made available for investment for a period in excess of one year may be invested in the following classes of securities and investments:

A. bonds, notes or other obligations of the United States, or those guaranteed by, or for which the credit of, the United States is pledged for the payment of the principal and interest or dividends thereof;

B. bonds, notes or obligations of a municipal or political subdivision of this state, issued pursuant to a law of this state; provided, that the issuer has not, within ten years prior to the making of the investment, been in default for more than three months in the payment of any part of the principal or interest on any debt evidenced by its bonds, notes or obligations; and provided further, if the bonds are city or county utility, or utility-district revenue bonds, the revenues of such utility, other than for payment of operation and maintenance expenses, are pledged wholly to the payment of the interest on and principal of such indebtedness and the utility project has been completely self-supporting for a period of five years next preceding of [sic] the investment;

C. bonds, debentures or other obligations issued by a federal land bank, or by a federal intermediate credit bank, or banks for cooperatives under the acts of congress of June 27, 1934, known as the Federal Farm Loan Act, as amended, and the Farm Credit Act of 1933, as amended;

D. bonds, debentures or other obligations issued or guaranteed by any national mortgage association under the act of congress of June 27, 1934, known as the National Housing Act, as amended;

E. bonds, notes, debentures, car-trust certificates or other certificates of interest or indebtedness, preferred stock, or common stock of any corporation organized and operating within the United States; provided that it shall have minimum net assets of ten million dollars (\$10,000,000) and securities listed on one or more national stock exchanges; and provided further that the combined funds of the state shall not at any one time own more than ten percent of the voting stock of a company, and provided further that in the investment of the moneys of any one state fund or account, not more than fifty percent of the total of such fund or account shall at any time be invested in the securities of this class. Preferred and common stocks purchased by the investment officer shall be held for the long-range possibility of reasonable cash dividends and growth of the capital investment. Preferred and common stocks may be sold only because of a fundamental change in their investment quality and not because of the vagaries of the market;

F. industrial revenue bonds issued pursuant to the Industrial Revenue Bond Act [3-32-1 to 3-32-16 NMSA 1978], where both the principal and interest of the bonds are fully and unconditionally guaranteed by a lease agreement, executed by a corporation organized and operating within the United States and which has net assets of at least ten million dollars (\$10,000,000) and has issued securities traded on one or more national stock exchanges and where the senior securities of the guaranteeing corporation would have the equivalent of a BAA rating;

G. notes or obligations securing loans to New Mexico businesses made by banks and savings and loan associations pursuant to the Act of Congress of July 30, 1953, known as the Small Business Act of 1953, as amended from time to time, only to the extent that both principal and interest are guaranteed by the United States government. The applicant bank or savings and loan association shall be required to enter into an indemnity agreement, which meets the approval of the investment officer, to pay off the investments, together with interest and any unpaid costs and expenses in connection therewith, in the event the United States government refuses to honor its guarantee. The state investment officer may enter into conventional agreements for the servicing of the loans and the administration of the receipts therefrom. Any servicing agreement may contain such reasonable and customary provisions as the state investment officer may deem advisable and as may be agreed upon;

H. notes or obligations securing loans or participation in loans to business concerns

or other organizations which are obligated to use the loan proceeds within New Mexico, to the extent the loans are secured by first mortgages on real estate located in New Mexico and are further secured by an assignment of rentals, the payment of which is fully guaranteed by the United States in an amount sufficient to pay all principal and interest of the mortgage;

I. notes or obligations securing loans issued by banks and savings and loan associations pursuant to Title IV of the Act of Congress of November 8, 1965, known as the Higher Education Act of 1965, as amended from time to time, only to the extent that both principal and interest are guaranteed unconditionally by the United States government. The applicant banks or savings and loan associations shall enter into an indemnity agreement to pay off the investments, together with interest and any unpaid costs and expenses in connection therewith, according to the terms under which they are made, in a form which meets the approval of the state investment officer. The state investment officer may enter into conventional agreements for the servicing of the loans and the administration of the receipts therefrom. Any servicing agreement may contain such reasonable and customary provisions as the state investment officer may deem advisable and as may be agreed upon;

J. obligations secured by mortgages constituting a first lien upon real estate located within the state of New Mexico, which are fully insured or guaranteed as to the payment of the principal and interest thereof by the government of the United States or by any authorized agency thereof, including mortgages securing loans insured under the National Housing Act or the Farmers' Home Administration Act, as amended from time to time. The state investment officer may enter into conventional agreement for the servicing of such loans and the administration of the receipts therefrom, and any such servicing agreement may contain such reasonable and customary provisions as the state investment officer may deem advisable and as may be agreed upon, with respect to such matters as the taking and holding of title in the name of the servicing agent for the benefit of the state investment officer; the physical custody of the obligations and mortgages serviced by the servicing agent; the deduction of the servicing agent's fee (in the amount which shall not annually exceed one-half of one percent of the principal balance of the obligations serviced from time to time outstanding) by the servicing agent, prior to remittance of the proceeds; the periodic remittance of the net proceeds received in payment on all obligations so secured to the state treasurer as custodian of the permanent fund; the authority and duty of the servicing agent with respect to the collection of any such obligation in default; and the effectuation of the applicable federal insurance or guarantee thereof; and other appropriate matters; and

K. bonds, notes, debentures or other obligations issued by the state of New Mexico.

Commissions paid for the purchase and sale of any security shall not exceed brokerage rates prescribed and approved by national stock exchanges or by industry practice.

History: 1953 Comp., § 11-2-8.12, enacted by Laws 1957, ch. 179, § 9; 1961, ch. 248, § 1; 1965, ch. 219, § 1; 1969, ch. 262, § 1; 1970, ch. 81, § 2; 1975, ch. 211, § 2.

Compiler's note. — The National Housing Act, referred to in Subsections D and J of this section, is compiled in the United States Code as Title 12, § 1701 et seq.

The Small Business Act of 1953, referred to in Subsection G of this section, is compiled in the United States Code as Title 15, § 631 et seq.

The Federal Farm Loan Act, referred to in Subsection C of this section, the Farm Credit Act of 1933, referred to in Subsection C of this section, and the Farmers' Home Administration Act, referred to in Subsection J of this section, have been repealed.

Title IV of the Higher Education Act of 1965, referred to in Subsection I of this section, was originally compiled in the United States Code as Title 20, § 751 et seq., but has been superseded by later statutes.

Authority of investment officer. — The investment authority of the state investment officer is limited to

those funds derived from lands granted the state and its institutions by virtue of N.M. Const., art. XIII, §§ 1 and 2, including any increase in the permanent fund by virtue of the investment of these funds by the officer. There is no restriction found in either the constitution or the statutes as to the period of time for which these funds may be invested. Therefore, they are all subject to being invested for periods in excess of one year; hence, these funds are all "moneys available for investment for a period in excess of one year" within the meaning of this section. 1961-62 Op. Att'y Gen. No. 62-76.

Section also applicable to investments for less than one year. — The restrictions of this section apply to all investments made by the investment officer, including those for periods of less than one year. 1961-62 Op. Att'y Gen. No. 62-76.

But no funds are restricted to short-term investment. — There are no funds over which the state investment officer has jurisdiction that are restricted to short-term investment. All investment funds avail-

able to the investment council are subject to investment for periods in excess of one year. 1961-62 Op. Att'y Gen. No. 62-76.

**Capehart mortgages are legally accepted investments.** — The Capehart mortgages issued under the provisions of the National Housing Act of 1955, as amended, are legally acceptable for investments by the state investment council. The propriety of investing public funds in these obligations is left to the council in the exercise of its sound discretion. 1959-60 Op. Att'y Gen. No. 59-135.

**Investment permitted in loans guaranteed by small business administration.** — The loan guarantees made by the small business administration are properly regarded as obligations of the United States, and provided the portions of the loans which the state investment council might acquire are underwritten by the small business administration, it may invest state moneys in loans guaranteed by the small business administration. 1969 Op. Att'y Gen. No. 69-115.

**And in farmers' home administration loans.** — The state investment council may act as "lender" and lawfully invest in farmers' home administration loans made pursuant to the consolidated Farmers' Home Administration Act of 1961, as the council is, in effect, purchasing a note which is guaranteed by the federal government. Such investment is clearly authorized by Subsection A. 1966 Op. Att'y Gen. No. 66-12.

**Including loans where the mortgaged property securing the loan is located outside New Mexico.** — Subsection F does not bar the investment council from

investing in farmers' home administration loans where the mortgaged property securing the loans is not located within the state of New Mexico, since such investment is not a mortgage loan. The investment involves the simple purchase of a note which is clearly an authorized investment under Subsection A. As far as the state investment council is concerned, no mortgage is involved. The mortgage of the property is to the federal government and the state investment council has no interest in the mortgage whatsoever. Thus, the location of the land involved in a farmers' home administration loan, when the state investment council does not hold a mortgage thereon, has no effect whatsoever upon the legality of investment. 1966 Op. Att'y Gen. No. 66-12.

**Common stocks purchased must have 10-year dividend history.** — Subsection E, in providing for investment in common stocks, does not expressly contain the restriction that common stocks purchased must be those of corporations having a 10-year dividend history at the date of purchase. The statutory provision is, nevertheless, subject to this restriction which is expressly specified in N.M. Const., art. XII, § 7. 1957-58 Op. Att'y Gen. No. 58-10.

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 63 Am. Jur. 2d Public Funds § 11.

**Liability of public officer for interest or other earnings received on public money in his possession,** 5 A.L.R.2d 257.

81 C.J.S. States § 155.

### 6-8-10. Investment standards.

Investments made pursuant to this act [6-8-1 to 6-8-16 NMSA 1978] shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**History:** 1953 Comp., § 11-2-8.13, enacted by Laws 1957, ch. 179, § 10.

**Prudent man rule applicable to purchases of securities.** — This section has adopted, for the purposes of investment of the permanent fund, the prudent man rule of investments that is applicable to trustees generally. Under this rule, it is generally held that a trustee can properly invest in securities, the purchase price of which is greater than the face value of the security, or at a premium. 1959-60 Op. Att'y

Gen. No. 59-157.

**Standards of this section may be applied when investing funds of museum of New Mexico.** — In investing funds belonging to the museum of New Mexico, the state treasurer and state board of finance may, in their discretion, utilize the same standards as govern the investment of public funds controlled by the state commissioner of public lands and as are set forth in this section. 1964 Op. Att'y Gen. No. 64-29.

### 6-8-11. Custody of securities.

Securities purchased or held by the state investment officer or the state investment council shall be in the custody of the state treasurer who may, with the approval of the secretary, deposit with a bank or trust company the securities for safekeeping and servicing.

**History:** 1953 Comp., § 11-2-8.14, enacted by Laws 1957, ch. 179, § 11; 1975, ch. 211, § 3; 1977, ch. 247, § 102.

The 1977 amendment substituted "secretary" for "financial officer."

### 6-8-12. Collection of income and principal; availability of income and proceeds for investment.

It shall be the duty of the state investment officer to collect and record interest, other income, principal and proceeds of securities as the sums become due and payable. The

moneys collected shall be paid over to the state treasurer who shall, in turn, credit the beneficiary of the permanent fund owning the investment security from which such money is derived; provided, however, the moneys paid over to the state treasurer shall be subject to current reinvestment of the state investment officer if not otherwise allocated by the beneficiary. Any sale of assets, including those with a capital gain, shall be considered as a disposition of a capital asset and the proceeds from such sale shall be considered as a part of the permanent fund.

History: 1953 Comp., § 11-2-8.15, enacted by Laws 1957, ch. 179, § 12.

### 6-8-13. Record of investments.

The investment division shall keep accurate and complete records and accounts concerning the state investment portfolio.

History: 1953 Comp., § 11-2-8.16, enacted by Laws 1957, ch. 179, § 13; 1977, ch. 247, § 103.

The 1977 amendment substituted "investment division" for "division of investment."

### 6-8-14. Monthly reports.

No later than ten days after the close of each month, the state investment officer shall submit to the secretary and the state investment council a report of the operations of the division during the past month. Each report shall give a complete statement of the state investment portfolio as of the time of the report, and in addition, shall include a detailed summary of the month's investment, reinvestment, purchase, sale and exchange transactions, setting forth the investments bought, sold or exchanged, the dates thereof, the prices paid or obtained, the names of the dealers involved, and a statement of the funds or accounts referred to herein. The reports shall also be circulated to a mailing list of investment bankers and brokers recommended by the council. The reports shall be open for inspection to the public and the press in the office of the state investment officer.

History: 1953 Comp., § 11-2-8.17, enacted by Laws 1957, ch. 179, § 14; 1977, ch. 247, § 104.

The 1977 amendment substituted "secretary" for "financial officer."

### 6-8-15. Post-audit.

The state auditor shall be responsible for conducting a continuous post-audit of the investment transactions of the state, and shall submit annually a special report on his findings to the investment council, the secretary, the governor, and to the appropriate legislative committee.

History: 1953 Comp., § 11-2-8.18, enacted by Laws 1957, ch. 179, § 15; 1977, ch. 247, § 105.

The 1977 amendment substituted "secretary" for "financial officer."

### 6-8-16. Annual report.

On or before January 1 of each year, and at such other times as it may deem in the public interest, the investment council shall report to the governor and to the legislature with respect to its review of the work of the investment division.

History: 1953 Comp., § 11-2-8.19, enacted by Laws 1957, ch. 179, § 16; 1977, ch. 247, § 106.

The 1977 amendment substituted "investment division" for "division of investment."

Effective date. — Laws 1957, ch. 179, § 18, makes the act effective upon the certification of the secretary of state of a proposed amendment to N.M. Const., art. XII, § 7, and upon passage and approval by the

congress of the United States of an amendment to § 10 of the Enabling Act. The constitutional amendment was adopted at the general election held November 4, 1958, and the amendment to § 10 of the Enabling Act was adopted by congress on August 8, 1957.

Separability clause. — Laws 1957, ch. 179, § 17, provides for the severability of the act if any provision or application thereof is held invalid.

**6-8-17. Purpose of act.**

The purpose of this act [6-8-17 and 6-8-18 NMSA 1978] is to authorize the state investment officer to invest permanent funds in interest-bearing time deposits.

History: 1953 Comp., § 11-2-10.1, enacted by Laws 1970, ch. 2, § 1.  
 Compiler's note. — Laws 1970, ch. 2, originally

enacted as Senate Bill 182, 1st Session, 1969, was vetoed by the governor. The second session of the legislature, convened in 1970, overrode the veto.

**6-8-18. Permanent funds; investment in interest-bearing time deposits.**

The state investment officer, under the supervision of the state investment council, though not required to, may invest not more than twenty percent of the permanent school fund and other permanent funds in interest-bearing time deposits at rates not lower than rates received by the state treasurer on deposits of public money. Deposits shall be secured as provided by law for securing deposits of public funds. When determined to be in the best interests of the beneficiaries of the fund, deposits shall be made in banks or savings and loan associations that are:

- A. located in New Mexico;
- B. approved by the state investment officer in accordance with policy regulations promulgated by the state investment council; and
- C. provided that not more than five percent of the permanent funds available for deposit under this section shall be deposited in any single savings and loan association or bank.

History: 1953 Comp., § 11-2-10.2, enacted by Laws 1970, ch. 2, § 2; 1971, ch. 41, § 1.

**ARTICLE 9****Facsimile Signatures**

Sec.

- 6-9-1. Definitions.
- 6-9-2. Facsimile signature.
- 6-9-3. Use of facsimile seal.

Sec.

- 6-9-4. Violation and penalty.
- 6-9-5. Uniformity of interpretation.
- 6-9-6. Short title.

**6-9-1. Definitions.**

As used in this act [6-9-1 to 6-9-6 NMSA 1978]:

- A. "public security" means a bond, note, certificate of indebtedness or order [other] obligation for the payment of money, issued by this state or by any of its departments, agencies or other instrumentalities or by any of its political subdivisions;
- B. "instrument of payment" means a check, draft, warrant or order for the payment, delivery or transfer of funds;
- C. "authorized officer" means any official of this state or any of its departments, agencies or other instrumentalities or any of its political subdivisions whose signature to a public security or instrument of payment is required or permitted;
- D. "facsimile signature" means a reproduction by engraving, imprinting, stamping or other means of the manual signature of an authorized officer.

History: 1953 Comp., § 5-9-1, enacted by Laws 1959, ch. 118, § 1.  
 C.J.S. reference. — 80 C.J.S. Signatures §§ 1, 2, 9.

**6-9-2. Facsimile signature.**

Any authorized officer, after filing with the secretary of state his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

MEMORANDUM

April 24, 1981

TO: Representative Don Clocksin

FROM: Ira Winograd *I.W.*  
Issues Analyst

RE: Education Endowment Fund  
Research Request 81-108

I spoke with the Investment Officer for the Texas Permanent School Fund. He is gathering several documents pertaining to the establishment and administration of the fund including a consultants report evaluating the operation of the fund. I expect to receive these materials by the end of next week. I am also researching whether other states have similar funds. I will prepare a report as soon as I receive additional information.

I have obtained the following information about the Texas Permanent School Fund:

Initiation: The fund was established by an 1854 constitutional amendment followed by a \$2 million appropriation.

Management: The Board of Education manages investments through a special investment committee which employs an investment advisory council.

Allocation: Funds are allocated by formula depending on school district enrollment.

Usage: The fund is used to supplement the operating budgets of local school districts.

Funding: State royalties from sale of oil and gas exploration leases on State lands, equal to approximately \$500 million per year, are deposited in the fund.

Performance: The current yield is 8 per cent based on earnings of \$225 million from a \$2.8 billion principal; earnings per student equal \$86.50 based on an enrollment of 2.6 million students.

Investments: Investments are divided equally between stocks and bonds. Investments are made as money is received. Restrictions on investments include no foreign investments, no real estate, no commodities, and no precious metals.

Representative Don Clocksin  
April 24, 1981  
Page 2

Outlook: Over the next decade the fund is expected to provide \$3 to \$4 billion in earnings; by the end of 1983 the fund is expected to provide \$100 per pupil.

I will provide additional information during the next two weeks. Please let me know if there are any topics in which you are particularly interested.

IW/bf

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

February 17, 1981

MEMORANDUM

TO: Representative Richard L. Randolph

FROM: Peter B. Froehlich *PF*  
Issues Analyst

RE: Fees  
Research Request No. 81-11

Your aide, Robert Shelley, asked this agency for information regarding fees imposed by State law. The request listed nine types of information which were desired concerning these fees:

1. Identification of all fees affected;
2. Estimated amount to be collected from each fee, and the fees in total;
3. Classification of fees into user or non-user fees;
4. Relationship of the amount of fees collected to the cost of the program involved;
5. A citation of the legal authority for individual fees;
6. Identification of the agency responsible for individual fees;
7. Whether the fees go into the General Fund as unrestricted revenues or whether there is special handling of the fees;
8. The last date the fees were raised;
9. The dates at which any board, commission, or agency associated with particular fees will be up for sunset review.

We have been able to gather most, but not all, of the requested information and it is contained in the attached tables as explained below.

One type of information which we have only partially compiled is the "estimated amount to be collected from each fee, and the fees in total." This information is not readily available from the State budgetary and accounting systems. However, a large part of this requested information, with respect to FY 80, is contained in State of Alaska Annual Financial Report for that fiscal year. Copies of the relevant pages of this report are attached to this memorandum showing the amounts collected from various fees. The report omits some fees, groups others together, and does not identify the various fees with their respective

statutory authority; however, it does provide more detailed information than the FY 81 budget. If you would like the information in the report organized in a different manner or require more information than the report contains, we can attempt to reorganize and gather additional information by contacting the fiscal officers of each State agency involved with fee collections.

A second type of requested information, "relationship of the amount of fees collected to the cost of the program involved", is also difficult to obtain. According to the Legislative Finance Division this comparative information is not currently available in any usable form and could only be gathered by contacting each agency involved in fee collections. Even then it is unlikely that the agency budgets and accounting records would lend themselves to this type of analysis. Nevertheless, if you wish, we will continue to explore ways of gathering this type of information.

#### Methodology

To gather, organize and present the fee information in the attached table, several steps were taken. First, we separated the fees imposed or authorized by statute from those imposed by administrative regulation. The attached table presents information on the fees in statute only. We are continuing to review the Alaska Administrative Code to identify fees imposed by regulation; most, but not all, of these are authorized by specific fee authorization statutes which are included in the attached table. We expect to complete our compilation of fees imposed by regulation by March 1.

Second, through the Storage and Information Retrieval Systems (STAIRS) computer program, we obtained a 110 page list of 797 statutes in which the words "fee" or "fees" were used. We then examined each statute to eliminate those which did not actually impose or authorize a fee, e.g., statutes referring generally to "all required fees" or "no fees", or to privately imposed fees such as "attorney fees". Next, we analyzed each of the remaining 246 fee statutes to obtain the information which you requested.

We did not analyze the nature of the fees imposed or authorized by the statutes to determine whether they were more accurately taxes or other types of charges. Neither did we examine other statutes which did not use the words "fee" or "fees" to determine whether they actually did impose or authorize a fee.

#### Treatment of Fee Revenues

One type of information was gathered generally but not included in the table. That information concerns "whether the fees go into the general

fund as unrestricted revenues or whether there is special handling of the fees."

Nearly all fees do go into the general fund as unrestricted revenues because of the prohibition on dedicated funds contained in Article IX, Section 7 of the Alaska Constitution. There are a few exceptions, however, which either predated the ratification of the Constitution or are required for participation in federal programs. The exceptions which we found are:

- fees from sport fishing and hunting licenses and permits collected under AS 16.05.340 are dedicated by AS 16.08.130 to "the protection, propagation, investigation, and restoration of sport fish and game resources and expenses of administering the sport fish and game division." This dedication to the "fish and game fund" satisfies a condition necessary for obtaining federal assistance under 16 USC Section 669,777.
- fees from cigarette licenses collected under AS 43.50.030-060 are dedicated to the "school fund" by AS 43.50.140. This dedication enacted in 1955 predates the ratification of the Alaska Constitution in 1956.

Several other statutes provide for special handling of fee revenue within the general fund. These are:

- AS 4.11.610 which provides that 20% of liquor license fee revenue collected by the Department of Revenue in a municipality be refunded from the general fund to the municipality;
- AS 15.25.050 which provides that revenue from candidate filing fees collected by the Lieutenant Governor's Office be paid to the central committee of each candidate's party, subject to appropriation;
- AS 18.56.095(b) which provides that mortgage loan commitment fees collected by the Alaska Housing Finance Corporation be deposited in the "mortgage insurance fund";
- AS 44.71.030(c) which provides that surplus property fees collected by the Department of Administration be deposited in the "special revenue fund for surplus property";
- AS 44.74.030 which provides that equipment rental fees collected by the Department of Transportation and Public Facilities be deposited in the "working capital fund";

- AS 44.88.157 which provides that loan insurance commitment fees collected by the Alaska Industrial Development Authority be deposited in the "loan insurance account" of the "enterprise development fund."

Two other types of information are also not included in the table: fees imposed by the court system and the University of Alaska. However, a summary of University fee revenue in FY 80 is attached. This summary indicates that \$6.6 million in (user) fees was collected by the University in that year. If you wish, we will attempt to gather more detailed information concerning both categories of fees.

#### Explanation of Table

Column 1 of the attached table, entitled "Alaska Statute" contains a citation of the legal authority for individual fees.

Column 2, entitled "Description of Fee" contains an identification of all fees affected. If a statute authorizes, but does not impose or set, a fee, this column indicates whether the authorization is mandatory or permissive and whether or not the fee is specifically required to be set by administrative regulation.

Column 3 entitled "Amount" contains information on the amount to be collected from each fee. If a statute imposes several fees, the description in Column 2 includes the words "fee schedule" and Column 3 indicates the range from the low to the high fee. If the fee is periodic the period is also indicated in Column 3. If a statute imposes both periodic and one-time fees, the periodic fee amount is shown above the one-time fee amount. If a statute authorizes, but does not impose or set, a fee, "N/A" appears in this column.

Column 4, entitled "Agency" identifies the agency responsible for collecting the fees. The agency names are abbreviated and an index to the acronym abbreviations is attached. If two agencies (e.g., a board and a department) are explicitly mentioned in the statutes with regard to a particular fee, both agencies are listed. If a board or a commission involved with a fee is subject to "sunset review," the year in which the agency will terminate unless continued is shown parenthetically in Column 4 beneath the agency abbreviation.

Column 5, entitled "User Fee" contains a classification of fees into user or non-user fees. In an attempt to define user fees we consulted dictionaries, legal dictionaries, Words & Phrases, American Jurisprudence, and Corpus Juris Secundum without success. Therefore, after discussion with Mr. Shelley, we have designated as user fees only those

Representative Richard Randolph  
February 17, 1981  
Page 5

fees for which something of concrete value, independent of licensing, registration, filing, and permitting systems is received. Examples of these clear user fees are rental and purchase fees and copying fees. Additional statutory fees could be designated as "user fees" if the definition of user fee were broadened.

Finally, Column 6, entitled "Last Change" notes the last date the fees were raised. If a statute authorizes, but does not impose or set a fee, the year shown in Column 6 is the year in which the fee was first authorized by statute. These years are designated by an asterisk. To determine the last change in a statutorily set fee or the first statute authorization of other fees, we examined the legislative history of each fee statute.

If you have any questions about the materials presented in this memorandum, please contact us. As noted earlier, we will be forwarding the information on fees imposed by regulation by March 1.

PBF/dp

Attachments

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
2.05.075	Air commerce certificate application fee schedule	\$100-200	ATC		1972
2.05.090	Commercial aircraft registration fee schedule	\$25-600	ATC		1972
2.15.090(a)	Fees for airport use and services may be set by regulation	N/A	DOTPF	Yes	1949*
2.20.010	Aircraft registration	\$1	DOTPF		1951
2.20.020	Air pilot registration	\$1	DOTPF		1951
3.05.010(c)	Fees for regulating import and use of agriculture products may be set by regulation	N/A	DNR		1949*
3.05.020(3)	Fees for services by state veterinarians must be set by regulation	N/A	DNR	Yes	1949*
3.22.020(5)	Fees for seeds and plants from the state may be set by regulation	N/A	PMC	Yes	1972*
3.40.030	Recording livestock brand	\$2	DNR		1959
3.40.070	Recording transfer of livestock brand	\$1	DNR		1959
3.40.160	Livestock slaughter permit registration	\$1/yr.	DNR		1959
3.57.010	Vegetable dealer license	\$25	DOA/DNR		1967
4.06.100(b)(4)	Fees for liquor licenses and permits not set by statute may be set by regulation	N/A	ABCB/DR		1980*
4.06.100(b)(15)	Fees for application for liquor licenses and permits may be set by regulation	N/A	ABCB/DR		1980*
4.11.090	Beverage dispensary license	\$1,250/yr.	ABCB/DR		1980
4.11.100	Restaurant license	\$ 300/yr.	ABCB/DR		1980

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
4.11.110	Club license	\$600/yr.	ABCB/DR		1980
4.11.120	Bottling works license	\$250/yr.	ABCB/DR		1980
4.11.130	Brewery license	\$500/yr.	ABCB/DR		1980
4.11.140	Winery license	\$250/yr.	ABCB/DR		1980
4.11.150	Package store license	\$750/yr.	ABCB/DR		1980
4.11.160(a)	General wholesale license fee schedule	1,000-11,000/yr	ABCB/DR		1980
4.11.160(b)	Beer and wine wholesale license fee schedule	\$200-10,200/yr	ABCB/DR		1980
4.11.170	Distillery license	\$500/yr.	ABCB/DR		1980
4.11.180	Common carrier dispensary license	\$350/yr.	ABCB/DR		1980
4.11.200	Retail stock sale license	\$100/yr.	ABCB/DR		1980
4.11.210	Recreational site license	\$400/yr.	ABCB/DR		1980
4.11.220	Pub license	\$400/yr.	ABCB/DR		1980
4.11.230	Caterer's Permit (for unspecified, but limited duration)	\$50	ABCB/DR		1980
4.11.240	Special events permit	\$50/day	ABCB/DR		1980
4.11.250	Conditional contractor's permit	\$600/yr.	ABCB/DR		1980
5.10.070	Boxing and wrestling license	\$100/yr.	AC/GO		1960
5.15.020	Bingo, raffle and ice pool permit	\$20 + 1¢/yr.	DR		1976
5.30.020	Snow vehicle registration	\$5/2 yrs.	DPS		1968

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
6.01.010	Fees for costs of examination of financial institution must be assessed	\$7,500 max.	DCED		1978
6.05.060	Fees for copies of documents must be set by regulation	N/A	DCED		1951*
6.20.030	Small lender license	\$200/yr.	DCED		1955
6.30.815	Filing of savings and loan association charters	\$10	DCED		1961
6.30.820	Approval of commissioner of any savings and loan association document	\$10	DCED		1961
6.40.040	Premium finance company license	\$200/yr.	DCED		1978
8.01.050(a)(10)	Duplicate licenses	\$2	DCED		1966
8.04.190	Certified public accountant examination	\$50	BPA (1984)		1976
8.04.390	Individual public accounting permit	\$60/2 yrs.	BPA (1984)		1976
8.04.400	Corporation or partnership public accounting permit	\$60/2yrs	BPA (1984)		1976
8.04.410	Registration of non-practicing accountant	\$10/yr.	BPA (1984)		1960
8.04.420	Permit for certified public accountant without Alaska office	\$100/yr.	BPA (1984)		1960
8.04.440	Excusable failure to renew permit penalty	triple annual fee	BPA (1984)		1960
8.08.080	Board of Governors may set any fees for law practice	N/A	ABA (1980)		1976

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTE

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
8.13.185	Barber and hairdresser fee schedule	\$30-400/2yrs \$20-700	BBH (1984)		1980
8.18.041	Construction contractor registration certificate	\$50-100/yr.	DCED		1968
8.20.180	Chiropractor fee schedule	\$200/4 yrs. \$20-\$50	BCE (1984)		1980
8.24.100-110	Collection agency operator license	\$100/2 yrs.	CAB/DCED (1980)		1968
8.24.120	Collection agency operator application	\$40	CAB/DCED (1980)		1968
8.24.140	Collection agency license and application	\$200/2 yrs. \$100	CAB/DCED (1980)		1968
8.24.370	Collection agency non-resident fee schedule	\$200-400/2 yr \$100-200	CAB/DCED (1980)		1968
8.36.290	Dentist and dental hygienist fee schedule	\$100-200/4 yr \$10-200	BDE (1982)		1980
8.40.135	Reinstatement of lapsed electrical license	\$25/yr.	BEE (1982)		1969
8.40.150	Electrical license	\$200/yr	BEE (1982)		1980
8.42.010	Fees for mortuary science may be set by regulation	N/A	DCED		1976*
8.48.091	Engineer examination fee may be set by regulation	N/A	SBRAELS/ DCED(1984)		1972*
8.48.201	Engineer registration fee may be set by regulation	\$100 max.	SBRAELS/ DCED(1984)		1972*

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTE

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
8.48.231	Engineer renewal fee may be set by regulation	\$100/yr. max.	SBRAELS/ DCED(1984)		1972*
8.48.241	Engineer corporation registration fee may be set by regulation	\$300 max.	SBRAELS/ DCED(1984)		1972*
8.52.050	Explosive handler certificate	\$5	DL		1955
8.54.170	Guide license fee schedule	\$10-75/yr.	GLCB (1980)		1973
8.54.180	Guide examination	\$25	GLCB (1980)		1973
8.62.140	Marine pilot application and license	\$10 \$200/2 yrs	BMP (1983)		1970
8.64.260	Physician re-exam fees may be prorated by regulation	N/A	SMB (1983)		1969*
8.64.315	Physician fee schedule	\$25-100/2 yrs \$25-125	SMB (1983)		1969*
8.66.020	Car dealer registration	\$25/yr.	DPS		1959
8.68.220	Nurse fee schedule	\$15/2 yr. \$15-20	BN (1983)		1969
8.70.150	Nursing home administraton fee schedule	\$50/yr. \$25	BNHA (1986)		1975
8.71.120	Dispensing optician fee schedule	\$200/4 yrs. \$50	BDO (1985)		1980
8.71.145	Fees for out-of-state dispensing opticians may be set by regulation	N/A	BDO (1985)		1980*

**FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES**

(1) Alaska Statute	(2) Description of fees	(3) Amount	(4) Agency (Sunset)	(5) User Fee	(6) Last Change
8.72.191	Optometrist fee schedule	\$100-200/4yr. \$50-100	BEO (1984)		1980
8.80.160	Pharmacist fee schedule	\$100-200/4yr. \$10-80	BP (1984)		1980
8.84.050	Physical therapist fee schedule	\$200/4 yr. \$20-50	SBPT (1986)		1980
8.86.070(a)(4)	Fees for psychological associates must be set by regulation	N/A	BPPAE (1982)		1973*
8.86.140	Psychologist fee schedule	\$200/4 yrs. \$25-200	BPPAE (1982)		1980
8.88.221	Real estate broker and salesman fee schedule	\$25-100/2 yr \$2-100	REC (1982)		1980
8.88.455	Real estate broker and salesman bond fee schedule	\$40-125/yr.	REC (1982)		1974
8.92.020	Concert promoter registration and renewal	\$75 \$20/yr.	DCED		1977
8.98.198	Veterinarian fee schedule	\$200/4 yrs. \$50-200	BVE/DCED (1985)		1980
8.99.080(a)(6)	Fees for welding tests must be set by regulation	N/A	BWE (1981)		1968*
10.05.039	Fees for registration of corporate name must be set by regulation	N/A	DCED		1980*
10.05.042	Fees for renewal of corporate name must be set by regulation	N/A	DCED		1980*
10.05.048	Fees for list of corporate names must be set by regulation	N/A	DCED		1960*

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
10.05.057(b)	Service of process on commissioner	\$10	DCED		1976
10.05.630	Fee for list of foreign corporations must be set by regulation	N/A	DCED		1960*
10.05.708	Fee for incorporation filing must be set by regulation	N/A	DCED		1980*
10.05.711	Fee for filing incorporation amendments must be set by regulation	N/A	DCED		1980*
10.05.714	Fee for appointment of agent must be set by regulation	N/A	DCED		1980*
10.05.720	Fee for certificate of payment of corporate tax must be set by regulation	N/A	DCED		1980*
10.05.747(a)	Fee for filing miscellaneous instruments must be set by regulation	N/A	DCED		1980*
10.05.747(b)	A fixed fee in lieu of other fees may be set by regulation	N/A	DCED		1980*
10.05.750	Fee for withdrawal of foreign corporation from state must be set by regulation	N/A	DCED		1980*
10.05.753	Fee for dissolution of domestic corporation must be set by regulation	N/A	DCED		1980*
10.05.756	Fee for dissolution of foreign corporation must be set by regulation	N/A	DCED		1980*
10.05.762	Fees for certified copies must be set by regulation	N/A	DCED	Yes	1980*
10.05.773	All AS 10.05 fee increases are limited by the consumer price index	N/A	DCED		1980*
10.15.245	Filing coop contracts	\$10+.02/name	DCED		1980
10.15.255	Fees for filing coop contracts must be set by regulation	N/A	DCED		1980*

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1) Alaska Statute	(2) Description of fees	(3) Amount	(4) Agency (Sunset)	(5) User Fee	(6) Last Change
10.15.260	Fees for filing terminated coop contracts must be set by regulation	N/A	DCED		1980*
10.15.530-545	Fees for biennial cooperative corporation license must be set by regulation	N/A	DCED		1980*
10.15.555	Fees for miscellaneous cooperative corporation license must be set by regulation	N/A	DCED		1980*
10.20.031	Fee for copy of list of registered corporations must be set by regulation	N/A	DCED	Yes	1968*
10.20.510	Fee for copy of list of foreign corporations must be set by regulation	N/A	DCED	Yes	1968*
10.20.530	Fees for service on commissioner must be set by regulation	N/A	DCED		1980*
10.20.635	Fees for filing corporate documents must be set by regulation	N/A	DCED		1980*
10.20.640	Fee for certified copy must be set by regulation	N/A	DCED	Yes	1980*
10.25.530	Fees for filing various utility coop documents must be set by regulation	N/A	DCED		1980*
10.35.060	Fee for registering business name must be set by regulation	N/A	DCED		1980*
10.35.070	Fee for renewal of business name must be set by regulation	N/A	DCED		1980*
10.35.140	Fees for filing religious corporation documents must be set by regulation.	N/A	DCED		1980*
14.09.010	Fees for supplementary pupil transportation may be set by regulation	N/A	SD/DE	Yes	1966*
14.20.500	Fees for teaching certificate may be set by regulation	N/A	PTPC/DE		1966*

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
14.48.090	Postsecondary education institution fee schedule	\$50-100	ACPSE/DE		1976
14.52.010(b)	Schools may set food service fees	N/A	Schools/DE	Yes	1972*
14.56.170	State library may set copy fees	N/A	SLDDAC/DE	Yes	1979*
15.15.400	Fee for voter list copy must be set by election director	N/A	LG	Yes	1960*
15.25.050	Filing Declaration of Candidacy for legislative and executive office fee schedule	\$30-100	LG		1960
15.35.041	Filing declaration of candidacy for retention-Supreme Court	\$100	LG		1963
15.35.057	Filing declaration of candidacy for retention-Court of Appeals	\$100	LG		1980
15.35.071	Filing declaration of candidacy for retention-Superior Court	\$ 30	LG		1963
15.35.120	Filing declaration of candidacy for retention-District Court	\$ 30	LG		1966
16.05.065	Extension of fish and game application deadlines	\$ 45	BF&BG/DFG		1970
16.05.340	Sport fishing and hunting license and tag fee schedule	\$5-1,000/yr.	BF&BG/DFG		1980
16.05.346	Sport hunting tag and permit application	\$5-10	BG/DFG		1980
16.05.480	Commercial fishing license	\$10-30/yr.	BF/DFG		1966
16.05.520	Duplicate vessel license plate	\$2	CFEC		1959
16.05.530	Vessel license renewal	\$20/yr.	CFEC		1977
16.05.632	Fees for shellfish gear registration tags must be set by regulation	N/A	DFG		1977*
16.05.903	Big game photo contest entry	\$10	DFG		1975

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
16.10.400	Hatchery permit application	\$100	DFG		1974
16.43.160	Fees for limited entry permits must be set by regulation	\$10-750/yr.	CFEC		1977
16.43.277	Fees for educational entry permit must be set by regulation	N/A	CFEC		1978*
16.43.337	Fees for special harvest area permits must be set by regulation	N/A	CFEC		1979*
18.20.030	Hospital license application	\$10	DHSS		1949
18.26.050	Fees at state-funded hospitals may be set by regulation	N/A	AMFA/DR	Yes	1978*
18.50.100	Fees for local registrar services must be set by regulation	N/A	BVS/DHSS	Yes	1960*
18.50.330	Fees for state registrar services must be set by regulation	N/A	BVS/DHSS	Yes	1960*
18.56.090(6)	Fees for Alaska Housing Finance Corporation services may be set by regulation	N/A	AHFC/DCED	Yes	1971*
18.56.093(b)	Insurance commitment fees for AHFC mortgage loans may be set by regulation	N/A	AHFC/DCED	Yes	1980*
18.56.095(b)	Special insurance commitment fees for AHFC mortgage loans may be set by regulation	N/A	AHFC/DCED	Yes	1980*
18.57.040(12)	Fees for rural education attendance area services may be set by regulation	N/A	REAA/DOE	Yes	1975*
18.60.340	Fee for boiler inspection certificate must be set by regulation	N/A	DL		1966 *
18.60.360	Fees for boiler inspection must be set by regulation	N/A	DL		1966*
18.60.620	Fees for wiring inspection must be set by regulation	N/A	DL		1969*

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
18.60.715	Fees for plumbing inspections may be set by regulation	N/A	DL		1980*
18.60.720	Maximum fees for plumbing permits which may be set by regulation	\$1.50-10	DL		1972
18.60.800(b)(3)	Fees for elevator inspection must be set by regulation	N/A	DL		1979*
18.62.030	Electrician and plumber certificate of fitness applications	\$15	DL		1974
18.62.040	Electrician and plumber certificate of fitness renewal	\$5/yr.	DL		1974
18.65.310	State identification card	\$5	DPS	Yes	1973
18.65.410	Security guard agency license applications	\$25-200	DPS		1973
18.65.430	Security guard agency license renewal	\$25/2 yrs.	DPS		1976
18.72.020	Fireworks retail permit	\$5/yr.	FM/DPS		1969
18.72.030	Fireworks wholesale license	\$500/yr.	FM/DPS		1969
21.06.250	Insurance certificates licenses, etc. fee schedule	\$5-250/yr. \$5-300	DI/DCED		1976
21.33.220	Surplus line insurance broker statement filing	\$50/yr.	DI/DCED		1966
21.39.060(a)	Insurance rating organization license	\$100/3 yrs.	DI/DCED		1966
21.66.080	Title insurance company annual statement filing	\$15/yr.	DI/DCED		1966
21.66.090(b)	Title insurance company certificate of authority application	\$50	DI/DCED		1966
21.66.210(b)	Joint plant insurance company certificate of authority	\$75/yr.	DI/DCED		1974
21.84.340(b)	Fraternal benefit society annual report filing	\$5/yr.	DI/DCED		1966

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
21.84.430(a)	Fraternal benefit society agent license	\$35/yr	DI/DCED		1966
21.84.490(b)	Fraternal benefit society service of process on director	\$5	DI/DCED		1966
21.87.320	Hospital and medical service corporation fee schedule	\$10-65/yr \$5-100	DI/DCED		1966
22.05.020	All court fees may be set by rule	N/A	SC		1960*
23.15.390	Employment agency permit application	\$10	DL		1953
25.05.241	Fees for marriage license must be set by rule	N/A	SC		1963*
25.30.160	Fees for custody decree copies must be set by court	N/A	SC		1977*
27.05.080	Fees for state mining equipment rental to be nominal	N/A	DNR	Yes	1955*
28.05.011(8)	Fees for special permits must be set by regulation	N/A	DPS		1978*
28.05.061(c)	Fees for certified copies must be set	N/A	DPS	Yes	1978*
28.10.071(d)	Fees for weekly lists of stolen vehicles must be set	N/A	DPS	Yes	1978*
28.10.411-421	Motor vehicle registration fee schedule	\$5-215/yr.	DPS		1979
28.10.441	Other motor vehicle fee schedule	\$2-5	DPS		1978
28.15.151	Fees for driver's record abstract to be set by regulation	N/A	DPS	Yes	1978*
28.15.271	Driver's license and permit fee schedule	\$1-5	DPS		1978*
28.17.031	Driving school and teacher licenses	\$5-25/yr.	DPS		1976
28.35.155	Special individual traction permit	1/3 registration fee/yr.	DPS		1980

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
31.05.090	Oil and gas well drilling permit	\$100/well	AOGCC		1970
34.35.190	Fees for recording chattel mortgages may be set	N/A	Recorder		1949*
34.35.270	Fees for receiver services may be set by court (timber)	N/A	DPS/Court	Yes	1949*
34.35.350	Fees for receiver services may be set by court (fish)	N/A	DPS/Court	Yes	1949*
34.35.410	Lien filing fee is to be same as for filing other papers	N/A	Recorder		1949*
34.45.090	Court and police fees for handling unclaimed property	\$3 + execution fees + .10/folio	Police/Courts		1933
37.15.500	Fees for use of airports may be set	N/A	DOTPF	Yes	1972*
38.05.035(a)(5)	Fees for various public land services, etc., may be set by regulation	N/A	DOL/DNR		1959*
38.05.057(d)(2)	Application for land lottery	\$25	DOL/DNR		1979
38.05.079(b)	Remote cabin permit	\$100/yr.	DOL/DNR		1979
38.05.180(u)	Fees for subsurface storage of oil or gas may be set	N/A	DOL/DNR		1959*
38.05.330	Fees for permits, rights-of-way, and easements may be set	N/A	DOL/DNR		1959*
38.08.030	Homesite entry application	\$10	DOL/DNR		1977
38.95.080	Trapping cabin permit	\$10	DOL/DNR		1976
41.21.030	Fees for copies of archives material may be set	N/A	ASA/DA		1970*
42.05.351	Fees for appliance testing may be set	N/A	APUC/DCED		1970*
42.05.661	Application for Alaska Public Utilities certificate	\$50	APUC		1970

FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
42.06.520	Fees for Alaska Pipeline Commission certificates may be set	N/A	APC		1972*
42.10.160	Application fee schedule for commercial carriers	\$10-50	ATC		1972
42.10.240	Commercial carrier fee schedule	\$25-75/yr.	ATC		1970
43.05.230(b)	Tax return copies	\$1/pg.	DR	Yes	1976
43.20.270(1)	Fees for distraint may be set	N/A	DR		1951*
43.31.310	Certificate of non-liability for estate tax	\$2.50	DR		1970
43.35.020(b)	Transfer of taxable gaming device	\$5	DR		1960
43.35.030	Permit for distribution of coin-operated equipment	\$50/yr.	DR		1960
43.50.030	Cigarette license fee schedule	\$5-50/yr.	DR		1955
43.50.040	Cigarette license change of address	\$.50	DR		1955
43.50.060	Cigarette license duplicate	\$.50	DR		1955
43.70.030	Business license	\$25	DR		1978
43.70.090	Other business license fees may be set by regulation	N/A	DR		1949*
43.75.020	Fish processing license application	\$25	DR		1949
44.07.110(10)	Fees for use of services and facilities of a new capital city may be set	N/A	ACCDC/DCRA	Yes	1978*
44.19.024	Certificates with state seal	\$2 + .20/pg	LG	Yes	1949
44.37.025(b)	Fees for recording instruments must be set by regulation	N/A	DNR		1980*
44.47.290	Fees for day care must be set by regulation	N/A	DCRA	Yes	1975

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset)	User Fee	Last Change
44.50.040	Notary Public commission	\$20/4 yrs.	LG		1961
44.71.030(a)	Fees for use of surplus property must be set	N/A	DA	Yes	1957
44.74.030	Fees for use of state equipment may be set	N/A	DOTPF	Yes	1960*
44.85.080(8)	Fees for use of bond bank services and facilities may be set	N/A	AMBBA/DR	Yes	1975*
44.88.157(c)	Loan insurance commitment fees may be set by regulation	N/A	AIDA/DCED		1980*
44.88.158(d)	Loan fees may be set by regulation	N/A	AIDA/DCED	Yes	1980*
45.09.302(e)	Filing utility security interest	\$10	DNR		1967
45.09.403(e)	Uniform Commercial Code financing statement fees must be set by court administrator	N/A	Courts		1962*
45.09.404(c)	Uniform Commercial Code termination statement fees must be set by court administrator	N/A	Courts		1962*
45.09.405(b)	Uniform Commercial Code assignment statement fees must be set by court administrator	N/A	Courts		1962*
45.09.406	Uniform Commercial Code statement of release fees must be set by court administrator	N/A	Courts		1962*
45.09.407	Uniform Commercial Code copy fees must be set by court administrator	N/A	Courts	Yes	1962*
45.50.040	Application for trademark registration	\$10	DCED		1961
45.50.080	Application for renewal of trademark registration	\$10	DCED		1961*
45.50.120	Recording assignment of trademark registration	\$ 2	DCED		1961*
45.50.210(b)	Fees for registration of log brand must be set by regulation	N/A	DNR		1975*

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

(1)	(2)	(3)	(4)	(5)	(6)
Alaska Statute	Description of fees	Amount	Agency (Sunset:)	User Fee	Last Change
45.50.220	Fee for renewal of log brand registration must be set by regulation	N/A	DNR		1975*
45.50.260	Fees for transfer of log brand registration must be set by regulation	N/A	DNR		1975*
45.50.280	Fees for copies of log brand registrations must be set by regulation	N/A	DNR	Yes	1975*
45.50.370(d)	Service of process on commissioner for non-resident copyright holder	\$3	DA		1949
45.55.040(c)	Application for registration of investment brokers and advisors fee schedule	\$30-75/yr. \$50-100	DCED		1972
45.55.110(b)	Filing security registration statement fee schedule	\$100-\$1,500	DCED		1972
45.55.140(f)	Fees for security exemption investigation must be set by regulation	N/A	DCED		1972*
46.03.160(h)	Air pollution control plan review fee	\$25	DEC		1971
46.11.030(d)	Energy audit	\$10	DCED	Yes	1980
46.15.020(b)(4)	Fees for any public service by DEC must be set by regulation	N/A	DEC		1966*
46.35.120	All previously set DEC fees will continue to apply	N/A	DEC		1977*
47.23.020(2)(c)	Fees for child support enforcement must be set by regulation	N/A	CSEA/DR		1977*
47.37.140(a)	Fees for inspection of alcoholism treatment facilities must be set by regulation	N/A	OA/DHSS		1972*

## FEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

### KEY TO TABLE

N/A denotes that the statute authorizes, but does not set, the fee.

An asterick (\*) denotes the year the authority was first enacted

#### Agency Abbreviations

ABA	Alaska Bar Association
ABCB	Alcohol Beverage Control Board
AC	Athletic Commission
ACCDC	Alaska Capitol City Development Corporation
ACPSE	Alaska Commission on Post-Secondary Education
AHFC	Alaska Housing Finance Corporation
AIDA	Alaska Industrial Development Authority
AMBBA	Alaska Municipal Bond Bank Authority
AMFA	Alaska Medical Facility Authority
AOGCC	Alaska Oil and Gas Conservation Commission
APC	Alaska Pipeline Commission
APUC	Alaska Public Utilities Commission
ASA	Alaska State Archives
ATC	Alaska Transportation Commission
BBH	Board of Barbers and Hairdressers
BCE	Board of Chiropractic Examiners
BDE	Board of Dental Examiners
BDO	Board of Dispensing Opticians
BEE	Board of Electrical Engineers
BEO	Board of Examiners in Optometry
BF	Board of Fisheries
BG	Board of Games
BMP	Board of Marine Pilots
BN	Board of Nursing
BNHA	Board of Nursing Home Administrators
BP	Board of Pharmacists
BPA	Board of Public Accountancy
BPPAE	Board of Psychologist and Psychological Associate Examiners
BVE	Board of Veterinary Examiners
BVS	Bureau of Vital Statistics
BWE	Board of Welding Examiners
CAB	Collection Agency Board
CFEC	Commercial Fisheries Entry Commission
CSEA	Child Support Enforcement Agency
DA	Department of Administration
DCED	Department of Commerce and Economic Development

FEEES IMPOSED OR AUTHORIZED BY ALASKA STATUTES

KEY TO TABLE (cont.)

DCRA	Department of Community and Regional Affairs
DE	Department of Education
DEC	Department of Environmental Conservation
DFG	Department of Fish and Game
DHSS	Department of Health and Social Services
DI	Division of Insurance (DCED)
DL	Department of Labor
DNR	Department of Natural Resources
DOA	Division of Agriculture (DNR)
DOL	Division of Lands (DNR)
DOTPF	Department of Transportation and Public Facilities
DPS	Department of Public Safety
DR	Department of Revenue
FM	Fire Marshal (DPS)
GLCB	Guide Licensing and Control Board
GO	Governor's Office
LG	Lieutenant Governor
OA	Office of Administration
PMC	Plant Materials Center
PTPC	Professional Teaching Practices Commission
REAA	Rural Education Attendance Areas
REC	Real Estate Commission
SBRAELS	State Board of Registration for Architects, Engineers and Land Surveyors
SC	Supreme Court
SD	School District
SMB	State Medical Board
SLDDAC	State Library District and Data Access
SPTB	State Physical Therapy Board

TABLE XVII  
University of Alaska  
FY 80 Expenditures Matrix - Expanded Format  
(\$millions)

	REVENUES			Total	
	State Funds	Student Fees, Etc.	Other Sources		
INSTRUCTIONAL COSTS	Senior Colleges	\$38.0	\$2.6	\$ 6.6	\$47.3
	Community Colleges	<u>22.7</u>	<u>2.9</u>	<u>5.1</u>	<u>30.7</u>
	Total Instructional Costs	\$60.8	\$5.6	\$11.7	\$78.0
-----					
NON- INSTRUCTIONAL COSTS	Administration				
	Board of Regents	\$ .1	\$ 0	\$ 0	\$ .1
	Statewide Administration	7.0	0	2.0	9.0
	Community College Admin.	1.0	0	.1	1.1
	Sub-total	<u>8.3</u>	<u>0</u>	<u>2.1</u>	<u>10.3</u>
	Debt Service				
	General Obligation	11.2	0	0	11.2
	Other	.8	1.0	.1	1.9
	Sub-total	<u>12.0</u>	<u>1.0</u>	<u>.1</u>	<u>13.1</u>
	Public Service & Extension				
	Public Service	1.1	0	.6	1.7
	Cooperative Extension	2.3	0	1.3	3.5
	Sub-total	<u>3.4</u>	<u>0</u>	<u>1.8</u>	<u>5.2</u>
	Research				
	Organized Research & Professional Centers	12.8	0	32.5	45.3
Sub-total	<u>.6</u>	<u>0</u>	<u>1.4</u>	<u>2.0</u>	
Auxiliaries	0	0	8.1	8.1	
Total Non-Instructional Costs	\$37.0	\$1.0	\$46.0	\$ 84.0	
TOTAL UNIVERSITY OF ALASKA	\$97.7	\$6.6	\$57.7	\$162.0	

Source: University of Alaska, Attachment C  
House Research Agency/AHD 1/24/81

# STATE OF ALASKA

An outline map of the state of Alaska, showing the main landmass and the Aleutian Islands to the west. The map is centered on the page, with the title text overlaid on it.

## ANNUAL FINANCIAL REPORT

(PAGES WHICH REFLECT FEE REVENUE)

**JAY S. HAMMOND**  
Governor



Fiscal Year Ended June 30, 1930

STATE OF ALASKA

taken to utilize them. These matters are discussed in more detail in the sections that follow.

General Fund Revenues

In our State, much more so than in our sister states, the General Fund is the general "purse" of the people. Because of the constitutional prohibition on dedicating the proceeds of most state taxes and licenses, General Fund appropriations are made to carry on practically every program in Alaska. It is not an overstatement to maintain that the fiscal health of the State of Alaska is reflected in the operations of its General Fund.

General Fund revenues for fiscal 1980 were \$2,780.9 million, an increase of \$1,355.4 million over revenues of \$1,425.5 million for fiscal 1979. Actual revenues for the last two years are shown in the following tabulation.

<u>Revenues</u>	<u>1980</u> <u>(Millions)</u>	<u>Percent</u> <u>Of Total</u>	<u>1979</u> <u>(Millions)</u>	<u>Percent</u> <u>Of Total</u>
Taxes	\$1,410.5	50.7	\$ 798.6	56.1
<del>Licenses and Permits</del>	<del>18.7</del>	<del>0.7</del>	<del>19.7</del>	<del>1.4</del>
Federal Grants	229.4	8.2	225.4	15.8
<del>Charges for Services</del>	<del>27.3</del>	<del>1.0</del>	<del>24.9</del>	<del>1.7</del>
Fines and Forfeitures	2.7	0.1	2.1	0.2
Miscellaneous	1,092.1	39.2	354.5	24.9
Total	\$2,780.9	100.0	\$1,425.5	100.0

Taxes and miscellaneous revenues accounted for the sharp increase in total revenues in fiscal 1980.

Revenues from taxes of \$1,410.5 million were \$611.9 million more than tax revenues reported for fiscal 1979. The schedule below shows the details of tax revenues for the last two years.

<u>Tax</u>	<u>1980</u> <u>(Millions)</u>	<u>1979</u> <u>(Millions)</u>	<u>Change</u>
Oil and Gas Corporation Income Tax	\$ 547.4	\$ 232.6	\$ 314.8
Oil Production Tax	495.8	166.1	329.7
Pipeline Property Tax	168.9	163.4	5.5
Personal Income Tax	100.4	117.1	-16.7
Other Taxes	98.0	119.4	-21.4
Total	\$1,410.5	\$ 798.6	\$ 611.9

## STATE OF ALASKA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Governmental Types			Capital Project Funds	Fiduciary Fund Types Expensible Trust Funds	Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds			June 30, 1980	June 30, 1979
<b>Financial Resources Provided</b>							
<b>Revenues</b>							
<b>Unrestricted</b>							
Taxes	\$1,410,550,242	\$ 2,679,731	\$	\$	\$	\$1,413,229,973	\$801,436,735
<del>Accretion and Amortization</del>	<del>20,799,300</del>	<del>4,930,300</del>				<del>25,729,600</del>	<del>20,333,033</del>
Inter-governmental Revenues	5,870,316					5,870,316	5,273,497
<del>Charges for Services</del>	<del>89,000,000</del>	<del>80,000</del>				<del>89,800,000</del>	<del>80,000</del>
FINES AND FORFEITURES	2,754,095	409,786				3,163,881	2,177,427
Rents and Royalties	832,976,437	35,468,005			33,452,589	901,897,031	217,343,680
Interest	146,834,754	310,348			802,464	147,947,566	59,680,172
Other	22,264,355	1,006,356			12,315,656	35,586,378	26,137,533
<b>Total Unrestricted</b>	<b>\$2,447,361,024</b>	<b>\$ 44,824,562</b>	<b>\$</b>	<b>\$</b>	<b>\$ 46,570,710</b>	<b>\$2,558,756,306</b>	<b>\$1,181,718,451</b>
<b>Restricted</b>							
Federal Grants in Aid	\$ 223,534,492	\$ 12,648,407	\$	\$ 43,016,026	\$	\$ 279,198,926	\$ 243,903,546
Other Grants in Aid	11,455,368					11,455,368	9,355,448
Inter-agency Receipts	71,996,187	57,298		687,292		72,750,776	77,223,678
Other	6,578,060	27,592				6,605,652	5,072,157
<b>Total Restricted</b>	<b>\$ 313,564,109</b>	<b>\$ 12,743,297</b>	<b>\$</b>	<b>\$ 43,703,319</b>	<b>\$</b>	<b>\$ 370,010,725</b>	<b>\$ 338,554,830</b>
<b>Total Revenues</b>	<b>\$2,760,925,133</b>	<b>\$ 57,567,859</b>	<b>\$</b>	<b>\$ 43,703,319</b>	<b>\$ 46,570,710</b>	<b>\$2,928,767,032</b>	<b>\$1,497,273,282</b>
<b>Other Sources</b>							
Receivables	\$	\$ (548,474)	\$	\$	\$	\$ (548,474)	\$ 273,803,971
Proceeds of General Obligation Bonds							100,000,000
Transfer from General Fund		2,800,000	76,242,173		4,000,000	83,042,173	61,977,471
Transfer from Other Funds	12,386,272	90,674			11,150,000	23,626,946	33,764,723
U.C. Revenue					67,589,468	67,589,468	65,158,802
<b>Total Other Sources</b>	<b>\$ 12,386,272</b>	<b>\$ 2,342,199</b>	<b>\$ 76,242,173</b>	<b>\$</b>	<b>\$ 82,739,468</b>	<b>\$ 173,710,133</b>	<b>\$ 534,734,969</b>
<b>Total Financial Resources Provided</b>	<b>\$2,793,311,415</b>	<b>\$ 59,910,059</b>	<b>\$ 76,242,173</b>	<b>\$ 43,703,319</b>	<b>\$129,310,198</b>	<b>\$3,102,477,166</b>	<b>\$2,032,008,251</b>
<b>Financial Resources Used</b>							
<b>Expenditures</b>							
<b>Operating</b>							
Education	\$ 445,828,279	\$ 2,003,200	\$	\$	\$	\$ 447,831,479	\$ 410,557,649
Social Services	131,135,037					131,135,037	124,160,647
Health	73,484,015					73,484,015	78,319,116
Natural Resources	82,584,123	9,709,637				91,793,760	86,843,736
Public Protection	29,900,972	78,513				28,979,485	28,266,233
Administration of Justice	84,586,022					84,586,022	85,966,758
Development	63,010,327	1,281,282				64,291,607	61,814,176
Transportation	130,444,629					130,444,629	124,706,983
General Government	86,451,736					86,451,736	87,101,791
<b>Total Operating</b>	<b>\$1,126,425,145</b>	<b>\$ 12,572,633</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$1,138,997,778</b>	<b>\$1,087,737,093</b>
Debt Service			76,209,273			76,209,273	58,887,202
Capital Outlay	249,265,445	22,609,641		150,657,582	7,871,983	430,404,653	281,663,263
<b>Total Expenditures</b>	<b>\$1,375,690,590</b>	<b>\$ 35,182,274</b>	<b>\$ 76,209,273</b>	<b>\$150,657,582</b>	<b>\$ 7,871,983</b>	<b>\$1,645,611,704</b>	<b>\$1,428,287,559</b>
<b>Other Uses</b>							
Expenditures (Adjustments) Related to Prior Year Budget	\$ 101,223,572	\$ 17,105,563	\$	\$ 66,283,923	\$	\$ 184,613,059	\$ 8,799,607
Other Transfers		11,081,042				11,081,042	8,343,745
Transfer to Bond Redemption Fund				3,409		3,409	4,008
Trust Refund					12,525,306	12,525,306	14,893,697
U.C. Benefits Paid					50,753,101	50,753,101	64,056,446
<b>Total Other Uses</b>	<b>\$ 101,223,572</b>	<b>\$ 28,186,605</b>	<b>\$</b>	<b>\$ 66,287,322</b>	<b>\$ 63,278,406</b>	<b>\$ 258,975,917</b>	<b>\$ 96,007,526</b>
<b>Total Financial Resources Used</b>	<b>\$1,476,914,162</b>	<b>\$ 63,368,879</b>	<b>\$ 76,209,273</b>	<b>\$216,944,915</b>	<b>\$ 71,150,392</b>	<b>\$1,904,587,622</b>	<b>\$1,524,295,086</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$1,316,397,253</b>	<b>\$ (3,458,820)</b>	<b>\$ 32,900</b>	<b>\$(173,241,595)</b>	<b>\$ 58,159,806</b>	<b>\$1,197,889,544</b>	<b>\$ 507,713,165</b>
Fund Balance - July 1	\$ 983,739,126	\$ 9,156,598	\$ 1,346,772	\$362,722,457	\$ 71,385,790	\$1,428,350,746	\$ 920,637,500
Fund Balance - June 30	\$2,300,136,379	\$ 5,697,778	\$ 1,379,672	\$189,480,862	\$129,545,597	\$2,626,240,789	\$1,428,350,746

The notes to the Financial Statements are an integral part of this statement.

STATE OF ALASKA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

Sc. #4

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Final Revised Budget	Actual	(Over) Under Budget	Final Revised Budget	Actual	(Over) Under Budget	Final Revised Budget	Actual	(Over) Under Budget
<b>Financial Resources Provided</b>									
<b>Revenues</b>									
<b>Unrestricted</b>									
Taxes	\$1,403,400,000	\$1,410,550,242	\$ (7,150,242)	\$ 2,900,000	\$ 2,679,731	\$ 220,268	\$1,406,300,000	\$1,413,229,973	\$ (6,929,974)
<del>Licenses and Permits</del>	<del>16,453,000</del>	<del>10,999,809</del>	<del>(2,349,309)</del>	<del>0,321,000</del>	<del>4,930,329</del>	<del>(609,009)</del>	<del>20,994,000</del>	<del>23,720,312</del>	<del>(2,954,912)</del>
Inter-Governmental Revenues	801,759	5,870,316	(5,068,557)	26,500	7,812,026	(7,785,526)	828,759	13,687,342	(12,854,083)
<del>Charges for Services</del>	<del>26,861,100</del>	<del>27,311,680</del>	<del>(8,890,080)</del>				<del>24,900,100</del>	<del>27,311,680</del>	<del>(2,350,580)</del>
Fines and Penalties	2,434,200	2,754,095	(319,895)		409,786	(409,786)	2,434,200	3,163,881	(729,681)
Bonds and Royalties	446,623,100	832,976,437	(386,353,337)	15,234,000	35,428,486	(20,194,486)	441,857,100	868,404,923	(406,547,823)
Interest	100,000,000	146,834,754	(46,834,754)		34,664	(34,664)	100,000,000	146,869,418	(46,869,418)
Other	865,133	22,264,355	(21,399,222)		487,754	(487,754)	865,133	22,752,109	(21,886,976)
<b>Total Unrestricted</b>	<b>\$1,995,539,092</b>	<b>\$2,467,361,034</b>	<b>\$ (471,821,942)</b>	<b>\$ 22,481,500</b>	<b>\$ 31,782,900</b>	<b>\$ (29,301,480)</b>	<b>\$2,018,020,592</b>	<b>\$2,519,144,914</b>	<b>\$ (501,123,422)</b>
<b>Restricted</b>									
Federal Grants in Aid	\$ 314,613,872	\$ 223,534,492	\$ 91,079,379	\$ 4,801,542	\$ 4,966,573	\$ (165,030)	\$ 319,415,414	\$ 228,501,065	\$ 90,914,349
Other Grants in Aid	20,011,364	11,455,368	8,555,996				20,011,364	11,455,368	8,555,996
Inter-agency Receipts	169,354,513	71,996,187	97,358,325	8,600,846	2,483,121	6,117,724	177,955,359	74,479,308	103,476,049
Other	11,588,467	6,578,060	5,010,406		1,702	(1,702)	11,588,467	6,578,762	5,009,704
<b>Total Restricted</b>	<b>\$ 515,568,216</b>	<b>\$ 313,564,107</b>	<b>\$ 202,004,106</b>	<b>\$ 13,402,388</b>	<b>\$ 7,451,397</b>	<b>\$ 5,950,991</b>	<b>\$ 528,970,605</b>	<b>\$ 321,015,506</b>	<b>\$ 207,955,097</b>
<b>Total Financial Resources Provided</b>	<b>\$2,511,107,308</b>	<b>\$2,780,925,141</b>	<b>\$ (269,817,833)</b>	<b>\$ 35,883,888</b>	<b>\$ 39,234,297</b>	<b>\$ (23,350,488)</b>	<b>\$2,546,991,197</b>	<b>\$2,840,159,521</b>	<b>\$ (293,168,323)</b>
<b>Financial Resources Used</b>									
<b>Expenditures</b>									
<b>Operating</b>									
Education	\$ 583,534,729	\$ 487,876,320	\$ 95,558,409	\$ 2,003,200	\$ 2,003,200	\$	\$ 585,537,929	\$ 489,979,520	\$ 95,558,409
Social Services	156,627,731	143,370,090	13,257,641				156,627,731	143,370,090	13,257,641
Health	102,591,169	89,172,936	13,418,233				102,591,169	89,172,936	13,418,233
Natural Resources	105,250,279	92,761,254	12,489,025	22,652,728	11,774,570	10,878,158	127,903,007	104,535,824	23,367,183
Public Protection	38,905,133	31,878,318	7,026,815	452,900	100,825	352,074	39,358,033	31,979,143	7,378,889
Administration of Justice	97,843,976	92,990,000	4,853,976				97,843,976	92,990,000	4,853,976
Development	99,373,513	81,280,171	18,093,342	6,106,309	(562,911)	6,669,220	105,479,822	80,717,260	24,762,562
Transportation	145,831,249	141,191,625	4,639,624				145,831,249	141,191,625	4,639,624
General Government	132,022,246	111,609,527	20,412,719				132,022,246	111,609,527	20,412,719
<b>Total Operating</b>	<b>\$1,461,980,023</b>	<b>\$1,272,230,252</b>	<b>\$189,749,771</b>	<b>\$ 31,215,138</b>	<b>\$ 13,315,683</b>	<b>\$ 17,899,454</b>	<b>\$1,493,195,141</b>	<b>\$1,285,545,935</b>	<b>\$207,649,205</b>
<b>Capital Outlay</b>	<b>981,372,166</b>	<b>\$ 249,700,469</b>	<b>\$ 731,671,697</b>	<b>\$ 24,378,031</b>	<b>\$ 7,609,641</b>	<b>\$ 1,718,389</b>	<b>1,005,700,197</b>	<b>272,310,110</b>	<b>733,390,086</b>
<b>Total Expenditures</b>	<b>\$2,443,352,189</b>	<b>\$1,521,930,721</b>	<b>\$ 921,421,468</b>	<b>\$ 55,593,169</b>	<b>\$ 35,925,325</b>	<b>\$ 19,617,844</b>	<b>\$2,498,895,338</b>	<b>\$1,557,856,046</b>	<b>\$ 941,039,292</b>
<b>Other Financing Sources (Uses)</b>									
Operating Transfers Out	\$ 101,223,572	\$ 101,223,572	\$	\$ 27,443,554	\$ 27,443,554	\$	\$ 128,667,126	\$ 128,667,126	\$
Operating Transfers In	(158,626,403)	(158,626,403)		(675,681)	(675,681)		(159,302,084)	(159,302,084)	
<b>Total Financial Resources Used</b>	<b>\$2,385,949,358</b>	<b>\$1,464,527,390</b>	<b>\$ 921,421,968</b>	<b>\$ 82,311,042</b>	<b>\$ 62,693,197</b>	<b>\$ 19,617,844</b>	<b>\$2,468,260,400</b>	<b>\$1,527,221,087</b>	<b>\$ 941,039,312</b>
<b>Net Increase (Decrease) in Fund Balance During the Year</b>									
	\$	\$ 1,316,397,754	\$	\$	\$ (3,459,870)	\$	\$	\$ 1,312,938,434	\$
<b>Fund Balance July 1</b>	<b>\$</b>	<b>\$ 983,739,106</b>	<b>\$</b>	<b>\$</b>	<b>\$ 9,156,598</b>	<b>\$</b>	<b>\$</b>	<b>\$ 992,895,724</b>	<b>\$</b>
<b>Fund Balance June 30</b>	<b>\$</b>	<b>\$2,300,136,379</b>	<b>\$</b>	<b>\$</b>	<b>\$ 5,697,728</b>	<b>\$</b>	<b>\$</b>	<b>\$2,305,834,158</b>	<b>\$</b>

The notes to the Financial Statements are an integral part of this statement.

GENERAL FUND  
COMPARATIVE ANALYSIS OF CHANGES IN FUND EQUITIES

	Fiscal Year Ended	
	June 30, 1980	June 30, 1979
Beginning Balance July 1	<u>\$ 983,739,126</u>	<u>\$761,351,201</u>
Financial Resources Provided:		
Unrestricted Revenue		
*Taxes, Licenses and Permits	<u>\$1,429,349,425</u>	<u>\$818,451,823</u>
Governmental Revenue	5,870,316	5,273,497
*Charges for Services	<u>27,311,650</u>	<u>24,924,560</u>
Fines and Forfeitures	2,754,095	2,177,427
Rents and Royalties	832,976,437	202,027,096
Interest Earned	146,834,754	58,766,466
Miscellaneous	<u>22,264,355</u>	<u>5,858,794</u>
Total Unrestricted Revenue (St. #11)	<u>\$2,467,361,034</u>	<u>\$1,117,479,665</u>
Restricted Revenue		
Federal Grants in Aid	\$ 223,534,492	\$202,195,032
Other Grants in Aid	11,455,368	9,345,349
Interagency Receipts	71,996,187	73,537,146
Miscellaneous	<u>6,578,060</u>	<u>5,022,157</u>
Total Restricted (St. #11)	<u>\$ 313,564,109</u>	<u>\$308,099,685</u>
Transfers and Adjustments	<u>\$ 12,386,272</u>	<u>\$ 32,881,552</u>
Total Revenues	<u>\$2,793,311,415</u>	<u>\$1458,460,903</u>
Resources Available During Year	<u>\$3,777,050,541</u>	<u>\$2219,812,104</u>
Uses of Financial Resources:		
Disbursements Related to Prior Year Budget	\$ 101,223,572	\$ 75,074,838
Current Year Operating Programs	1,126,425,145	982,880,399
Current Year Capital Programs	<u>249,265,445</u>	<u>178,117,740</u>
Resources Used During Year (St. #12 & #13)	<u>\$1,476,914,162</u>	<u>\$1,236,072,978</u>
Ending Balance June 30 (St. #1 & #9)	<u>\$2,300,136,379</u>	<u>\$ 983,739,126</u>

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
GENERAL FUND  
SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<b>Unrestricted Revenue</b>			
<b>Taxes</b>			
Gas Production Tax	10,080,000	10,318,268	(318,268)
Total Severance Taxes	\$515,600,000	\$521,252,908	\$ (5,652,908)
Total Taxes	\$1,403,400,000	\$1,410,550,242	\$ (7,150,242)
<b>* Licences and Permits</b>			
<b>Business Licenses and Permits</b>			
Corporation Licenses and Permits	\$ 686,000	\$ 666,250	\$ 19,749
Professional and Occupational Licenses	1,200,000	846,272	353,727
Securities Registration Fee	125,000	506,987	(381,987)
Liquor License Application	80,000	76,500	3,500
Public Liquor License	600	494	106
Brewery Liquor License	100	100	100
Beverage Dispenser License	480,000	502,850	(22,850)
Club License	23,400	24,434	(1,034)
Common Carrier Distributor License	15,900	14,150	1,750
Restaurant License	43,000	44,250	(1,250)
Road House License	6,400	3,250	3,150
Retail Liquor License	270,400	248,350	22,050
General Wholesale Liquor License	79,000	79,500	(500)
Wholesale Malt Beverage - Wine License	14,100	15,300	(1,200)
Miscellaneous Liquor Licenses	18,000	22,615	(4,615)
Fish and Game Farm License		674	(674)
Fur Dealer License-Resident	10,000	5,339	4,660
Fur Dealer License-Non-Resident	2,000	2,133	(133)
Taxidermist License-Resident	5,000	3,832	1,167
Taxidermist License-Non-Resident		243	(243)
Commercial Fish-Resident-General Fund	60,000	42,256	17,743

## STATE OF ALASKA

GENERAL FUND  
 SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<u>Unrestricted Revenue</u>			
<u>Licenses and Permits</u>			
<u>Business Licenses and Permits</u>			
(Continued)			
Commercial Fish License - Non-Resident	87,000	65,245	21,754
Commercial Fish Extension Fee		1,125	(1,125)
Fireworks Permit	3,000	2,160	840
Driver's Training License Fee		175	(175)
Amusement and Gaming Devices License	85,000	67,861	17,138
Lottery Permit Fee	20,000	35,126	(15,126)
Application Fees	125,000	596,050	(471,050)
Insurance License	511,700	543,187	(31,487)
Oil and Gas Drilling Permit	9,000	14,820	(5,820)
Explosive Handler Fee	600	30	570
Log Brand Registration Fee	1,000	1,572	(572)
Trademark Registration Certification Fee	1,500	780	720
Entry Fee Permit		3,082,146	(3,082,146)
Miscellaneous Business License	1,100	1,575	(475)
<b>Total Business Licenses and   Permits</b>	<b>\$ 3,963,800</b>	<b>\$ 7,517,540</b>	<b>\$ (3,553,740)</b>
<u>Non-Business Licences and Permits</u>			
Permit Application Fee	\$ 200	\$ 350	\$ (150)
Hunting/Trapping License-Resident	6,000	33	5,967
Hunting/Trapping Sport Fish License	27,000	553	26,446
Hunting/Trapping-Non-Resident	9,000		9,000
Visit - 1 day Sport Fish		1,250	(1,250)
Trapping License-Resident	5,000	6	4,994
Sport Fish & Game Duplicate License		5,679	(5,679)
Motor Freight Carrier Weight Fee	747,600	499,924	247,676
Motor Vehicle Drivers License	571,800	568,389	3,411
Motor Vehicle Registration Fee	9,980,400	9,297,308	683,091
Motor Vehicle Title/Lien Fee	1,062,300	795,578	266,721
Aircraft Registration Fee	75,000	65,744	9,255
Notary Public License		39,670	(39,670)
Declaration of Candidacy		6,550	(6,550)

STATE OF ALASKA  
GENERAL FUND  
SCHEDULE OF REVENUE -- BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<b>Unrestricted Revenue</b>			
<b>Licenses and Permits</b>			
<b>Non-Business Licenses and Permits (Continued)</b>			
Land Registration Fee	100	35	64
Miscellaneous Non-Business License	5,600	570	5,029
<b>Total Non-Business Licenses and Permits</b>	<b>\$ 12,490,000</b>	<b>\$ 11,281,643</b>	<b>\$ 1,208,356</b>
<b>Total Licenses and Permits</b>	<b>\$ 16,453,800</b>	<b>\$ 18,799,183</b>	<b>\$ (2,345,383)</b>
<b>Governmental Revenue</b>			
<b>Federal Shared</b>			
Timber Sale - Chugach	\$ 781,210	\$ 781,210	\$ (781,210)
Timber Sale - Tongass	2,792,488	(2,792,488)	(2,792,488)
Federal Power Act	2,000	7,687	(5,687)
Wildlife Refuge		38	(38)
Oil/Gas Lease Royalty	461,000	982,584	(521,584)
Mineral Royalties	95,000	2,103	92,896
Mineral Rentals	2,000	113,923	(111,923)
Lease Federal Land and Water		1,312	(1,312)
Sale Federal Land and Water	10,000	34,593	(24,593)
FMC 74-4 Overhead Recovery	231,759	1,054,017	(822,258)
G.O. Bond Interest Grants		100,356	(100,356)
<b>Total Governmental Revenue</b>	<b>\$ 801,759</b>	<b>\$ 5,870,316</b>	<b>\$ (5,068,557)</b>
<b>Charges for Services</b>			
<b>Legal Charges</b>			
Sale Public Document Certificates	\$ 167,300	\$ 492,370	\$ (325,070)
Service Process Fee	51,000	41,939	9,060
Miscellaneous Receipts	145,600	197,837	(52,237)
Filing Fee	812,400	861,053	(48,653)
Clerical Fee	235,200	174,075	61,124
<b>Total Legal Charges</b>	<b>\$ 1,411,500</b>	<b>\$ 1,767,276</b>	<b>\$ (355,776)</b>
<b>Transportation Charges</b>			
Landing Fee	\$ 34,200	\$ 142,043	\$ (107,843)
Parking Fee	1,800	15,978	(14,178)
Gas and Oil Fee	26,300	212,438	(186,138)

## STATE OF ALASKA

GENERAL FUND  
 SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<b>Unrestricted Revenue</b>			
<b>* Charges for Services</b>			
<b>Transportation Charges (Continued)</b>			
Vehicle Parking Fee	\$	\$ 45,297	\$ (45,297)
Coin Locker Fee		5,953	(5,953)
Concession Fee	2,300	44,249	(41,949)
Concession Fees		6,578	(6,578)
Land Rental	95,000	453,044	(358,044)
Electric Energy Fee		7,410	(7,410)
Passenger Screening Fee	70,900	49,818	21,081
Other Airport Charges	22,300	48,700	(26,400)
Ferry Traffic Receipts	18,100,000	18,028,359	71,640
Ferry Steward Receipts	4,640,000	2,952,076	1,687,923
Ferry Dock Fee	10,000		10,000
<b>Total Transportation Charges</b>	<b>\$ 23,002,800</b>	<b>\$ 22,011,950</b>	<b>\$ 990,849</b>
<b>General Charges</b>			
Pest and Disease Control	\$ 5,500	\$ 4,874	\$ 625
Identification Cards	22,300	51,257	(28,957)
Sale of Surplus or Repossessed Property	417,700	16,497	401,202
Receipts for Services Rendered		2,186,419	(2,186,419)
Food Service Receipts	25,300	103,726	(78,426)
Receipts for Supplies		1,074,350	(1,074,350)
Sale of Products	8,000	7,484	515
Alaska Surplus Property Sale		6,900	(6,900)
Uniform Commercial Code Fee	65,000	80,913	(15,913)
Timber/Stumpage Sale	3,000		3,000
<b>Total General Charges</b>	<b>546,800</b>	<b>3,532,423</b>	<b>(2,985,623)</b>
<b>Total Charges for Services</b>	<b>\$ 24,961,100</b>	<b>\$ 27,311,650</b>	<b>\$ (2,350,550)</b>
<b>Fines and Forfeitures</b>			
Fines and Forfeitures	\$ 2,102,600	\$ 2,438,322	\$ (335,722)
Court Cost Recovery	218,500	194,220	24,279
Liquidated Damages	7,000	6,964	35
Judgement Settlement	106,100	114,588	(8,488)
<b>Total Fines and Foreitures</b>	<b>\$ 2,434,200</b>	<b>\$ 2,754,095</b>	<b>\$ (319,895)</b>
<b>Other Revenues</b>			
Rents and Royalties			
Coal Lease Rent	\$ 52,000	\$ 49,695	\$ 2,304
Coal Royalties	46,000	62,206	(16,206)

## STATE OF ALASKA

GENERAL FUND  
 SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<u>Restricted Revenue</u>			
<u>Federal Grants in Aid by</u>			
<u>Category (Continued)</u>			
<u>Development</u>			
Economic Development Act-State	\$ 223,865	\$ 157,050	\$ 66,815
Technical Service	658,820	593,306	65,514
Housing and Urban Development			
Community Service-Administration	193,718		193,718
Grant	6,508,975	1,758,043	4,750,932
Federal Projects			
Total Development	<u>\$ 7,585,379</u>	<u>\$ 2,508,399</u>	<u>\$ 5,076,979</u>
<u>Transportation</u>			
Federal Aid Inter-State	\$117,607,727	\$ 70,573,274	\$ 47,034,452
Aid For Airport Projects	1,725,901	2,015,408	(289,506)
Total Transportation	<u>\$119,333,629</u>	<u>\$ 72,588,683</u>	<u>\$ 46,744,945</u>
<u>General Government</u>			
Intergovernmental Personnel	\$ 59,042	\$ 45,183	\$ 13,858
Federal Projects	293,590	224,896	68,694
Total General Government	<u>\$ 352,632</u>	<u>\$ 270,079</u>	<u>\$ 82,552</u>
Total Federal Grants in Aid	<u>\$314,613,372</u>	<u>\$223,534,492</u>	<u>\$ 91,079,379</u>
<u>Other Grants in Aid By Category</u>			
<u>Education</u>			
<del>Revenue Certificates</del>	<del>17,000</del>	<del>16,740</del>	<del>(260)</del>
Miscellaneous Program Receipts	151,866	158,288	(6,422)
Total Education	<u>\$ 228,866</u>	<u>\$ 247,028</u>	<u>\$ (18,162)</u>
<u>Social Services</u>			
Second Injury Fund	\$ 990,000	\$ 776,631	\$ 213,368
Small Business Enterprises	5,000	30,635	(25,635)
Commercial Fishermen			
Resident-Sick and Disabled	91,000	90,906	94
Non-Resident-Sick and Disabled	130,000	145,620	(15,620)
<del>Business Commodity Fee</del>	<del>382,400</del>	<del>262,750</del>	<del>119,649</del>
Skill Center	382,400	262,750	119,649
<del>Entry Permit</del>	<del>40,179</del>	<del>291,935</del>	<del>(251,756)</del>
Miscellaneous Program Receipts	40,179	291,935	(251,756)
Total Social Services	<u>\$ 1,751,279</u>	<u>\$ 1,343,056</u>	<u>\$ (408,223)</u>

## STATE OF ALASKA

GENERAL FUND  
 SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<u>Restricted Revenue</u>			
Other Grants in Aid by Category (Continued)			
Natural Resources			
Fish Sales	\$ 25,000	\$ 46,750	\$ (21,750)
Pipeline Receipts	1,384,500	432,568	951,931
Miscellaneous Program Receipts	867,077	438,841	428,235
Total Natural Resources	<u>\$ 2,276,577</u>	<u>\$ 918,160</u>	<u>\$ 1,358,416</u>
Public Protection			
Real Estate Surety	\$ 77,464	\$ 118,656	\$ (41,192)
Trailer Rental		8	(8)
Building Plan Review	50,000	48,583	1,416
Miscellaneous Program Receipts	2,418,153	1,897,887	520,266
Total Public Protection	<u>\$ 2,545,617</u>	<u>\$ 2,065,136</u>	<u>\$ 480,481</u>
Administration of Justice			
Miscellaneous Program Receipts	\$ 94,397	\$ 104,516	\$ (10,119)
Development			
King Crab Marketing Control	\$	\$ 296,019	\$ (296,019)
Alaska State Housing Authority	3,377,645	73,472	3,304,173
Miscellaneous Program Receipts	331,617	140,323	191,293
Total Development	<u>\$ 3,709,262</u>	<u>\$ 509,815</u>	<u>\$ 3,199,447</u>
Transportation			
Highway Maintenance	\$ 111,156	\$ 561,382	\$ (450,225)
<del>Overweight Size Permits</del>	<del>299,000</del>	<del>261,370</del>	<del>37,630</del>
Airport Maintenance	558,500	466,248	92,252
Miscellaneous Program Receipts	1,838,406	343,972	1,494,434
Total Transportation	<u>\$ 2,803,663</u>	<u>\$ 1,633,372</u>	<u>\$ 1,170,290</u>

## STATE OF ALASKA

GENERAL FUND  
SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Final Revised Budget	Actual	(Over) Under Budget
<b>Restricted Revenues</b>			
<b>Other Grants in Aid by</b>			
<b>Category (Continued)</b>			
<b>General Government</b>			
FICA Administration Fund	\$ 102,889	\$ 163,802	\$ (60,912)
Alaska Surplus Property	197,336	164,912	32,424
<del>Surplus Property Fee</del>	<del>38,588</del>	<del>41,450</del>	<del>(1,862)</del>
Insurance Settlement	4,148,527	3,108,886	1,039,640
Damages Recovered	162,325	136,140	26,184
Miscellaneous Program Receipts	1,761,723	69,055	1,692,667
Local Government Participation	189,400	450,033	(260,633)
<b>Total General Government</b>	<b>\$ 6,601,701</b>	<b>\$ 4,134,281</b>	<b>\$ 2,467,420</b>
<b>Total Other Grants in Aid</b>	<b>\$ 20,011,364</b>	<b>\$ 11,455,368</b>	<b>\$ 8,555,996</b>
<b>Interagency Receipts</b>			
Office of the Governor	\$ 9,839,890	\$ 7,433,428	\$ 2,406,461
Administration	20,917,977	22,020,946	(1,102,969)
Law	2,654,062	2,170,759	483,302
Revenue	132,703	130,179	2,523
Education	3,845,710	3,396,789	448,921
Health and Social Services	2,031,380	1,647,642	383,737
Labor	4,928,457	5,634,807	(706,349)
Commerce and Economic Development	8,853,002	195,342	8,657,659
Military Affairs	511,199	830,519	(319,319)
Natural Resources	4,981,898	3,415,670	1,566,227
Fish and Game	2,349,168	1,033,078	1,316,089
Public Safety	1,548,777	787,290	761,487
Environmental Conservation	312,906	146,479	166,426
Community and Regional Affairs	3,627,345	1,350,459	2,276,886
Transportation and Public Facilities	102,136,377	21,286,310	80,850,067
Ombudsman	18,942	13,134	5,808
Legislative Affairs	186,700	167,818	18,881
Legislative Finance		12	(12)
Legislative Audit		41,818	(41,818)
Alaska Court System	478,013	293,700	184,313
<b>Total Interagency Receipts</b>	<b>\$169,354,513</b>	<b>\$ 71,996,187</b>	<b>\$ 97,358,325</b>
<b>Other Restricted Receipts</b>			
Jury and Workmens Compensation			
Recovery	\$	\$ 929	\$ (929)
Reimbursement and Recovery-Prior			
Year	16,694	3,330,761	(3,314,067)

TOBACCO TAX FUND  
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Current Assets		
Cash in Treasury (St. #5)	<u>\$ 3,381,893</u>	<u>\$ 3,205,361</u>
 <u>FUND EQUITY</u>		
Fund Equity Balance	<u>\$ 3,381,893</u>	<u>\$ 3,205,361</u>

COMPARATIVE ANALYSIS OF CHANGE IN FUND EQUITY

	Fiscal Year Ended	
	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Beginning Balance July 1	\$ 3,205,361	\$ 2,952,043
Additions		
* <del>Tobacco Tax Revenue</del> <del>(Includes License Fees)</del>	<del>2,679,731</del>	<del>2,756,518</del>
Total Balance and Additions	5,885,093	5,708,561
Deductions		
Distributed to School Districts	2,003,200	2,003,200
Transferred to General Fund		
School Construction		
Related to 1979 Debt Service		500,000
Related to 1980 Debt Service	<u>500,000</u>	<u>                    </u>
Total Deductions	<u>2,503,200</u>	<u>2,503,200</u>
Ending Balance June 30 (St. #15)	<u>\$ 3,381,893</u>	<u>\$ 3,205,361</u>

Legal Reference: Alaska Statute 43.50.140

STATE OF ALASKA  
FISH AND GAME FUND  
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>June 30, 1980</u>	<u>June 30, 1979</u>
<b>Current Assets</b>		
Cash in Transit	\$ 1,007,372	\$ 1,006
Cash in Treasury (St. #5)	826,121	238,993
Accounts Receivable	<u>675,285</u>	<u>1,223,759</u>
<b>Total Current Assets</b>	<u>\$ 2,508,779</u>	<u>\$ 1,463,759</u>
 <u>RESERVES AND FUND EQUITIES</u>		
<b>Reserves</b>		
Encumbrance Reserves	\$ 743,487	\$ 1,054,263
Continuing Programs Reserves	<u>35,787</u>	<u>39,488</u>
<b>Total Reserves</b>	<u>\$ 779,274</u>	<u>\$ 1,093,752</u>
<b>Fund Equities</b>		
Game Account	\$ 3,462,186	\$ 2,676,101
Sport Fish Account	<u>(1,732,681)</u>	<u>(2,306,094)</u>
<b>Total Fund Equities (St. #15)</b>	<u>\$ 1,729,505</u>	<u>\$ 370,007</u>
<b>Total Reserves and Fund Equities</b>	<u>\$ 2,508,779</u>	<u>\$ 1,463,759</u>

COMPARATIVE ANALYSIS OF CHANGES IN FUND EQUITIES

	Fiscal Year Ended	
	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Beginning Balance July 1	\$ 370,007	\$ 686,336
Reserve as of June 30, 1978		802,079
Reserves as of June 30, 1979	1,093,752	(1,093,752)
Reserves as of June 30, 1980	<u>(779,274)</u>	
<b>Adjusted Beginning Balance July 1</b>	<u>\$ 684,485</u>	<u>\$ 394,663</u>
<b>Additions</b>		
Revenues:		
Cash in Transit Change	\$ 1,006,366	\$ See Note
Accounts Receivable Change	(548,474)	See Note
<del>Game - Licenses</del>	<del>2,631,179</del>	<del>2,232,348</del>
Game - Other Programs	3,106,325	3,562,466
<del>Sport Fishing - Licenses</del>	<del>2,299,349</del>	<del>2,248,806</del>
Sport Fishing - Other Programs	1,890,110	1,185,952
Transfer (to)/from General Fund		<u>41,600</u>
<b>Total Revenues</b>	<u>\$ 10,384,856</u>	<u>\$ 9,264,174</u>
<b>Deductions</b>		
Expenditures		
Game Operations	\$ 5,409,669	\$ 5,804,972
Sport Fish Operations	3,886,641	3,477,441
Sport Fish Capital Outlay	3,701	6,416
Transfer to General Fund - Sport Fish	<u>39,823</u>	<u>9,288,830</u>
<b>Total Expenditures</b>	<u>\$ 9,339,836</u>	<u>\$ 9,288,830</u>
<b>Excess/(Deficit) of Revenue Over Expenditures</b>	<u>\$ 1,045,020</u>	<u>\$ (24,656)</u>
<b>Ending Balance June 30 (St. #15)</b>	<u>\$ 1,729,505</u>	<u>\$ 370,007</u>

Legal Reference: Alaska Statute 16.05.100

NOTE: "Cash in Transit Change" and "Accounts Receivable Change" have previously been reported as part of specific revenue sources.

STATE OF ALASKA  
FISH AND GAME FUND  
SCHEDULE OF REVENUE ESTIMATED AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

REVENUES FOR CURRENT YEAR	Final Revised Budget	Actual	(Over) Under Budget
<b>Game-Licenses</b>			
Game Farm License	\$ 100	\$ 100	\$ (100)
Permit Application Fee	46,000	157,146	(111,146)
Hunting - Resident	275,000	263,303	11,696
Hunting/Trapping - Resident	25,000	29,402	(4,402)
Hunting/Sport Fishing - Resident	699,000	340,986	358,013
Hunting/Trapping/Sport Fishing - Resident	202,000	138,102	63,897
Hunting - Non-Resident	218,000	258,303	(40,303)
Hunting/Sport Fishing - Non-Resident	74,000	58,639	15,360
Hunting/Trapping - Non-Resident	4,000	12,395	(8,395)
Military Special - Small Game	12,000	10,792	1,207
Military Special/Sport Fish - Small Game	19,000	9,560	9,435
Big Game Tag - Resident	97,000	91,378	5,621
Big Game Tag - Non-Resident	998,000	1,250,202	(252,202)
Trapping - Resident	3,000	3,965	(3,965)
Sport Fish & Game - Duplicate License	3,000	3,000	3,000
Guide	3,000	6,900	(6,900)
<b>Total Game-Licenses</b>	<b>\$ 2,672,000</b>	<b>\$ 2,631,179</b>	<b>\$ 40,820</b>
<b>Game-Other Programs</b>			
Services Rendered	\$ 1,485	\$ 1,485	\$ (1,485)
Sale of Products	1,454	1,454	(2,454)
Interest on Bank Deposits	2	2	(2)
Jury Duty/Workmen's Compensation Recovery	97	97	(97)
Reimbursement & Prior Year Recovery	2,929	2,929	(2,929)
Gain/Loss on Equipment Sales	1,150	1,150	(1,150)
Federal Withholding Recovery	12,021	12,021	(12,021)
Miscellaneous Revenues	1,380	1,380	(1,380)
Wildlife Restoration	3,080,000	2,349,685	730,314
<b>Total Game-Other Programs</b>	<b>\$ 3,080,000</b>	<b>\$ 2,370,556</b>	<b>\$ 709,443</b>
<b>Fish-Licenses</b>			
Sport Fishing - Resident	\$ 781,000	\$ 818,004	\$ (37,004)
Hunting/Sport Fishing - Resident	286,245	286,245	(286,245)
Hunting/Trapping/Sport Fishing - Resident	91,903	91,903	(91,903)
Visitor Special - Sport Fishing	362,000	491,547	(129,547)
Sport Fishing - Non-Resident	370,000	373,543	(3,543)
Hunting/Sport Fishing - Non-Resident	29,262	29,262	(29,262)
Visitor 1-Day Sport Fishing	63,000	78,674	(15,674)
Military Special - Sport Fishing	70,000	66,046	3,953
Military Special - Sport Fishing/Small Game	7,977	7,977	(7,977)
Sport Fish & Game - Duplicate License	3,000	3,000	3,000
King Salmon/Steelhead Permit	56,143	56,143	(56,143)
<b>Total Fish-Licenses</b>	<b>\$ 1,649,000</b>	<b>\$ 2,299,349</b>	<b>\$ (650,349)</b>
<b>Fish-Other Programs</b>			
Services Rendered	\$ 2,483	\$ 2,483	\$ (2,483)
Miscellaneous Revenue	130	130	(730)
Reimbursement & Prior Year Recovery	6,178	6,178	(6,178)
Donations	47	47	(47)
Jury Duty/Workmen's Compensation Recovery	60	60	(60)
Gain/Loss on Equipment Sales	92	92	(92)
Fish Restoration	1,479,800	1,198,701	281,498
Public Law 89-304	210,100	169,543	40,556
Federal Projects - Natural Resources	31,662	2,776	28,886
<b>Total Fish-Other Programs</b>	<b>\$ 1,721,542</b>	<b>\$ 1,379,612</b>	<b>\$ 341,930</b>
<b>Current Year Fund Revenue Total (St. #20)</b>	<b>\$ 9,122,542</b>	<b>\$ 8,980,698</b>	<b>\$ 441,844</b>
<b>REVENUES FOR PRIOR YEAR</b>			
Game-Other Programs		\$ 735,769	
Fish-Other Programs		\$ 510,497	
<b>Prior Year Fund Revenue Total</b>		<b>\$ 1,246,267</b>	
<b>Grant Total - Fund Revenue</b>		<b>\$ 9,926,965</b>	

STATE OF ALASKA  
FISH AND GAME FUND  
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES  
COMPARED WITH APPROPRIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Appropriations			Total Expenditures	Total Encumbrances	Balances	
	FY '80 Budget Act	Continuations Supplements & Revisions	Total			Continuing Programs	Lapsed
Division of Sport Fish							
Investigation & Research	\$ 2,457,700	\$ 162,417	\$ 2,620,117	\$ 2,209,199	\$ 245,731	\$	\$ 165,187
Management	792,900	55,200	848,100	778,186	46,544		23,369
Sport Fish Restoration	52,500		52,500	49,978	2,245		276
Administration	235,400	40,300	275,700	224,856	25,075		25,767
King Salmon Office	153,300		153,300	130,774	14,283		8,242
Fish Licensing							
<b>Total Sport Fish</b>	<b>\$ 3,691,800</b>	<b>\$ 257,917</b>	<b>\$ 3,949,717</b>	<b>\$ 3,392,994</b>	<b>\$ 333,879</b>	<b>\$</b>	<b>\$ 222,843</b>
Division of Game Operations							
Investigation & Research	\$ 4,539,800	\$ (35,333)	\$ 4,504,466	\$ 4,001,426	\$ 309,101	\$	\$ 193,938
Management	513,500	36,000	549,500	453,215	74,768		21,516
Hunter Safety	99,500	8,500	108,000	85,956	9,824		12,219
Administration & Support	399,400	(45,000)	354,400	327,502	15,914		10,983
Game Licensing							
<b>Total Game Operations</b>	<b>\$ 5,552,200</b>	<b>\$ (36,233)</b>	<b>\$ 5,516,366</b>	<b>\$ 4,868,100</b>	<b>\$ 409,607</b>	<b>\$</b>	<b>\$ 238,658</b>
Capital Improvements							
Birch Lake Screening	\$	\$ 9,826	\$ 9,826	\$ 3,701	\$	\$ 6,124	\$
Russian River Weir		29,662	29,662			29,662	
<b>Total Capital Improvements</b>	<b>\$</b>	<b>\$ 39,488</b>	<b>\$ 39,488</b>	<b>\$ 3,701</b>	<b>\$</b>	<b>\$ 35,787</b>	<b>\$</b>
<b>Total Fish &amp; Game Fund (St. #20)</b>	<b>\$ 9,244,000</b>	<b>\$ 261,572</b>	<b>\$ 9,505,572</b>	<b>\$ 8,264,796</b>	<b>\$ 743,487</b>	<b>\$ 35,787</b>	<b>\$ 461,501</b>

STATE OF ALASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITIES  
 ALL ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	International Airports Revenue	World War II Veterans Loan	Agriculture Revolving/ Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan	Tourism Revolving Loan	Scholarship Revolving Loan	Memorial Scholarship Revolving Loan
<b>Revenues:</b>								
Contributions from General Fund	\$	\$	\$	\$	\$	\$	\$ 8,120,000	\$
Contributions from Other Funds								546
Depreciation on Contributed Assets	1,742,212							
Interest Earned	3,730,967		590,486	(10,188)	(90,784)	55,192	189,200	
<del>Service Fees</del>	<del>1,354,505</del>	<del>932,931</del>	<del>9,482</del>	<del>319,314</del>	<del>158,878</del>	<del>65,815</del>		
Other Revenue	30,903	932,931		48,178				
Operating Revenues	<u>22,384,881</u>		<u>9,482</u>					
<b>Total Revenues</b>	<b>\$ 27,888,963</b>	<b>\$ 2,287,436</b>	<b>\$ 599,969</b>	<b>\$ 357,504</b>	<b>\$ 67,892</b>	<b>\$ 121,008</b>	<b>\$ 8,309,200</b>	<b>\$ 546</b>
<b>Expenses:</b>								
Uncollectible Accounts	\$	\$	\$ 261,152	\$	\$	\$	\$	\$
Loans Forgiven							334,490	
Administrative Expenses	12,482,540	832,916	136,565					
Interest Expense	1,172,935	3,178	110,389					
Other Expenses		84,378		139,255				
Depreciation	<u>3,204,786</u>	<u>3,203</u>						
<b>Total Expenses</b>	<b>\$ 16,860,261</b>	<b>\$ 923,675</b>	<b>\$ 508,107</b>	<b>\$ 139,255</b>	<b>\$</b>	<b>\$</b>	<b>\$ 334,490</b>	<b>\$</b>
<b>Excess (Deficit) of Resources over Deductions</b>	<b>\$ 11,028,702</b>	<b>\$ 1,363,761</b>	<b>\$ 91,861</b>	<b>\$ 218,248</b>	<b>\$ 67,892</b>	<b>\$ 121,008</b>	<b>\$ 7,974,709</b>	<b>\$ 546</b>
Fund Equities July 1, 1979	107,413,221	4,111,210	966,742	421,577	367,080	393,725	25,040,701	31,460
Accruals	(1,742,212)	(327,671)	(281,355)					
Grants From Federal Government	<u>13,745,114</u>							
<b>Fund Equities June 30, 1980</b>	<b><u>\$130,444,825</u></b>	<b><u>\$ 5,147,300</u></b>	<b><u>\$ 777,248</u></b>	<b><u>\$ 639,826</u></b>	<b><u>\$ 434,972</u></b>	<b><u>\$ 514,734</u></b>	<b><u>\$ 33,015,410</u></b>	<b><u>\$ 32,006</u></b>

## STATE OF ALASKA

 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITIES  
 ALL ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	Child Care Facilities Loan	Water Resources Loan	Historical Districts Revolving Loan	Fisheries Enhancement Revolving Loan	Medical Malpractice Loan	Power Project Revolving Loan	TOTAL	
							June 30, 1980	June 30, 1979
Revenues:								
Contributions from General Fund	\$	\$	\$	\$	\$	\$ 5,881,000	\$ 14,001,000	\$ 4,100,000
Contributions from Other Funds							546	4,958
Depreciation on Contributed Assets							1,742,212	1,895,879
Interest Earned	1,659	125,000	(26)			279,861	4,871,368	3,325,407
* Service Fees	214		478				1,899,204	1,579,181
Other Revenues							1,012,012	1,516,719
Operating Revenues							22,394,363	\$ 21,503,480
<b>Total Revenues</b>	<b>\$ 1,874</b>	<b>\$ 125,000</b>	<b>\$ 452</b>	<b>\$</b>	<b>\$</b>	<b>\$ 6,160,861</b>	<b>\$ 45,920,707</b>	<b>\$ 33,925,626</b>
Expenses:								
Uncollectible Accounts	\$	\$	\$	\$	\$	\$	\$ 261,152	\$ 52,872
Loans Forgiven							334,490	368,558
Administrative Expenses							13,452,021	12,913,656
Interest Expense					26,250		1,312,752	1,187,057
Other Expenses							223,633	5,478
Depreciation							3,207,989	3,334,009
<b>Total Expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 26,250</b>	<b>\$</b>	<b>\$ 18,792,040</b>	<b>\$ 17,861,632</b>
Excess (Deficit) of Resources Over Deductions	\$ 1,874	\$ 125,000	\$ 452	\$	\$ (26,250)	\$ 6,160,861	\$ 27,128,667	\$ 16,063,994
Fund Equities July 1, 1979	53,279	2,732,875	42		1,526,250	1,092,625	144,150,790	122,360,968
Accruals							(2,351,238)	(4,068,041)
Grants from Federal Government							13,745,114	8,267,619
<b>Fund Equities June 30, 1980</b>	<b>\$ 55,153</b>	<b>\$ 2,857,875</b>	<b>\$ 494</b>	<b>\$</b>	<b>\$ 1,500,000</b>	<b>\$ 7,253,486</b>	<b>\$182,673,333</b>	<b>\$142,624,540</b>

STATE OF ALASKA  
 WORLD WAR II VETERANS LOAN FUND  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

<u>REVENUE</u>	Fiscal Year Ended	
	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Interest Income	\$ 653,166	\$ 788,701
<del>Amortization of Loan Originator Fees</del>	<del>11,341</del>	<del>30,000</del>
Fines and Forfeitures	225,266	153,639
<del>Proceeds from</del>		
Loans Sold to Department of Revenue	1,331,391	1,288,149
Mortgage Life Insurance	29,170	22,073
Miscellaneous Revenue	958	3,108
Total Revenue	\$ 2,287,436	\$ 2,776,786
<u>EXPENSES</u>		
Appropriated Expenses		
Personal Services	\$ 610,293	\$ 1,151,655
Travel and Moving	6,762	27,232
Contractual Services	171,594	245,556
Commodities	4,319	9,309
Equipment	63	308
Capital Outlay	39,885	39,999
Other Services		6,252
Total Appropriated Services	\$ 832,916	\$ 1,480,313
Gross Income	\$ 1,454,520	\$ 1,296,472
Other Expenses:		
Losses on Loan	\$ 78,503	\$ 2,248
Depreciation Expenses	3,203	3,230
Interest Expenses	3,178	4,783
Miscellaneous Expense	5,875	
Total Other Expenses	\$ 90,759	\$ 10,261
Net Income for Fiscal Year	\$ 1,363,761	\$ 1,286,211
Prior Period Adjustments		
Adjustments Related to Prior Period Expense	\$ 1,436,158	\$ (1,255,359)
Adjustments Related to Prior Period Revenue	(1,763,829)	387,290
Adjustments on Prior Period Receivables and Payables		(1,304,093)
Total Prior Period Caused Adjustments	\$ (327,671)	\$ (2,172,162)
Net Changes in Retained Earnings During Fiscal Year	\$ 1,036,090	\$ (885,951)
Retained Earnings July 1	4,111,210	4,997,162
Retained Earnings June 30 (St. #45)	\$ 5,147,300	\$ 4,111,210

The notes to the Financial Statements are an integral part of this statement.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

March 18, 1981

MEMORANDUM

TO: Representative Dick Randolph  
FROM: Susan Brody, Acting Director  
RE: Fees (Supplemental Material)  
Research Request 81-11

The table attached to this memorandum contains information concerning fees imposed or set by regulation. This information supplements our February 17, 1981 memorandum to you concerning fees imposed, set, or authorized by statute. The types of information included in the table are nearly identical to those included in the statutory fee table which we transmitted to your office in February.

Methodology and Explanation of Table

To gather, organize, and present the fee information on the attached table, several steps were taken. First, we manually searched the Alaska Administrative Code (updated through Register 75, October 1980) for regulations which imposed or set fees. We excluded regulations which referred to fees set by specific statutes or referred broadly to fees (e.g., "fees required by law"). However, we did not exclude citations which set a specific fee identical to that set by an authorizing statute. Obvious rentals, taxes, and other non-fee charges were also excluded as were temporary emergency regulations.

Next, we analyzed each fee regulation to obtain the information you requested. The columns and the information included in the fee regulation table are nearly identical to those contained in the earlier fee statute table. The main difference is in Column 4, where the statutory authority for a fee regulation was substituted for the sunset year of the agency enforcing or collecting a statutory fee. The sunset year was omitted because few of the agencies involved with the regulatory fees are subject to sunset, and those which are, were included in the statute fee table.

Representative Randolph  
March 18, 1981  
Page 2

When a regulation cited several statutory provisions, we reviewed each statute to determine which provided the best or strongest authority for the fee regulation. In a few instances, we discovered errors in citation (mostly due to statutory revisions and amendment) which we corrected for the table. In one instance, we found that regulatory fees had been superseded by subsequent statutory amendment and we so indicated on the table (15 AAC 20.220-260).

Column 6 of the table indicates the last year in which the fee regulation was amended. Because of the difficulty involved in locating and reviewing replaced pages of the Administrative Code, we did not examine the "administrative history" of amended fee regulations to determine when the amounts were actually changed.

In every other respect, the fee regulation table attached to this memorandum is identical to the earlier fee statute table. Therefore, reference should be made to the explanatory material in the cover memorandum to the earlier table.

If we can provide you with any further information on fees, please contact us.

SB/dp

Attachment

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Adminis- trative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
3 AAC 2.210(c)	Application for certificate of bank incorporation	\$1,000*	DCED AS 6.01.010		1979
3 AAC 2.215(b)	Application for bank branch or move	\$500*	DCED AS 6.01.010		1979
3 AAC 2.217(a)	Application for mobile bank	\$500*	DCED AS 6.01.010		1979
3 AAC 2.350(b)	Bank conversion, merger, or consolidation	\$1,000*	DCED AS 6.01.010		1980
3 AAC 5.210(d)	Application for savings and loan association certificate of authority.	\$1,000*	DCED AS 6.01.010		1979
3 AAC 5.230(d)	Application for savings and loan association name change	\$1,000*	DCED AS 6.01.010		1979
3 AAC 5.270(b)	Application for savings and loan association branch or move	\$ 500*	DCED AS 6.01.010		1979
3 AAC 6.210(c)	Application for mutual savings bank charter	\$1,000*	DCED AS 6.01.010		1979
3 AAC 6.220	Application for mutual savings bank branch or move	\$ 500*	DCED AS 6.01.010		1979
3 AAC 6.230	Application for mobile bank branch or move	\$ 500*	DCED AS 6.01.010		1979
3 AAC 6.325	Application for mutual savings bank conversion	\$1,000*	DCED AS 6.01.010		1979
3 AAC 7.010-030	Premium Finance Company License application and annual fee	\$ 500* \$200/yr.	DCED AS 6.40.040- .050		1979

\*investigation expense

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Administrative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
3 AAC 12.030	Application for small loan company license	\$400 inves. expense \$200/yr.	DCED AS 6.20.030		1979
3 AAC 20.010	Filing of public land offering statement registration fee	\$100-\$200	DCED AS 34.55.020		1976
3 AAC 20.020	On site inspection of public land offering	estimated cost	DCED AS 34.55.020		1976
3 AAC 20.030	Penalty for non-payment of public land offering fees	amount of unpaid fee	DCED/DBS AS 34.55.020		1976
3 AAC 28.170(1)	Application and exam for license as variable contract insurance agent	\$10 \$10	DCED/DI AS 21.06.090		1973
3 AAC 28.170(p)	Extra copy of variable contract agent exam results	\$ 5	DCED/DI AS 21.06.090	Yes	1973
3 AAC 41.020	Application for vet loan	\$50	DCED/DVA AS 26.15.010		1978
3 AAC 64.230(a)	Application for transfer of truck permits	\$25	DCED/ATC AS 42.10.110		1964
3 AAC 64.260	Application fee schedule for truck permits	\$25-\$50	DCED/ATC AS 42.10.160		1964
3 AAC 64.270	Truck weight fee schedule	\$25-50/yr.	DCED/ATC AS 42.10.240		1964
3 AAC 64.290(b)	Unassigned ID card for out of state truck	2.5 X weight fee	DCED/ATC AS 42.10.113		1964
3 AAC 66.040	Application for bus certificate	\$50	DCED/ATC AS 42.15.071		1969

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Administrative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
3 AAC 68.110	Air carrier aircraft registration	\$25-200/yr	DCED/ATC AS 02.05.090		1961
3 AAC 99.050(a)	Loan application	cost of evaluation	DCED/AIDA AS 44.88.100		1978
3 AAC 99.050(b)	Loan financing	1% of loan	DCED/AIDA AS 44.88.100	Yes	1978
4 AAC 12.010(g)	Teacher certificate	\$30/5 yrs.	DE AS 14.20.020		1975
4 AAC 12.010(h)	Endorsement on teacher certificate	\$10	DE AS 14.20.020		1975
4 AAC 12.050	Vocational teacher certificate	\$10/2 yrs.	DE AS 14.20.020		1975
4 AAC 12.070(c)	Teacher letter of authorizat on	\$10/yr.	DE AS 14.20.020		1975
4 AAC 39.130(b)	GED tests	\$3-15	DE 14.07.030(11)		1979
5 AAC 82.020	Big Game Photo contest entry	\$10	DF&G AS 16.05.903		1976
6 AAC 29.110	Late State conflict of interest filing	\$1-10/day	APOC AS 39.50.135		1980
6 AAC 29.135	Late municipal conflict of interest filing	\$1-5/day	APOC AS 39.50.135		1980
6 AAC 29.390	Late campaign disclosure filing	\$1-5/day max. \$60	APOC AS 15.13.125		1980

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Administrative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
6 AAC 29.507	Late lobbyist report	\$1-10/day \$135 max.	APOC AS 24.45.141		1980
7 AAC 09.030	Health facility construction license	\$10	DHSS AS 18.20.030		1977
8 AAC 70.070	Electrical inspections (not by state)	\$50 max.	DL AS 18.60.620		1970
8 AAC 77.065	Elevator inspections	\$35-150	DL AS 18.60.800		1979
8 AAC 80.020	Boiler inspections	\$10-150	DL AS 18.60.360		1978
8 AAC 90.180	Renewal of expired plumber or electrician certificate	\$25	DL AS 18.62.060		1980
11 AAC 12.310(a)	Fees for state park facility use to be set by director of parks	N/A	DNR AS 41.10.010	Yes	1973
11 AAC 12.310(b)	Vehicle entrance to state park	\$10/yr.	DNR AS 41.20.020		1973
11 AAC 34.060	Fees for seed testing to be set by director of agriculture	N/A	DNR AS 03.05.010	Yes	1978
11 AAC 34.110	Fees for plant pest certificates to be set by director of agriculture	N/A	DNR AS 03.05.010	Yes	before 1959
11 AAC 53.340(c)	Fee for directory of easements to be set by director of lands	N/A	DNR 38.05.035(5)	Yes	1980
11 AAC 60.020	Filing application for grazing lease	\$10	DNR AS 38.05.020		1970

FEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Administrative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
11 AAC 64.260	Filing application for shore fishery lease	\$20	DNR AS 38.05.020		1970
11 AAC 67.007	Fee for filing application for state land to be set by director of lands	N/A	DNR AS 38.05.020		1979
11 AAC 67.082	Fee for filing application for homesite to be set by director of lands	N/A	DNR AS 38.05.020		1979
11 AAC 76.405(5)	Filing application for material sale	\$10	DNR AS 38.05.120		1962
11 AAC 76.720(b)	License and stumpage for log salvage	\$500	DNR AS 38.05.020	Yes	
11 AAC 80.005(d)	Filing application for pipeline right-of-way	\$10	DNR AS 38.05.020		1974
11 AAC 82.010(d)	Filing application for mineral lease	\$10	DNR AS 38.05.020		1974
11 AAC 83.505(5)	Fee for storage of oil and gas to be set in lease	N/A	DNR 38.05.180(u)	Yes	1979
11 AAC 88.105	Filing application for mineral or oil and gas lease	\$20	DNR 38.05.020		1974
11 AAC 93.040	Filing application for water appropriation permit to be set by Commissioner	N/A	DNR 46.15.020(b)		1979
11 AAC 93.200(a)	Fee for permit to alter existing dam to be set by Commissioner	N/A	DNR 46.15.020(b)		1979
11 AAC 93.200(b)	Permit for new dam construction	\$250-\$5,000	DNR 46.15.020(b)		1979

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Adminis- trative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
11 AAC 93.220	Fee for temporary water use permit to be set by Commissioner	N/A	DNR 46.15.020(b)		1979
11 AAC 94.010	Application and permit for trapping cabin	\$50 +10/yr.	DNR AS 38.95.080		1977
12 AAC 08.030	Application for barber exam	\$25	DCED/BBH AS 8.12.080		before 1959
12 AAC 21.080	Application to change from specialty to general contractor	\$50	DCED AS 8.18.041		1977
12 AAC 21.100	Contractor special fee schedule	\$2-10	DCED AS 44.17.030		1977
12 AAC 36.030	Withdrawal of architect exam application	\$5	DCED/SBRAELS AS 08.48.101		1974
12 AAC 36.170	Architect, engineer, and land surveyer fee schedule	\$15-50/yr. \$20-100	DCED/SBRAELS 08.48.091-241		1978
12 AAC 40.030	Medical reexam fee schedule	\$10-40	DCED/SMB AS 08.64.260		1970
12 AAC 40.310	Application for paramedic license	\$50	DCED/SMB AS 08.64.100		1980
12 AAC 40.350	Renewal of paramedic license	\$50/yr.	DCED/SMB AS 08.64.100		1980
12 AAC 40.400	Application for physician assistant license	\$25	DCED/SMB AS 08.64.100		1980
12 AAC 40.470	Renewal of physician assistant license	\$25/yr.	DCED/SMB AS 08.64.100		1980

FEEES IMPOSEED OR AUTHORIZED BY REGULATION

(1) Alaska Adminis- trative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
12 AAC 44.400	Application for nurse practioner license	\$25	DCED/BN AS 8.68.100		1980
12 AAC 44.470	Renewal of nurse practitioner license	\$25/yr.	DCED/BN AS 8.68.100		1980
12 AAC 56.060	Temporary marine pilot license	\$50	DCED/BMP AS 08.62.040		1978
12 AAC 56.080	Marine pilot license	\$200/2 yrs.	DCED/BMP AS 08.62.040		1978
12 AAC 72.105	Renewal of welding inspector license	\$10/yr.	DCED/BWE AS 08.99.080		1978
13 AAC 25.010(d)	Replacement of driving school license	\$1	DPS AS 28.17.041		1969
13 AAC 60.020(b)	Application for security agency license	\$200	DPS AS 18.65.410		1977
13 AAC 60.030(f)	Application for change of security agency and agent	\$25-\$200	DPS AS 18.65.410		1977
13 AAC 60.040	Renewal of security agency license	\$25	DPS AS 18.65.410		1977
13 AAC 60.060(c)	Application for security guard license	\$25	DPS AS 18.65.410		1977
13 AAC 60.080(c)	Renewal of security guard license	\$25	DPS AS 18.65.410		1977
13 AAC 70.160(b)	Transfer of snowmobile registration	\$2	DPS AS 05.30.050		1978

FEEES IMPOSED OR AUTHORIZED BY REGULATION

(1) Alaska Administrative Code	(2) Description of fees	(3) Amount	(4) Agency Authority	(5) User Fee	(6) Last Change
15 AAC 05.460	Application for game of skill or chance permit	\$20	DR AS 05.15.020		1976
15 AAC 20.220-260	Alcohol dispensary licenses	superseded by Chapter 131 SLA 1980	DR/ABCB 04.11.230-260		1963
15 AAC 35.060	Medical authority bond financing	1% max.	DR/AMFA 18.26.050(4)		1979
15 AAC 147.130	Child support bad check	\$10	DR/CSEA AS 47.23.020		1980
15 AAC 147.140	Child support overdue payment	\$10 or 5%	DR/CSEA AS 47.23.020		1980
17 AAC 25.080(i)	Fees for excess size and weight permits to be set by Commissioner	N/A	DOTPF 28.05.011(8)		1974
17 AAC 40.320	Application for airport lease	\$25	DOTPF AS 2.15.090		1979
17 AAC 40.340	Fees for airport leases etc. to be set by commissioner	N/A	DOTPF AS 2.15.090	Yes	1979
18 AAC 10.150	Copies	\$.10/pg after 1st 20 pages	DEC 46.03.020(10)	Yes	1978
20 AAC 05.240	Limited Entry permit fee schedule	\$20-\$750/yr.	DFG/CFEC AS 16.43.160		1979
20 AAC 25.005	Application for oil and gas drilling permit	\$100	DNR/AOGCC AS 31.05.090		1980

FEES IMPOSED OR AUTHORIZED BY REGULATION

KEY TO TABLE

Agency Abbreviations

ABCB	Alcohol Beverage Control Board
AIDA	Alaska Industrial Development Authority
AMFA	Alaska Medical Facility Authority
AOGCC	Alaska Oil and Gas Conservation Commission
APOC	Alaska Public Offices Commission
ATC	Alaska Transportation Commission
BBH	Board of Barbers and Hairdressers
BMP	Board of Marine Pilots
BN	Board of Nursing
BWE	Board of Welding Examiners
CFEC	Commercial Fisheries Entry Commission
CSEA	Child Support Enforcement Agency
DBS	Division of Banking and Securities
DCED	Department of Commerce and Economic Development
DE	Department of Education
DEC	Department of Environmental Conservation
DFG	Department of Fish and Game
DHSS	Department of Health and Social Services
DI	Division of Insurance (DCED)
DL	Department of Labor
DNR	Department of Natural Resources
DOTPF	Department of Transportation and Public Facilities
DPS	Department of Public Safety
DR	Department of Revenue
DVA	Division of Veteran's Administration
SBRAELS	State Board of Registration for Architects, Engineers and Land Surveyors

SCOMM

45:5

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska estab-  
7 lishing the Alaska capital investment  
8 fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska is amended  
11 by adding a new section to read:

12 SECTION 17. ALASKA CAPITAL INVESTMENT FUND. At least twenty-five  
13 percent of all mineral lease rentals, royalties, royalty sale proceeds,  
14 federal mineral revenue sharing payments and bonuses received by the  
15 State shall be placed in an Alaska capital investment fund. The fund  
16 may be invested in capital improvements that are owned by the State and  
17 that will return [to the Alaska capital investment fund] the amount of the  
18 investment and a rate of return. An investment in a capital improvement  
19 owned by the State may be made only if the amount invested in the capi-  
20 tal improvement and the rate of return on the investment is authorized  
21 by law and ratified by a majority of the voters who vote on the ques-  
22 tion. Money remaining in the Alaska capital investment fund shall be  
23 invested as provided by law at a rate of return equal to the market rate  
24 of return for similar investments of the same maturity. The income from  
25 the Alaska capital investment fund shall be deposited in the general  
26 fund.

27 \* Sec. 2. The amendment proposed by this resolution shall be placed be-  
28 fore the voters of the state at the next general election in conformity with  
29 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws

DRAFT  
Law

1 of the state.  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

MAY 18, 1982

SENATOR ED DANKWORTH

AMENDMENT TO CSHJR 12(Jud)

CHANGE TITLE - "Proposing amendments to the Constitution of the State of Alaska limiting the length of regular sessions of the Legislature and establishing the Alaska Resource Fund"

(1) Line 20, Change [Section 2] to Section 3 change [Amendment] to Amendments

(2) Add: Section 2  
Article IX, Constitution of the State of Alaska,  
is amended by adding a new section to read:

SECTION 17. Alaska Resource Fund. Except as provided *by law*  
*or* in Section 15 of this article, all mineral lease rentals, royalties,  
royalty sale proceeds, federal mineral revenue sharing payment and  
bonuses received by the State shall be placed in an Alaska Resource  
Fund. Up to <sup>25%</sup> 40 percent of the funds placed in the Alaska Resource  
Fund in the previous year may be appropriated for any purpose if the  
appropriation is approved by the voters in <sup>the general</sup> a statewide election ~~as~~  
~~provided by law.~~ Money in the Alaska Resource Fund may also be invested,  
~~as provided by law,~~ in <sup>cap projects</sup> projects or programs which are owned or operated  
by the State, which will return to the Alaska Resource Fund <sup>at a min. the value of</sup> the amount of  
the investment, and which will provide a rate of return as provided by  
law. <sup>2</sup> Money remaining in the Alaska Resource Fund shall be invested  
as provided by law, at a rate of return equal to the market rate of  
return for similar investments at the same maturity. Earnings on

money deposited in the Alaska Resource Fund shall be deposited in the general fund as provided by law.

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for capital projects if the appropriation is approved by the voters in a general election as provided by law. All income from the Alaska resource fund shall be deposited in the general fund unless otherwise provided by law.

50% into Res F

Reinwand 5/18/82

ALASKA INVESTMENT FUND. At least 25 percent of all mineral lease rentals, royalties, royal sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in an investment fund, the principal of which may be used only for (appropriations or) investments <sup>in cap improvements</sup> approved by the voters on a project-specific basis. All income from the investment fund shall be deposited in the general fund.

*As provided by law, each project ~~investor~~ shall return*

# STATE OF ALASKA

## THE LEGISLATURE

1981

Source

FSS-FCCSSJR 4

Legislative  
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made

except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS. If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

12-2836 ✓  
Berrier  
5/11/82

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to limiting increases in appropria-  
8 tions.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,  
14 appropriations required to pay the principal and interest on general  
15 obligation bonds, and appropriations of money received from a non-State  
16 source in trust for a specific purpose, including revenues of a public  
17 enterprise or public corporation of the State that issues revenue bonds,  
18 appropriations from the treasury made for a fiscal year shall not exceed  
19 the total appropriations made in the previous year or \$2,500,000,000,  
20 whichever is less, by more than the cumulative change, derived from  
21 federal indices as prescribed by law, in population and inflation since  
22 July 1, 1981. The legislature may exceed this limit in bills for ap-  
23 propriations if each bill is approved by the governor, or passed by  
24 affirmative vote of three-fourths of the membership of the legislature  
25 over a veto or item veto, or becomes law without signature, and is also  
26 approved by the voters as prescribed by law. Each bill for appropria-  
27 tions for capital projects in excess of the limit shall be confined to  
28 capital projects of the same type, and the voters shall, as provided by  
29 law, be informed of the cost of operations and maintenance of the capital

1 projects. Not more than fifty percent of the unexpended and unobligated  
2 money in the state treasury that exceeds the limit established by this  
3 section for a fiscal year may be expended for <sup>PURPOSES</sup> approved  
4 by the voters. No other appropriation in excess of this limit may be  
5 made except to meet a state of disaster declared by the governor as  
6 prescribed by law. The governor shall cause any unexpended and un-  
7 appropriated balance to be invested so as to yield competitive market  
8 rates to the treasury.

9 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
10 adding new sections to read:

11 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
12 majority of those voting on the question at the general election in 1982  
13 approve the ballot proposition for the total cost to the State of provid-  
14 ing for relocation of the capital, no additional voter approval of  
15 appropriations for that purpose within the cost approved by the voters  
16 is required under the 1982 amendment limiting increases in appropriations  
17 (art. IX, sec. 16).

18 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
19 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
20 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
21 ballot title and proposition for the amendment to be placed on the  
22 ballot again at the general election in 1986. If the majority of those  
23 voting on the proposition in 1986 rejects the amendment, it shall be  
24 repealed.

25 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting  
26 appropriation increases (art. IX, sec. 16) applies to appropriations  
27 made for fiscal year 1984 and thereafter.

28 \* Sec. 3. The amendments proposed by this resolution shall be placed  
29 before the voters of the state at the next general election in conformity

1 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
2 laws of the state.

3 \* Sec. 4. The amendments proposed by this resolution supersede the amend-  
4 ments proposed by Legislative Resolve No. 1, First Special Session of the  
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
6 section 3 of that resolution that the amendments proposed by that resolution  
7 be placed before the voters of the state.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29



Official Business

# Alaska State Legislature

## House of Representatives

Office of The Majority Leader

*Handwritten signature: P. A. Pitt*

Pouch V  
State Capitol  
Juneau, Alaska 99811

SJR 61

The resolution is complex but can be broken into three main components plus necessary technical changes and 3 year phase in provisions.

Article IX Section 16 states that only revenue from taxes, program receipts and federal funding may be appropriated in the traditional manner, and that the Governor can stop projects if these sources of revenue decline during the year. This section substantially increases the power of the Executive to pick and choose what projects continue even after legislative approval and passage into law. It also provides incentive to increase taxes as the only means to fund the capital and operating budgets even in a revenue emergency.

Article IX Section 17 creates the Alaska Resources Fund, 20% of which may be appropriated for operating or capital programs with voter approval. The remainder of the fund may be invested in programs approved by the voters or state-owned revenue producing projects chosen by a board or authority appointed by the Governor, these projects must return the investment to the fund. State owned pipelines, toll roads, ferries, dams or the railroad might fall into this category, but traditional public roads, schools, airports and capital projects would be excluded. This section also increases the power of the Governor through his appointment of the controlling board, decreases local controls and encourages state ownership and operation of traditional private or local government functions.

Article IX Section 15 as amended doubles constitutionally mandated permanent fund contributions and locks into the Constitution current statutory language which requires most of the Permanent Fund to be invested outside of Alaska.

The original basis of the proposal, that we should not spend our resource wealth on the operation of government, is a good one; as is the concept that the majority of our resource revenues should be saved or invested in projects providing long term benefits and economic diversification.

But the concepts have been so embellished by opposing interests that SJR 61 without considerable modification is totally unworkable. A spending limit should provide a means of projecting, leveling and limiting funds available for appropriation to control the volatility of spending state revenues based on fast changing oil prices.

As drafted, SJR 61 provides no limit on spending in any category. If oil prices returned to last year's levels, over four billion dollars could be spent in any way desired. It also provides no limit on taxes to be imposed on any segment of the population and if oil prices do not increase, it will force tax increases, possibly to the extent of returning to the personal income tax.

I agree that Governor Hammond's spending limit of last year is far from perfect, but it is a definite limit, not a taxing spending plan. If changes are proposed for it, the spending limit should be strengthened.

*Handwritten signature: Pitt*

CS SS SJR 61 (Finance)

Fiscal Year	(1) Revenue	(2) Resource Fund Interest	(3) Total Revenue	(4) Section 16 Revenue less Debt Service	(5) Resource Fund Balance	(6) Section 17 20% Voter Approval	(7) Permanent Fund Balance	(8) Permanent Fund Distributable Income	(9) Section 16 Revenue less Debt Service FY 83 \$
1984	3063.1	23.1	3086.2	1772.4	769.3		4171.4	73.4	1641.1
1985	3509.1	69.0	3578.1	2044.5	1530.8	153.9	5017.7	88.4	1752.8
1986	4012.4	123.8	4136.2	2376.7	2595.2		6015.7	106.1	1886.7
1987	4634.7	177.7	4812.4	2773.6	3326.5	519.0	7197.2	127.0	2038.7
1988	4777.8	240.9	5018.7	2790.1	4703.5		8544.1	151.4	1898.9
1989	5258.7	301.2	5559.9	3125.4	5335.4	940.7	10020.5	178.5	1969.5
1990	4627.1	367.3	4994.4	2795.3	6909.5		11382.5	205.8	1631.0
1991	4186.3	415.3	4601.6	2650.0	6934.1	1381.9	12794.1	232.5	1431.7
1992	4119.8	457.5	4577.3	2658.6	8315.8		14336.4	260.8	1330.0
1993	3763.2	486.6	4249.8	2495.4	7904.7	1663.2	15972.7	291.4	1155.9
1994	3615.5	510.2	4125.7	2441.5	9101.5		17730.6	324.1	1047.1
1995	3475.4	525.8	4001.2	2386.4	8425.7	1820.3	19614.2	359.1	947.7
1996	3184.9	536.5	3721.4	2241.9	9459.1		21624.9	396.5	824.3
1997	3348.5	543.2	3891.7	2334.6	8647.4	1891.8	23833.5	437.1	794.8
1998	3474.5	552.2	4026.7	2414.4	9759.8		26245.2	481.5	761.1

Assumptions:

1. Resource fund earns 6%, permanent fund 10%, of which 8% is inflation and 2% is distributable income; inflation component of permanent fund earnings added to principal per CS SS SB 684 (Fin) am;
2. Permanent fund contribution increased to 35% until \$1 billion accumulated per 2d CS SB 885 (Rules);
3. March 1982 Department of Revenue estimates at 30th percentile;
4. Resource fund contributions phased in;
5. 20% of resource fund balance available for voter approval every two years;
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10).

PREPARED BY:

Legislative Finance  
 Mitt Barker  
 5-13-82

CS SS SJR 61 (Rules)  
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Resource Fund Interest	(3) Total Revenue	(4) Section 16 Revenue less Debt Service	(5) Resource Fund Balance	(6) Section 17 20% Voter Approval	(7) Permanent Fund Balance	(8) Permanent Fund Distributable Income	(9) Section 16 Revenue less Debt Service FY 83 \$
1984	3063.1	5.8	3068.9	2332.1	192.4		4171.4	73.4	2159.4
1985	3509.1	24.1	3533.2	2457.2	611.7	38.4	5017.7	88.4	2106.7
1986	4012.4	60.7	4082.1	2579.7	1410.0		6015.7	106.1	2047.8
1987	4634.7	113.7	4748.4	2709.6	2378.4	282.0	7197.2	127.0	1991.6
1988	4777.8	184.0	4961.8	2733.2	3755.4		8544.1	151.4	1860.2
1989	5258.7	250.0	5508.7	3074.2	4576.9	751.1	10020.5	178.5	1937.3
1990	4627.1	321.8	4948.9	2749.8	6151.0		11382.5	205.8	1604.5
1991	4186.3	374.3	4560.6	2609.0	6327.3	1230.2	12794.1	232.5	1409.6
1992	4119.8	421.1	4540.9	2622.2	7709.1		14336.4	260.8	1311.8
1993	3763.2	453.9	4217.1	2462.7	7419.3	1541.8	15972.7	291.4	1140.7
1994	3615.5	481.1	4096.6	2412.4	8616.1		17730.6	324.1	1034.6
1995	3475.4	499.6	3975.0	2360.2	8037.4	1723.2	19614.2	359.1	937.3
1996	3184.9	513.2	3698.1	2218.6	9070.8		21624.9	396.5	815.8
1997	3348.5	522.2	3870.7	2313.6	8336.7	1814.2	23833.5	437.1	787.7
1998	3474.5	533.6	4008.1	2395.8	9449.1		26245.2	481.5	755.3

ASSUMPTIONS:

1. Resource fund earns 6%, permanent fund 10%, of which 8% is inflation and 2% is distributable income; inflation component of permanent fund earnings added to principal per CS SS SB 684 (Fin) am;
2. Permanent fund contribution increased to 35% until \$1 billion accumulated per 2d CS SB 885 (Rules);
3. March 1982 Department of Revenue estimates at 30th percentile;
4. Resource fund contributions phased in;
5. 20% of resource fund available for voter approval at general elections;
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10):

LEGISLATIVE RESOLVE 1, FSSLA 81  
(FCCS SJR 4)  
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Permanent Fund Contribution	(3) Unrestricted Revenue	(4) Operating Budget Ceiling	(5) Capital Budget Ceiling	(6) Unrestricted Revenue less Debt Service	(7) Operating Budget	(8) Capital Budget	(9) Operating Budget FY 83 \$
1984	3063.1	413.3	2649.8	2053.5	1026.8	2518.6	1679.0	839.5	1554.6
1985	3509.1	492.9	3016.2	2279.4	1139.7	2890.9	1927.3	963.6	1652.3
1986	4012.4	573.6	3438.8	2530.1	1265.1	3317.3	2211.5	1105.8	1755.6
1987	4634.7	673.3	3961.4	2808.4	1404.2	3846.3	2564.2	1282.1	1884.8
1988	4777.8	741.5	4036.3	3117.4	1558.7	3926.3	2617.5	1308.8	1781.4
1989	5258.7	762.4	4496.3	3460.3	1730.1	4396.8	2931.2	1465.6	1847.2
1990	4627.1	538.8	4088.3	3840.9	1920.4	4002.1	2668.0	1334.0	1556.8
1991	4186.3	481.7	3704.6	4263.4	2131.7	3641.2	2427.5	1213.7	1311.5
1992	4119.8	498.8	3621.0	4732.4	2366.2	3582.9	2388.6	1194.3	1194.9
1993	3763.2	470.6	3292.6	5252.9	2626.5	3260.8	2173.9	1086.9	1006.9
1994	3615.5	461.6	3153.9	5830.8	2915.4	3128.1	2085.4	1042.7	894.4
1995	3475.4	447.2	3028.2	6472.1	3236.1	3005.1	2003.4	1001.7	795.6
1996	3184.9	424.6	2760.3	7184.7	3592.0	2738.8	1825.7	912.9	671.3
1997	3348.5	460.3	2888.2	7974.3	3987.2	2871.5	1914.3	957.2	651.7
1998	3474.5	485.6	2988.9	8851.5	4425.7	2974.5	1983.0	991.5	625.1

Assumptions

1. Permanent fund contribution increased to 35% until \$1 billion accumulated per CS SS SB 684 (Fin) am;
2. March 1982 Department of Revenue estimates at 30th percentile;
3. 8% annual inflation assumed in revenue projections, budget ceilings, and operating budget in FY 83\$;  
3% annual population growth assumed for budget ceilings;
4. Col. 7 = 2/3 of Col. 6; Col. 8 = 1/3 of Col. 6.
5. Permanent fund same as SJR 61.

PREPARED BY:

Milt Barker  
Legislative Finance  
5-10-82

Original sponsors: Dankworth and Sturgulewski

Offered: 5/4/82

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and the retention,  
8 investment and expenditure of certain  
9 state revenues; providing for effec-  
10 tive dates for the amendments; and  
11 superseding the amendments proposed  
12 by Legislative Resolve No. 1, First  
13 Special Session of the Twelfth Legis-  
14 lature (FSS FCCS SJR 4).

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

16 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
17 by adding new sections to read:

18 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
19 this article, the total amount of appropriations which take effect in a  
20 fiscal year shall not exceed the sum of the uncommitted general fund  
21 balance at the beginning of that fiscal year plus the revenues of the  
22 State for that fiscal year, other than revenues from all mineral lease  
23 rentals, royalties, royalty sale proceeds, federal mineral revenue  
24 sharing payments and bonuses. If the governor determines that the total  
25 amount of appropriations taking effect in a fiscal year will exceed the  
26 amount authorized by this section, he shall reduce state spending to  
27 assure that amount is not exceeded.

28 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
29 15 of this article, all mineral lease rentals, royalties, royalty sale

1 proceeds, federal mineral revenue sharing payments and bonuses received  
2 by the State shall be placed in an Alaska resource fund. Up to one-  
3 fifth of the balance in the Alaska resource fund may be appropriated  
4 for any purpose if the appropriation is approved by the voters in a  
5 general election as provided by law. The balance remaining in the  
6 Alaska resource fund after deduction of appropriations approved by the  
7 voters may be invested as provided by law in capital projects which are  
8 owned by the State and in programs administered by the State. Projects  
9 that are owned by the State shall return to the Alaska resource fund the  
10 amount of the investment and, unless otherwise provided by a specific  
11 law for a particular project, shall provide a rate of return on the  
12 investment at least equal to the market rate for general obligation  
13 bonds of similar maturity of the State at the time the investment is  
14 made. Programs administered by the State must be approved by the voters  
15 at a general election as prescribed by law, must return to the Alaska  
16 resource fund the amount of the investment, and must be invested at a  
17 rate of return equal to the market rate of return for similar invest-  
18 ments but not less than the rate of return provided by obligations of  
19 similar maturity of the United States government at the time the invest-  
20 ment is made. The balance remaining in the Alaska resource fund that is  
21 not invested in capital projects owned by the State or in programs  
22 administered by the State shall be invested at a rate of return equal to  
23 the market rate of return for similar investments but not less than the  
24 rate of return provided by obligations of similar maturity of the United  
25 States government at the time the investment is made. All income from  
26 the Alaska resource fund shall be deposited in the general fund unless  
27 otherwise provided by law.

28 \* Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is  
29 amended to read:

1 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
2 license shall not be dedicated to any special purpose, except as pro-  
3 vided in sections [SECTION] 15 and 17 of this article or when required  
4 by the federal government for state participation in federal programs.  
5 This provision shall not prohibit the continuance of any dedication for  
6 special purposes existing upon the date of ratification of this section  
7 by the people of Alaska.

8 \* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is  
9 amended to read:

10 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
11 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
12 eral mineral revenue sharing payments received by the State from mineral  
13 leases issued on or before December 1, 1979, and at least twenty-five  
14 percent of all bonuses received by the State from mineral leases issued  
15 on or before February 15, 1980, shall be placed in a permanent fund.  
16 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
17 ceeds, and federal mineral revenue sharing payments received by the State  
18 from mineral leases issued after December 1, 1979, and fifty percent of  
19 all bonuses received by the State from mineral leases issued after Feb-  
20 ruary 15, 1980, shall be placed in the permanent fund. The principal of  
21 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
22 [THOSE] income-producing investments specifically designated by law as  
23 eligible for permanent fund investments at competitive market rates of  
24 return for similar investments. All income from the permanent fund  
25 shall be deposited in the general fund unless otherwise provided by law.

26 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
27 adding a new section to read:

28 SECTION 26. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
29 article IX of this constitution adding sections 16 and 17 relating to

1 appropriations and the Alaska resource fund, amending section 7 relating  
2 to dedicated funds, and amending section 15 relating to the permanent  
3 fund, take effect July 1, 1983. However, the provision of section 17 of  
4 article IX of this constitution relating to placing mineral lease  
5 rentals, royalties, royalty sale proceeds, federal mineral revenue  
6 sharing payments and bonuses received by the State into the Alaska  
7 resource fund shall be implemented as follows:

8 (1) for the period July 1, 1983 through June 30, 1984, one-  
9 quarter of the receipts otherwise payable into the Alaska resource fund  
10 for that period under section 17 shall be placed in the Alaska resource  
11 fund and three-quarters shall be deposited in the general fund;

12 (2) for the period July 1, 1984 through June 30, 1985, one-  
13 half of the receipts otherwise payable into the Alaska resource fund for  
14 that period under section 17 shall be placed in the Alaska resource fund  
15 and one-half shall be deposited in the general fund;

16 (3) for the period July 1, 1985 through June 30, 1986, three-  
17 quarters of the receipts otherwise payable into the Alaska resource fund  
18 for that period under section 17 shall be placed in the Alaska resource  
19 fund and one-quarter shall be deposited in the general fund;

20 (4) after June 30, 1986, the provisions of section 17 shall be  
21 fully in force.

22 \* Sec. 5. The amendments proposed by this resolution shall be placed be-  
23 fore the voters of the state at the next general election in conformity with  
24 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
25 of the state.

26 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
27 ments proposed by Legislative Resolve No. 1, First Special Session of the  
28 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
29 section 3 of that resolution that the amendments proposed by that resolution

1 be placed before the voters of the state.

2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

51

12-2836  
Berrier  
5/5/82.

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to limiting increases in appropria-  
8 tions.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,  
14 appropriations required to pay the principal and interest on general  
15 obligation bonds, and appropriations of money received from a non-State  
16 source in trust for a specific purpose, including revenues of a public  
17 enterprise or public corporation of the State that issues revenue bonds,  
18 appropriations from the treasury made for a fiscal year shall not exceed  
19 \$2,500,000,000 by more than the cumulative change, derived from federal  
20 indices as prescribed by law, in population and inflation since July 1,  
21 1981. The legislature may exceed this limit, <sup>by appropriating up to 50% of the</sup> in bills for appropriations  
22 <sup>to the Alaska permanent fund</sup> to the Alaska permanent fund and in bills for appropriations for capital  
23 projects, whether of bond proceeds or otherwise, if each bill is approved  
24 by the governor, or passed by affirmative vote of three-fourths of the  
25 membership of the legislature over a veto or item veto, or becomes law  
26 without signature, and is also approved by the voters as prescribed by  
27 law. Each bill for appropriations for capital projects in excess of the  
28 limit shall be confined to capital projects of the same type, and the  
29 voters shall, as provided by law, be informed of the cost of operations

1 and maintenance of the capital projects. No other appropriation in  
2 excess of this limit may be made except to meet a state of disaster  
3 declared by the governor as prescribed by law. The governor shall cause  
4 any unexpended and unappropriated balance to be invested so as to yield  
5 competitive market rates to the treasury.

6 \* Sec. 2. Article IX, Constitution of the State of Alaska, is amended by  
7 adding a new section to read:

8 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty  
9 percent of the unexpended and unobligated money in the state treasury  
10 that exceeds the limit established by section 16 of this article for a  
11 fiscal year may be expended for capital projects approved by the voters.

12 \* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by  
13 adding new sections to read:

14 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
15 majority of those voting on the question at the general election in 1982  
16 approve the ballot proposition for the total cost to the State of provid-  
17 ing for relocation of the capital, no additional voter approval of  
18 appropriations for that purpose within the cost approved by the voters  
19 is required under the 1982 amendment limiting increases in appropriations  
20 (art. IX, sec. 16).

21 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
22 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
23 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
24 ballot title and proposition for the amendment to be placed on the  
25 ballot again at the general election in 1986. If the majority of those  
26 voting on the proposition in 1986 rejects the amendment, it shall be  
27 repealed.

28 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting  
29 appropriation increases (art. IX, sec. 16) applies to appropriations

1       made for fiscal year 1984 and thereafter.

2       \* Sec. 4. The amendments proposed by this resolution shall be placed  
3 before the voters of the state at the next general election in conformity  
4 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
5 laws of the state.

6       \* Sec. 5. The amendments proposed by this resolution supersede the amend-  
7 ments proposed by Legislative Resolve No. 1, First Special Session of the  
8 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
9 section 3 of that resolution that the amendments proposed by that resolution  
10 be placed before the voters of the state.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

SJ

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to limiting increases in appropria-  
8 tions.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read: *Previous yr adjustment*

12 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
13 Alaska permanent fund dividends, appropriations of revenue bond proceeds,  
14 appropriations required to pay the principal and interest on general  
15 obligation bonds, and appropriations of money received from a non-State  
16 source in trust for a specific purpose, including revenues of a public  
17 enterprise or public corporation of the State that issues revenue bonds,  
18 appropriations from the treasury made for a fiscal year shall not exceed  
19 *total appropriations made in the previous fiscal year or*  
20 *what is less* \$2,500,000,000 by more than the cumulative change, derived from federal  
21 indices as prescribed by law, in population and inflation since July 1,  
22 1981. The legislature may exceed this limit, *by appropriating to the SOB of the*  
23 *state* to the Alaska permanent fund and in bills for appropriations for capital  
24 projects, whether of bond proceeds or otherwise, if each bill is approved  
25 by the governor, or passed by affirmative vote of three-fourths of the  
26 membership of the legislature over a veto or item veto, or becomes law  
27 without signature, and is also approved by the voters as prescribed by  
28 law. Each bill for appropriations for capital projects in excess of the  
29 limit, *whether* shall be confined to capital projects of the same type, and the  
voters shall, as provided by law, be informed of the cost of operations

1 and maintenance of the capital projects. No other appropriation in  
2 excess of this limit may be made except to meet a state of disaster  
3 declared by the governor as prescribed by law. The governor shall cause  
4 any unexpended and unappropriated balance to be invested so as to yield  
5 competitive market rates to the treasury.

6 \* Sec. 2. Article IX, Constitution of the State of Alaska, is amended by  
7 adding a new section to read:

8 *Balance* SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty  
9 percent of the unexpended and unobligated money in the state treasury  
10 that exceeds the limit established by section 16 of this article for a  
11 fiscal year may be expended for capital projects approved by the voters.

12 \* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by  
13 adding new sections to read:

14 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
15 majority of those voting on the question at the general election in 1982  
16 approve the ballot proposition for the total cost to the State of provid-  
17 ing for relocation of the capital, no additional voter approval of  
18 appropriations for that purpose within the cost approved by the voters  
19 is required under the 1982 amendment limiting increases in appropriations  
20 (art. IX, sec. 16).

21 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
22 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
23 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
24 ballot title and proposition for the amendment to be placed on the  
25 ballot again at the general election in 1986. If the majority of those  
26 voting on the proposition in 1986 rejects the amendment, it shall be  
27 repealed.

28 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting  
29 appropriation increases (art. IX, sec. 16) applies to appropriations

1 made for fiscal year 1984 and thereafter.

2 \* Sec. 4. The amendments proposed by this resolution shall be placed  
3 before the voters of the state at the next general election in conformity  
4 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
5 laws of the state.

6 \* Sec. 5. The amendments proposed by this resolution supersede the amend-  
7 ments proposed by Legislative Resolve No. 1, First Special Session of the  
8 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
9 section 3 of that resolution that the amendments proposed by that resolution  
10 be placed before the voters of the state.

11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

CS SS SJR 61 (Rules)  
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Resource Fund Interest	(3) Total Revenue	(4) Section 16 Revenue less Debt Service	(5) Resource Fund Balance	(6) Section 17 20% Voter Approval	(7) Permanent Fund Balance	(8) Permanent Fund Distributable Income	(9) Section 16 Revenue Less Debt Service FY 83 \$
1984	3063.1	5.8	3068.9	2332.1	192.4		4171.4	73.4	2159.4
1985	3509.1	24.1	3533.2	2457.2	611.7	38.4	5017.7	88.4	2106.7
1986	4012.4	60.7	4082.1	2579.7	1410.0		6015.7	106.1	2047.8
1987	4634.7	113.7	4748.4	2709.6	2378.4	282.0	7197.2	127.0	1991.6
1988	4777.8	184.0	4961.8	2733.2	3755.4		8544.1	151.4	1860.2
1989	5258.7	250.0	5508.7	3074.2	4576.9	751.1	10020.5	178.5	1937.3
1990	4627.1	321.8	4948.9	2749.8	6151.0		11382.5	205.8	1604.5
1991	4186.3	374.3	4560.6	2609.0	6327.3	1230.2	12794.1	232.5	1409.6
1992	4119.8	421.1	4540.9	2622.2	7709.1		14336.4	260.8	1311.8
1993	3763.2	453.9	4217.1	2462.7	7419.3	1541.8	15972.7	291.4	1140.7
1994	3615.5	481.1	4096.6	2412.4	8616.1		17730.6	324.1	1034.6
1995	3475.4	499.6	3975.0	2360.2	8037.4	1723.2	19614.2	359.1	937.3
1996	3184.9	513.2	3698.1	2218.6	9070.8		21624.9	396.5	815.8
1997	3348.5	522.2	3870.7	2313.6	8336.7	1814.2	23833.5	437.1	787.7
1998	3474.5	533.6	4008.1	2395.8	9449.1		26245.2	481.5	755.3

ASSUMPTIONS:

1. Resource fund earns 6%, permanent fund 10%, of which 8% is inflation and 2% is distributable income; inflation component of permanent fund earnings added to principal per CS SS SB 684 (Fin) am;
2. Permanent fund contribution increased to 35% until \$1 billion accumulated per 2d CS SB 885 (Rules);
3. March 1982 Department of Revenue estimates at 30th percentile;
4. Resource fund contributions phased in;
5. 20% of resource fund available for voter approval at general elections;
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10).

LEGISLATIVE RESOLVE 1, FSSLA 81  
(FCCS SJR 4)  
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Permanent Fund Contribution	(3) Unrestricted Revenue	(4) Operating Budget Ceiling	(5) Capital Budget Ceiling	(6) Unrestricted Revenue less Debt Service	(7) Operating Budget	(8) Capital Budget	(9) Operating Budget FY 83 \$
1984	3063.1	413.3	2649.8	2053.5	1026.8	2518.6	1679.0	839.5	1554.6
1985	3509.1	492.9	3016.2	2279.4	1139.7	2890.9	1927.3	963.6	1652.3
1986	4012.4	573.6	3438.8	2530.1	1265.1	3317.3	2211.5	1105.8	1755.6
1987	4634.7	673.3	3961.4	2808.4	1404.2	3846.3	2564.2	1282.1	1884.8
1988	4777.8	741.5	4036.3	3117.4	1558.7	3926.3	2617.5	1308.8	1781.4
1989	5258.7	762.4	4496.3	3460.3	1730.1	4396.8	2931.2	1465.6	1847.2
1990	4627.1	538.8	4088.3	3840.9	1920.4	4002.1	2668.0	1334.0	1556.8
1991	4186.3	481.7	3704.6	4263.4	2131.7	3641.2	2427.5	1213.7	1311.5
1992	4119.8	498.8	3621.0	4732.4	2366.2	3582.9	2388.6	1194.3	1194.9
1993	3763.2	470.6	3292.6	5252.9	2626.5	3260.8	2173.9	1086.9	1006.9
1994	3615.5	461.6	3153.9	5830.8	2915.4	3128.1	2085.4	1042.7	894.4
1995	3475.4	447.2	3028.2	6472.1	3236.1	3005.1	2003.4	1001.7	795.6
1996	3184.9	424.6	2760.3	7184.7	3592.0	2738.8	1825.7	912.9	671.3
1997	3348.5	460.3	2888.2	7974.3	3987.2	2871.5	1914.3	957.2	651.7
1998	3474.5	485.6	2988.9	8851.5	4425.7	2974.5	1983.0	991.5	625.1

Assumptions

1. Permanent fund contribution increased to 35% until \$1 billion accumulated per CS SS SB 684 (Fin) am;
2. March 1982 Department of Revenue estimates at 30th percentile;
3. 8% annual inflation assumed in revenue projections, budget ceilings, and operating budget in FY 83\$;  
3% annual population growth assumed for budget ceilings;
4. Col. 7 = 2/3 of Col. 6; Col. 8 = 1/3 of Col. 6.
5. Permanent fund same as SJR 61.

PREPARED BY:

Milt Barker  
Legislative Finance  
5-10-82

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**



Official Business

# Alaska State Legislature

Senate

Committee on Finance

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Senator Dankworth  
FROM: Pete Jeans *PJ*  
DATE: March 24, 1982  
RE: SJR 61

---

SECTION 16. This section places a limit on the revenue available for appropriation by the legislature. Revenue received from any source other than revenues from all mineral lease rentals, royalty sale proceeds, federal mineral revenue sharing payments and bonuses are available. This includes, but is not limited to revenue received from taxes, licenses and permit fees, federal shared revenues, investment earnings, airport and ferry system charges, court system charges and other miscellaneous revenues.

The legislature determines the percentage it will appropriate for operating, capital or loans.

The governor is responsible to reduce spending if actual revenues are below that appropriated by the legislature. This will prevent deficit spending and allow the legislature to "balance the books" at the beginning of each session.

SECTION 17. This section establishes the Alaska Resource Fund.

All revenue received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses, that are not required by law to be deposited in the permanent fund, are placed in the Alaska Resource Fund.

This fund is used in the following ways:

- (1) The legislature may appropriate one-fifth (20%) of the balance in the fund for any purpose if the appropriation is approved by the voters.
- (2) Money in the fund shall be invested at a rate of return equal to the market rate of return for similar investments, but not less than the rate of return provided by obligations of the United States Government. (For a 90 day investment the bottom line would be 90 day treasury bills, today 12.82%, 10 year maturity 13.79%.) or;
- (3) Money in the fund may be invested in capital projects which are owned by the state that will return the investment to the fund and provide a rate of return equal to the market rate for general obligation bonds of the state at the time the investment is made. (Approximately 10%).
- (4) Earnings on the fund are deposited in the general fund.

SECTION 26. Will eliminate the possibility of a second vote on the appropriation for relocation of the capital.

FUNDS AVAILABLE FOR OPERATING & CAPITAL BUDGETS

SJR-61

IN THOUSAND OF CURRENT DOLLARS

	<u>FY 1983</u> <u>Estimate</u> <u>January</u>	<u>FY 1984</u> <u>Estimate</u> <u>January</u>
<u>Taxes</u>		
<u>Income</u>		
Corporate-General (1)	35,000	39,000
Corporate-Petroleum (2)	304,000	360,000
<u>Gross Receipts</u>		
Alaska Business License	5,500	5,500
Fish-Canned Salmon	6,000	6,000
Fish-Shorebased	11,000	11,000
Fish-Floating	4,000	4,000
Salmon Enhancement	2,400	2,400
Insurance Companies	11,500	11,500
Other	1,400	1,400
<u>Severance</u>		
Gravel, Timber, Etc.	2,500	2,500
Oil & Gas Production (3)(4)	1,819,000	2,213,400
Oil & Gas Conservation	700	700
<u>Property</u>		
Oil & Gas (5)	157,700	225,000
Vehicle Registration	200	200
<u>Sale/Use</u>		
Alcoholic Beverages	9,000	9,000
Fuel Taxes-Aviation	4,500	4,700
Fuel Taxes-Highway	18,500	19,000
Fuel Taxes-Marine	3,800	4,000
Tabacco Products	1,900	1,900
<u>Other</u>		
Estate	500	500
<b>Total Taxes</b>	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses &amp; Permits</u>		
<u>Business</u>	11,000	12,100
<u>Non-Business</u>	13,000	13,500
<b>Total Licenses &amp; Permits</b>	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>		
Federal Shared Revenues (6)(7)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
<u>Facilities Related Charges</u>		
Airports	1,200	1,200
Ferry System-Southeast	26,300	28,900
Ferry System-Southwest	3,800	4,100
Other	4,500	4,700
<u>Service Related Charges</u>		
Court System	3,300	3,500
Other	4,500	4,800
	<u>41,600</u>	<u>47,200</u>
<u>Miscellaneous Revenues</u>		
	<u>5,900</u>	<u>6,000</u>
<b>Total</b>	<b>2,797,500</b>	<b>3,385,500</b>

SJR-61

YEAR	REVENUE PROJECTIONS	SECTION 16 REVENUE	RESOURCE FUND BALANCE	INTEREST RESOURCE FUND	SECTION 17 VOTER APPROVAL
1983	3308.4	2989.62	0.0	0.00	0.00
1984	5241.7	3101.91	1306.3	0.00	326.59
1985	6518.6	3696.82	3672.1	143.70	0.00
1986	7611.7	4304.35	5138.8	367.21	1284.70
1987	8762.2	4907.82	8325.2	462.49	0.00
1988	9275.2	5051.11	9443.9	749.27	2360.97
1989	10300.3	5624.25	13280.8	849.95	0.00
1990	10468.6	5926.71	13613.4	1195.27	3403.34
1991	10107.8	5814.31	17159.0	1225.20	0.00
1992	10437.1	6185.93	16538.6	1544.31	4134.66
1993	10547.9	6236.29	20102.3	1488.48	0.00
1994	10971.4	6658.49	18935.5	1809.21	4733.87
1995	10236.5	6307.10	22204.5	1704.19	0.00
1996	10298.7	6532.60	20278.4	1998.41	5069.61
1997	10729.1	6658.43	23663.7	1825.06	0.00
1998	11291.7	7100.27	21716.6	2129.73	5429.16

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

RESOURCE FUND

YEAR	RESOURCE FUND BALANCE	RESOURCE FUND INTEREST	RESOURCE FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	0.0	0.00	0.0%
1984	1306.3	0.00	0.0%
1985	3672.1	143.70	3.9%
1986	5138.8	367.21	8.5%
1987	8325.2	462.49	9.4%
1988	9443.9	749.27	14.8%
1989	13280.8	849.95	15.1%
1990	13613.4	1195.27	20.2%
1991	17159.0	1225.20	21.1%
1992	16538.6	1544.31	25.0%
1993	20102.3	1488.48	23.9%
1994	18935.5	1809.21	27.2%
1995	22204.5	1704.19	27.0%
1996	20278.4	1998.41	30.6%
1997	23663.7	1825.06	27.4%
1998	21716.6	2129.73	30.0%

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

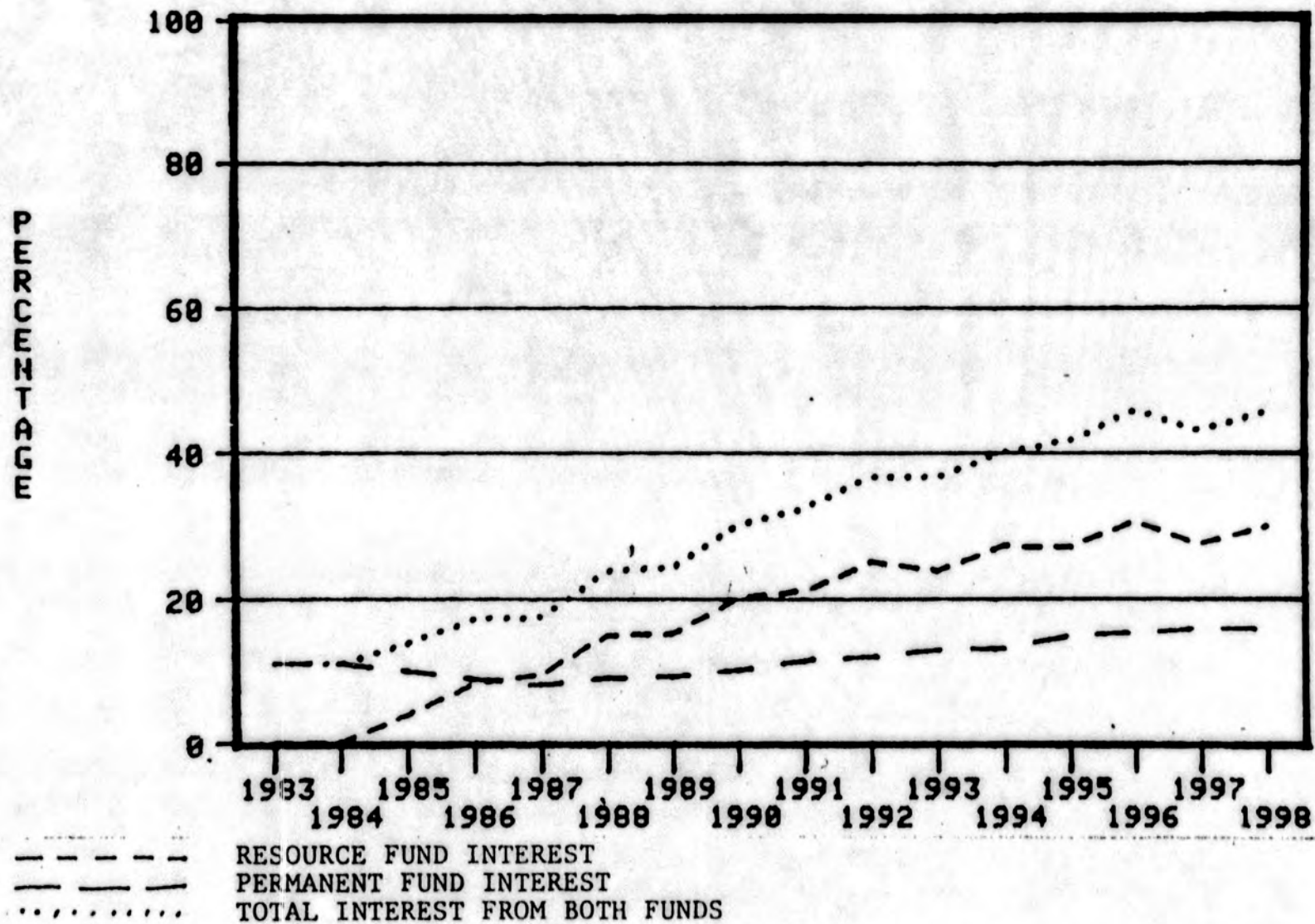
PERMANENT FUND

YEAR	PERMANENT FUND BALANCE	INTEREST	PERMANENT FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	2818.8	325.00	10.9%
1984	3325.6	338.26	10.9%
1985	3781.6	365.82	9.9%
1986	4337.5	378.16	8.8%
1987	5005.5	390.38	8.0%
1988	5749.9	450.49	8.9%
1989	6589.1	517.49	9.2%
1990	7395.1	593.02	10.0%
1991	8142.9	665.56	11.4%
1992	8879.7	732.86	11.8%
1993	9627.7	799.18	12.8%
1994	10373.5	866.49	13.0%
1995	11033.9	933.61	14.8%
1996	11656.5	993.05	15.2%
1997	12341.9	1049.08	15.8%
1998	13051.2	1110.77	15.6%

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

TOTAL INTEREST FROM THE RESOURCE AND PERMANENT FUNDS AS A PERCENTAGE OF FUNDS  
AVAILABLE FOR APPROPRIATION



-7-

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and the retention,  
8 investment and expenditure of certain  
9 state revenues; and superseding the  
10 amendments proposed by Legislative  
11 Resolve No. 1, First Special Session  
12 of the Twelfth Legislature (FSS FCCS  
13 SJR 4).

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

15 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
16 by adding new sections to read:

17 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
18 this article, the total amount of appropriations which take effect in a  
19 fiscal year shall not exceed the sum of the uncommitted general fund  
20 balance at the beginning of that fiscal year plus the revenues of the  
21 State for that fiscal year, other than revenues from all mineral lease  
22 rentals, royalties, royalty sale proceeds, federal mineral revenue shar-  
23 ing payments and bonuses. If the governor determines that the total  
24 amount of appropriations taking effect in a fiscal year will exceed the  
25 amount authorized by this section, he shall reduce state spending to as-  
26 sure that amount is not exceeded.

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
28 15 of this article, all mineral lease rentals, royalties, royalty sale  
29 proceeds, federal mineral revenue sharing payments and bonuses received

1 by the State shall be placed in an Alaska resource fund. Up to one-  
2 fifth of the balance in the Alaska resource fund may be appropriated for  
3 any purpose if the appropriation is approved by the voters in a general  
4 election as provided by law. Money in the Alaska resource fund shall be  
5 invested as provided by law at a rate of return equal to the market rate  
6 of return for similar investments but not less than the rate of return  
7 provided by obligations of similar maturity of the United States govern-  
8 ment at the time the investment is made. Money in the Alaska resource  
9 fund may also be invested in capital projects which are owned by the  
10 State, which will return to the Alaska resource fund the amount of the  
11 investment, and which will provide a rate of return on the investment at  
12 least equal to the market rate for general obligation bonds of similar  
13 maturity of the State at the time the investment is made. Earnings on  
14 money deposited in the Alaska resource fund shall be deposited in the  
15 general fund.

16 \* Sec. 2. Article IX, section 15, Constitution of the State of Alaska is  
17 amended to read:

18 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
19 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
20 eral mineral revenue sharing payments received by the State from mineral  
21 leases issued on or before December 1, 1979, and at least twenty-five  
22 percent of all bonuses received by the State from mineral leases issued  
23 on or before February 15, 1980, shall be placed in a permanent fund.  
24 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
25 ceeds, and federal mineral revenue sharing payments received by the  
26 State from mineral leases issued after December 1, 1979, and fifty per-  
27 cent of all bonuses received by the State from mineral leases issued af-  
28 ter February 15, 1980, shall be placed in the permanent fund. The prin-  
29 cipal of the permanent fund [ , THE PRINCIPAL OF WHICH] shall be used

1 only for [THOSE] income-producing investments specifically designated by  
2 law as eligible for permanent fund investments at the market rate of re-  
3 turn for similar investments. All income from the permanent fund shall  
4 be deposited in the general fund unless otherwise provided by law.

5 \* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by  
6 adding new sections to read:

7 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
8 majority of those voting on the question at the general election in 1982  
9 approve the ballot proposition for the total cost of the State of pro-  
10 viding for relocation of the capital, no additional voter approval of  
11 appropriations for that purpose within the cost approved by the voters  
12 is required under section 17 of article IX of this constitution.

13 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
14 article IX of this constitution adding sections 16 and 17, relating to  
15 appropriations and the Alaska resources fund, and amending section 15,  
16 relating to the permanent fund, take effect July 1, 1983.

17 \* Sec. 4. The amendments proposed by this resolution shall be placed be-  
18 fore the voters of the state at the next general election in conformity with  
19 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
20 of the state.

21 \* Sec. 5. The amendments proposed by this resolution supersede the amend-  
22 ments proposed by the Legislative Resolve No. 1, First Special Session of the  
23 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
24 section 3 of that resolution that the amendments proposed by that resolution  
25 be placed before the voters of the state.  
26  
27  
28  
29

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

*Base Case*

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2678.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3862.5	3364.9	2902.8	131.3	462.1	525.1
86	4432.2	3854.1	3049.0	0.0	805.2	1330.3
87	5152.7	4474.6	3215.3	517.9	1259.3	2071.7
88	5400.7	4654.3	3268.2	0.0	1386.1	3457.8
89	6025.8	5203.6	3676.8	996.9	1526.9	3937.7
90	5803.0	4758.6	3376.0	0.0	1382.6	5320.3
91	5205.1	4730.4	3303.6	1359.4	1426.9	5437.7
92	5190.5	4716.8	3295.5	0.0	1421.3	6859.0
93	4952.5	4518.2	3215.3	1632.4	1302.9	6529.5
94	4831.9	4413.6	3158.8	0.0	1254.8	7784.4
95	4796.4	4394.8	3189.9	1797.9	1204.9	7191.4
96	4516.7	4148.4	3043.7	0.0	1104.8	8296.2
97	4772.4	4333.5	3216.8	1892.6	1166.7	7570.3
98	4901.3	4498.0	3288.0	0.0	1209.9	8780.2

## ASSUMPTIONS:

30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE  
RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE  
RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86  
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%  
INFLATION RATE = 7%  
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE-CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 28, 1982

STATE OF ALASKA  
 OFFICE OF THE GOVERNOR  
 DIVISION OF BUDGET AND MANAGEMENT  
 SJR61

CAL YR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 15 APPROPRIATION
3	2833.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
4	3301.3	418.6	2457.7	2296.9	1874.7	0.0	10.5
5	3799.4	497.6	2587.7	2260.2	2116.0	0.3	11.4
6	4377.4	573.1	2709.0	2211.4	2414.4	0.9	12.5
7	5055.5	678.1	2846.4	2171.5	2779.9	2.1	13.6
8	5801.9	746.4	2865.5	2043.0	2761.9	3.2	15.5
9	6624.0	822.2	3236.7	2156.7	3063.8	4.7	15.8
0	7368.5	744.5	2894.3	1802.7	2695.4	5.9	19.6
1	7844.1	475.6	2785.2	1621.0	2516.6	8.1	22.3
2	8317.9	473.8	2753.3	1497.6	2481.4	8.2	23.8
3	8752.2	434.5	2649.4	1346.8	2306.5	10.7	25.9
4	9170.5	418.3	2571.2	1221.6	2244.7	10.3	27.7
5	9572.1	401.6	2581.3	1146.1	2192.1	12.2	28.7
6	9940.4	368.3	2415.1	1002.2	2055.5	11.8	31.4
7	10329.3	388.9	2569.8	796.6	2155.0	12.9	30.9
8	10732.6	403.3	2621.6	950.2	2243.1	11.5	31.4



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL EAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4141.0	3595.5	3089.1	143.9	506.5	575.6
86	4782.3	4144.3	3255.6	0.0	323.7	1464.3
87	5583.7	4833.5	3440.1	571.5	1393.3	2286.1
88	5915.2	5079.5	3527.5	0.0	1552.0	3838.0
89	6700.3	5760.3	4014.4	1116.8	1745.8	4467.1
90	6862.1	6173.9	4109.0	0.0	2064.8	6531.9
91	6782.7	6112.9	4103.5	1708.3	2009.4	6833.1
92	6366.3	6184.5	4139.2	0.0	2045.3	8878.3
93	7097.7	6398.3	4300.0	2195.3	2098.3	8731.3
94	7285.8	6562.5	4392.9	0.0	2169.7	10951.0
95	7102.4	6419.5	4370.7	2599.9	2048.7	10399.8
96	6960.6	6288.3	4271.2	0.0	2017.0	12416.8
97	7478.9	6762.3	4612.3	2913.4	2150.0	11653.4
98	7728.9	6978.4	4726.7	0.0	2251.7	13905.1

## ASSUMPTIONS:

MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE  
RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE  
RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86  
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%  
INFLATION RATE = 7%  
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION-16 APPROPRIATION	REAL NET SECTION-16 APPROPRIATION	NET SECTION 16 NET-OF-R-F- INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
984	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
985	3357.4	545.4	2772.0	2421.2	2254.9	0.3	10.8
986	4525.5	638.0	2911.2	2376.4	2586.2	0.9	11.9
987	5275.7	750.3	3063.8	2337.4	2990.6	2.1	13.2
988	6111.4	835.7	3113.8	2220.1	2999.5	3.2	15.0
989	7051.5	940.1	3558.9	2371.4	3366.9	4.8	15.2
990	7739.7	688.3	3606.5	2245.9	3383.1	5.4	17.2
991	5409.5	669.8	3566.5	2075.7	3239.9	8.0	18.9
992	9091.3	681.8	3568.8	1941.2	3227.1	8.3	20.3
993	9790.7	699.4	3695.4	1878.6	3251.5	10.3	21.1
994	10513.9	723.2	3753.3	1783.2	3314.3	10.0	22.3
995	11196.9	682.9	3695.0	1640.6	3147.5	12.5	24.0
996	11369.2	672.3	3561.4	1477.9	3041.4	12.2	26.2
997	12585.9	716.7	3868.8	1500.4	3248.0	13.5	25.7
998	13336.4	750.6	3947.4	1430.7	3364.7	12.3	26.6

RF = 25%  
exp

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

ISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3862.5	3364.9	2902.8	164.1	462.1	492.3
86	4430.5	3852.5	3047.5	0.0	805.2	1297.5
87	5151.0	4472.9	3213.6	639.2	1259.3	1917.6
88	5393.0	4646.6	3260.5	0.0	1336.1	3303.7
89	6018.1	5195.9	3669.1	1207.6	1526.9	3622.9
90	5484.8	4740.3	3357.8	0.0	1332.6	5005.5
91	5187.8	4712.2	3285.3	1608.1	1426.9	4824.3
92	5159.9	4686.1	3264.8	0.0	1421.3	6245.5
93	4921.8	4487.6	3184.7	1887.1	1302.9	5661.3
94	4788.5	4370.2	3115.4	0.0	1254.8	6916.2
95	4753.0	4351.4	3146.5	2030.3	1204.9	6090.8
96	4461.7	4093.4	2988.7	0.0	1104.8	7195.6
97	4717.4	4328.5	3161.8	2090.6	1166.7	6271.7
98	4836.4	4433.0	3223.1	0.0	1209.9	7481.6

ASSUMPTIONS:

- 1: 50TH PERCENTILE REVENUE PROJECTION; DEPARTMENT OF REVENUE
- 2: RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
- 3: 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- 4: RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- 5: RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%
- 6: INFLATION RATE = 7%
- 7: PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2833.2	333.2	2423.7	2423.7	2423.7	0.0	9.3
984	3301.8	413.6	2457.7	2296.9	1874.7	0.0	10.5
985	3799.4	497.6	2587.7	2260.2	2116.0	0.3	11.4
986	4377.4	578.1	2707.4	2210.0	2414.4	0.3	12.5
987	5055.5	678.1	2844.7	2170.2	2779.9	2.0	13.6
988	5501.9	746.4	2357.8	2037.5	2761.9	2.9	15.5
989	6624.0	822.2	3229.0	2151.6	3063.8	4.5	15.8
990	7368.5	744.5	2876.5	1791.4	2695.4	5.4	19.7
991	7344.1	475.6	2766.9	1610.4	2516.6	7.6	22.4
992	8317.9	473.8	2722.6	1480.9	2431.4	7.4	24.0
993	8752.2	434.3	2618.3	1331.3	2396.5	9.8	26.1
994	9170.5	413.3	2527.8	1200.9	2244.7	9.1	23.1
995	9572.1	401.6	2537.9	1126.9	2192.1	11.0	29.1
996	9940.4	368.3	2360.0	979.3	2055.5	10.2	32.0
997	10329.3	333.9	2514.8	975.3	2155.0	11.4	31.4
998	10732.6	403.3	2556.6	926.6	2243.1	9.7	32.0

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

CAL YR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
3	3081.9	2698.7	2698.7	0.0	0.0	0.0
4	3622.5	3163.6	2950.6	0.0	213.0	213.0
5	4141.0	3595.5	3089.1	179.9	506.5	539.6
6	4780.5	4142.5	3253.8	0.0	888.7	1428.3
7	5581.9	4831.7	3438.3	705.4	1393.3	2116.2
8	5906.7	5071.0	3519.1	0.0	1552.0	3668.2
9	6691.8	5751.8	4005.9	1353.5	1745.8	4060.5
0	6341.3	6153.5	4088.7	0.0	2064.8	6125.4
1	6762.3	6092.5	4083.2	2033.7	2009.4	6101.1
2	6829.7	6147.9	4102.6	0.0	2045.3	8146.3
3	7061.1	6361.7	4263.4	2561.2	2098.3	7633.5
4	7230.9	6507.7	4338.0	0.0	2169.7	9853.1
5	7047.5	6364.6	4315.8	2975.5	2048.7	8926.4
6	6886.9	6214.6	4197.6	0.0	2017.0	10943.4
7	7405.3	6688.6	4538.6	3273.4	2150.0	9820.1
8	7637.2	6886.7	4635.0	0.0	2251.7	12071.7

## ASSUMPTIONS:

MEAN PETROLEUM REVENUE PROJECTION; DEPARTMENT OF REVENUE  
RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR  
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE  
RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86  
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%  
INFLATION RATE = 7%  
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
85	3837.4	545.4	2772.0	2421.2	2254.9	0.3	10.8
86	4525.5	638.0	2909.4	2375.0	2586.2	0.8	11.9
87	5275.7	750.3	3062.0	2336.0	2990.6	2.1	13.2
88	6111.4	835.7	3105.3	2214.0	2999.5	3.0	15.0
89	7051.5	940.1	3550.4	2365.8	3366.9	4.6	15.3
90	7739.7	688.3	3586.1	2233.3	3383.1	5.0	17.2
91	8409.5	669.8	3546.2	2063.9	3239.9	7.5	19.0
92	9091.3	681.8	3532.2	1921.3	3227.1	7.4	20.5
93	9790.7	699.4	3658.8	1860.0	3251.5	9.6	21.3
94	10513.9	723.2	3698.4	1757.1	3314.3	8.9	22.6
95	11196.9	682.9	3640.1	1616.3	3147.5	11.4	24.4
96	11869.2	672.3	3487.7	1447.3	3041.4	10.6	26.7
97	12585.9	716.7	3795.2	1471.8	3248.0	12.1	26.1
98	13336.4	750.6	3855.7	1397.5	3364.7	10.6	27.1

Phase in of  
RF cont. (rollin)

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2168.8	0.0	777.4	777.4
85	3891.7	3394.1	2469.9	340.3	924.1	1361.2
86	4474.0	3895.9	2822.4	0.0	1073.5	2434.7
87	5207.9	4529.8	3270.5	738.8	1259.3	2955.2
88	5444.9	4698.5	3312.4	0.0	1386.1	4341.4
89	6070.0	5247.8	3721.0	1173.6	1526.9	4694.6
90	5538.4	4793.9	3411.3	0.0	1382.6	6077.2
91	5241.4	4765.8	3338.9	1500.8	1426.9	6003.2
92	5213.8	4745.0	3323.8	0.0	1421.3	7424.5
93	4930.3	4546.5	3243.6	1745.5	1302.9	6931.9
94	4854.5	4436.3	3181.4	0.0	1254.8	8236.7
95	4819.1	4417.4	3212.5	1888.3	1204.7	7553.3
96	4534.8	4166.5	3061.8	0.0	1104.8	8658.1
97	4790.5	4401.6	3234.9	1965.0	1166.7	7859.8
98	4915.8	4512.5	3302.5	0.0	1209.7	9069.8

## ASSUMPTIONS:

30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE  
RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE  
RENEWABLE RESOURCE FUND STARTING IN FISCAL YEAR 84  
RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 5%  
INFLATION RATE = 7%  
PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \* \*

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.3	413.6	1874.7	1752.0	1874.7	0.0	13.3
85	3799.4	497.6	2154.8	1882.1	2116.0	1.6	13.4
86	4377.4	578.1	2482.4	2026.4	2414.4	2.4	13.5
87	5055.5	678.1	2901.6	2213.6	2779.9	3.7	13.4
88	5801.9	746.4	2909.6	2074.5	2761.9	4.5	15.3
89	6624.0	822.2	3230.9	2186.2	3063.8	5.8	15.6
90	7368.5	744.5	2930.1	1824.7	2695.4	6.9	19.4
91	7844.1	475.6	2820.5	1641.6	2516.6	9.1	22.1
92	8317.9	473.8	2781.6	1513.0	2481.4	9.0	23.6
93	8752.2	434.3	2677.7	1361.2	2306.5	11.4	25.6
94	9170.5	418.3	2593.8	1232.3	2244.7	11.0	27.5
95	9572.1	401.6	2604.0	1156.2	2192.1	12.8	28.5
96	9940.4	368.3	2433.2	1009.7	2055.5	12.3	31.3
97	10329.3	358.9	2587.9	1003.6	2155.0	13.4	30.7
98	10732.6	403.3	2636.1	955.4	2243.1	11.9	31.3

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
1983	3081.9	2698.7	2698.7	0.0	0.0	0.0
1984	3622.5	3163.6	2311.5	0.0	852.1	852.1
1985	4172.9	3627.5	2614.6	373.0	1012.9	1492.1
1986	4823.1	4190.1	3005.2	0.0	1184.9	2676.9
1987	5644.4	4894.1	3500.8	814.1	1393.3	3256.2
1988	5953.7	5128.0	3576.1	0.0	1552.0	4808.2
1989	6748.8	5808.8	4062.9	1310.8	1745.8	5243.2
1990	6900.9	6212.7	4147.8	0.0	2064.8	7308.1
1991	6821.5	6151.7	4142.3	1863.5	2009.4	7454.0
1992	6897.3	6215.5	4170.3	0.0	2045.3	9499.2
1993	7128.3	6429.3	4331.0	2319.5	2098.3	9278.0
1994	7310.6	6587.4	4417.7	0.0	2169.7	11447.7
1995	7127.2	6444.3	4395.6	2699.3	2043.7	10797.1
1996	6980.5	6308.1	4291.1	0.0	2017.0	12814.2
1997	7498.3	6782.1	4632.1	2992.8	2150.0	11971.3
1998	7744.8	6994.2	4742.6	0.0	2251.7	14223.0

## ASSUMPTIONS:

- : MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- : RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- : 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- : RENEWABLE RESOURCE FUND STARTING IN FISCAL YEAR 84
- : RATES OF RETURN: PERMANENT FUND 10%; RESOURCE FUND 5%
- : INFLATION RATE = 7%
- : PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 25, 1982

STATE OF ALASKA  
 OFFICE OF THE GOVERNOR  
 DIVISION OF BUDGET AND MANAGEMENT  
 SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
1983	2683.2	333.2	2423.7	2423.7	2423.7	0.0	9.3
1984	3342.0	458.8	2017.3	1885.3	2017.3	0.0	12.5
1985	3587.4	545.4	2297.5	2006.7	2254.9	1.6	12.8
1986	4325.5	638.0	2660.8	2172.0	2536.2	2.5	12.9
1987	5275.7	750.3	3124.5	2383.7	2990.6	3.8	12.9
1988	6111.4	835.7	3162.3	2254.7	2999.5	4.6	14.7
1989	7051.5	910.1	3607.4	2403.7	3366.9	5.9	15.0
1990	7739.7	688.3	3645.3	2270.1	3383.1	6.3	17.0
1991	8409.5	669.8	3605.3	2098.3	3239.9	8.8	18.7
1992	9091.3	631.8	3599.8	1958.1	3227.1	8.9	20.2
1993	9790.7	699.4	3726.5	1894.4	3251.5	11.0	21.0
1994	10513.9	723.2	3778.2	1795.0	3314.3	10.5	22.2
1995	11196.9	682.9	3719.9	1651.7	3147.5	13.0	23.9
1996	11569.2	672.3	3581.3	1486.1	3041.4	12.6	26.1
1997	12585.9	716.7	3888.7	1508.1	3248.0	13.8	25.6
1998	13336.4	750.6	3963.3	1436.5	3364.7	12.6	26.5

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

BUDGET YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3352.8	3355.2	2893.1	131.3	462.1	525.1
86	4405.9	3827.9	3022.7	0.0	805.2	1330.3
87	5086.2	4408.1	3148.7	517.9	1259.3	2071.7
88	5297.1	4550.8	3164.7	0.0	1386.1	3457.8
89	5852.9	5030.7	3503.9	996.9	1526.9	3987.7
90	5303.7	4559.2	3176.6	0.0	1382.6	5370.3
91	4937.6	4461.9	3035.1	1359.4	1426.9	5437.7
92	4918.6	4444.9	3023.6	0.0	1421.3	6859.0
93	4609.6	4175.3	2872.4	1632.4	1302.9	6529.5
94	4505.4	4037.2	2832.3	0.0	1254.8	7784.4
95	4407.2	4005.6	2800.6	1797.9	1204.9	7191.4
96	4157.1	3788.9	2684.1	0.0	1104.8	8296.2
97	4357.6	3968.7	2802.0	1892.6	1166.7	7570.3
98	4522.8	4119.5	2909.5	0.0	1209.9	8780.2

## ASSUMPTIONS:

- 30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2863.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.8	418.6	2457.7	2296.9	1874.7	0.0	10.5
85	3799.4	497.6	2578.0	2251.8	2116.0	0.0	11.4
86	4377.4	578.1	2682.8	2189.9	2414.4	0.0	12.6
87	5055.5	678.1	2779.9	2120.8	2779.9	0.0	13.9
88	5801.9	746.4	2761.9	1969.2	2761.9	0.0	16.0
89	6624.0	822.2	3063.8	2041.5	3063.8	0.0	16.6
90	7363.5	744.5	2695.4	1678.6	2695.4	0.0	20.8
91	7844.1	475.6	2516.6	1464.7	2516.6	0.0	24.3
92	8317.9	473.8	2481.4	1349.7	2481.4	0.0	25.9
93	8752.2	454.3	2306.5	1172.5	2306.5	0.0	28.9
94	9170.5	418.3	2244.7	1066.4	2244.7	0.0	30.9
95	9572.1	401.6	2192.1	973.3	2192.1	0.0	32.7
96	9740.4	368.3	2055.5	853.0	2055.5	0.0	35.6
97	10329.3	388.9	2155.0	835.8	2155.0	0.0	35.5
98	10732.6	405.3	2243.1	813.0	2243.1	0.0	35.5

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4130.3	3584.9	3078.4	143.9	506.5	575.6
86	4753.5	4115.5	3226.8	0.0	888.7	1464.3
87	5510.5	4760.3	3366.9	571.5	1393.3	2286.1
88	5800.9	4965.2	3413.2	0.0	1552.0	3838.0
89	6503.4	5568.4	3822.5	1116.8	1745.8	4467.1
90	6638.8	5950.5	3885.7	0.0	2064.8	6531.7
91	6456.1	5786.3	3776.9	1708.3	2009.4	6833.1
92	6524.6	5842.8	3797.6	0.0	2045.3	8878.3
93	6653.8	5954.4	3856.1	2195.3	2098.3	8781.3
94	6846.7	6123.5	3953.8	0.0	2169.7	10951.0
95	6554.8	5871.9	3823.2	2599.9	2048.7	10399.8
96	6440.6	5768.3	3751.2	0.0	2017.0	12416.8
97	6858.1	6141.4	3991.4	2913.4	2150.0	11653.4
98	7146.2	6395.7	4144.0	0.0	2251.7	13905.1

## ASSUMPTIONS:

- MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN X

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
85	3587.4	545.4	2761.3	2411.9	2254.9	0.0	10.9
86	4525.5	638.0	2882.5	2352.9	2586.2	0.0	12.0
87	5275.7	750.3	2990.6	2281.5	2990.6	0.0	13.4
88	6111.4	835.7	2999.5	2138.6	2999.5	0.0	15.5
89	7051.5	940.1	3366.9	2243.5	3366.9	0.0	16.0
90	7739.7	688.3	3383.1	2106.8	3383.1	0.0	18.1
91	8409.5	669.8	3239.9	1885.6	3239.9	0.0	20.5
92	9091.3	681.8	3227.1	1755.3	3227.1	0.0	22.1
93	9790.7	699.4	3251.5	1652.9	3251.5	0.0	23.6
94	10513.9	723.2	3314.3	1574.6	3314.3	0.0	24.8
95	11196.9	682.9	3147.5	1397.5	3147.5	0.0	27.5
96	11869.2	672.3	3041.4	1262.1	3041.4	0.0	29.8
97	12555.9	716.7	3248.0	1259.6	3248.0	0.0	29.7
98	13336.4	750.6	3364.7	1219.5	3364.7	0.0	30.4

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

SCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3364.7	2946.2	2751.8	0.0	194.3	194.3
85	3352.8	3355.2	2893.1	164.1	462.1	492.3
86	4405.9	3827.9	3022.7	0.0	805.2	1297.5
87	5036.2	4408.1	3148.7	639.2	1259.3	1917.6
88	5297.1	4550.8	3164.7	0.0	1386.1	3303.7
89	5352.9	5030.7	3503.9	1207.6	1526.9	3622.9
90	5303.7	4559.2	3176.6	0.0	1382.6	5005.5
91	4937.6	4461.9	3035.1	1608.1	1426.9	4824.3
92	4918.6	4444.9	3023.6	0.0	1421.3	6245.5
93	4609.6	4175.3	2872.4	1887.1	1302.9	5661.3
94	4505.4	4087.2	2832.3	0.0	1254.8	6916.2
95	4407.2	4005.6	2800.6	2030.3	1204.9	6090.8
96	4157.1	3788.9	2684.1	0.0	1104.8	7195.6
97	4357.6	3968.7	2802.0	2090.6	1166.7	6271.7
98	4522.8	4119.5	2909.5	0.0	1209.9	7481.6

## ASSUMPTIONS:

- 30TH PERCENTILE REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN \*

APRIL 28, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

ISCAL EAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF P.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
83	2883.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
84	3301.8	418.6	2457.7	2296.9	1874.7	0.0	10.5
85	3799.4	497.6	2578.0	2251.8	2116.0	0.0	11.4
86	4377.4	578.1	2682.8	2189.9	2414.4	0.0	12.6
87	5055.5	678.1	2779.9	2120.8	2779.9	0.0	13.9
88	5801.9	746.4	2761.9	1969.2	2761.9	0.0	16.0
89	6624.0	822.2	3063.8	2041.5	3063.8	0.0	16.6
90	7368.5	744.5	2695.4	1678.6	2695.4	0.0	20.8
91	7844.1	475.6	2516.6	1464.7	2516.6	0.0	24.3
92	8317.9	473.8	2481.4	1349.7	2481.4	0.0	25.9
93	8752.2	434.3	2306.5	1172.5	2306.5	0.0	28.9
94	9170.5	418.3	2244.7	1066.4	2244.7	0.0	30.9
95	9572.1	401.6	2192.1	973.3	2192.1	0.0	32.7
96	9940.4	368.3	2055.5	853.0	2055.5	0.0	35.6
97	10329.3	383.9	2155.0	835.8	2155.0	0.0	35.5
98	10732.6	403.3	2243.1	813.0	2243.1	0.0	35.5

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

CAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	SECTION 17 APPROPRIATION	RESOURCE FUND DEPOSIT	RESOURCE FUND BALANCE
83	3081.9	2698.7	2698.7	0.0	0.0	0.0
84	3622.5	3163.6	2950.6	0.0	213.0	213.0
85	4130.3	3584.9	3078.4	179.9	506.5	539.6
86	4753.5	4115.5	3226.8	0.0	888.7	1428.3
87	5510.5	4760.3	3366.9	705.4	1393.3	2116.2
88	5800.9	4965.2	3413.2	0.0	1552.0	3668.2
89	6508.4	5568.4	3822.5	1353.5	1745.8	4060.5
90	6638.8	5950.5	3885.7	0.0	2064.8	6125.4
91	6456.1	5786.3	3776.9	2033.7	2009.4	6101.1
92	6524.6	5842.8	3797.6	0.0	2045.3	8146.3
93	6653.8	5954.4	3856.1	2561.2	2098.3	7683.5
94	6846.7	6123.5	3953.8	0.0	2169.7	9353.1
95	6554.8	5871.9	3823.2	2975.5	2048.7	8926.4
96	6440.6	5768.3	3751.2	0.0	2017.0	10943.4
97	6858.1	6141.4	3991.4	3273.4	2150.0	9820.1
98	7146.2	6395.7	4144.0	0.0	2251.7	12071.7

## ASSUMPTIONS:

- MEAN PETROLEUM REVENUE PROJECTION, DEPARTMENT OF REVENUE
- RESOURCE FUND EXPENDITURE RATE = 25% WITHDRAWN EVERY OTHER YEAR
- 35% CONTRIBUTION RATE TO PERMANENT FUND IN FY 83-89, 25% OTHERWISE
- RENEWABLE RESOURCE FUND ROLLED IN OVER FY 84-86
- RATES OF RETURN: PERMANENT FUND 10%, RESOURCE FUND 0%
- INFLATION RATE = 7%
- PERMANENT FUND DIVIDEND = 50% OF PERMANENT FUND INTEREST INCOME

CHANGES FROM THE BASE CASE ASSUMPTIONS ARE INDICATED WITH AN X

APRIL 23, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
SJR61

ISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	NET SECTION 16 APPROPRIATION	REAL NET SECTION 16 APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN	RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION
983	2383.2	383.2	2423.7	2423.7	2423.7	0.0	9.3
984	3342.0	458.8	2656.4	2482.6	2017.3	0.0	9.8
985	3387.4	545.4	2761.3	2411.9	2254.9	0.0	10.2
986	4525.5	633.0	2882.5	2352.9	2586.2	0.0	12.0
987	5275.7	750.3	2990.6	2281.5	2990.6	0.0	13.4
988	6111.4	835.7	2999.5	2138.6	2999.5	0.0	15.5
989	7051.5	940.1	3366.9	2243.5	3366.9	0.0	16.0
990	7739.7	688.3	3383.1	2106.8	3383.1	0.0	18.1
991	8409.5	669.8	3239.9	1885.6	3239.9	0.0	20.5
992	9091.3	681.8	3227.1	1755.3	3227.1	0.0	22.1
993	9790.7	699.4	3251.5	1652.9	3251.5	0.0	23.6
994	10513.9	723.2	3314.3	1574.6	3314.3	0.0	24.8
995	11196.9	682.9	3147.5	1397.5	3147.5	0.0	27.5
996	11869.2	672.3	3041.4	1262.1	3041.4	0.0	29.8
997	12585.9	716.7	3248.0	1259.6	3248.0	0.0	29.7
998	13336.4	750.6	3364.7	1219.5	3364.7	0.0	30.4

*Defn.*

## DEFINITIONS

## TOTAL REVENUE:

## THE SUM OF THE FOLLOWING COMPONENTS:

SEVERENCE TAX ON OIL AND GAS,  
 ROYALTIES ON OIL AND GAS,  
 CORPORATE INCOME TAX - PETROLEUM,  
 PROPERTY TAX ON OIL AND GAS,  
 OIL AND GAS BONUSES,  
 FEDERAL TRANSFERS,  
 MISCELLANEOUS PETROLEUM TAXES,  
 INTEREST INCOME AND  
 OTHER INCOME.

## TOTAL REVENUE NET OF PERMANENT FUND DIVIDENDS:

TOTAL REVENUE LESS ONE HALF OF THE INTEREST INCOME EARNED ON THE  
 PERMANENT FUND.

## SECTION 16 APPROPRIATION:

THE MAXIMUM LEVEL OF SECTION 16 APPROPRIATION THAT IS FUNDABLE  
 WITH PROJECTED REVENUES. IT IS EQUAL TO THE SUM OF

SEVERENCE TAX ON OIL AND GAS,  
 ALL INTEREST INCOME FROM THE PERMANENT, RESOURCE AND  
 GENERAL FUNDS,  
 PROPERTY TAX ON OIL AND GAS,  
 CORPORATE INCOME TAX - PETROLEUM AND  
 OTHER NON PETROLEUM REVENUE.

IN ADDITION IN FY 84-86 THE FOLLOWING FUNDS ARE ADDED TO THE  
 GENERAL FUND:

FY	SECTION 16 INCOME FROM RESOURCE FUND ROLLIN
84	.75 * MAXIMUM RESOURCE FUND DEPOSIT
85	.50 * MAXIMUM RESOURCE FUND DEPOSIT
86	.25 * MAXIMUM RESOURCE FUND DEPOSIT

## SECTION 17 APPROPRIATION:

20 OR 25%, DEPENDING UPON THE STATED ASSUMPTION, OF THE RESOURCE  
 FUND. THIS APPROPRIATION IS MADE IN ODD NUMBERED FISCAL YEARS  
 STARTING WITH FISCAL YEAR 1985.

## RESOURCE FUND DEPOSIT:

INCOME FROM MINERAL LEASE RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS  
 PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND BONUSES  
 WHICH DO NOT GO INTO THE PERMANENT FUND.

## RESOURCE FUND BALANCE:

RESOURCE FUND DEPOSITS LESS SECTION 17 APPROPRIATIONS.

## PERMANENT FUND BALANCE:

IS THE SUM OF CONSTITUTIONALLY MANDATED PERMANENT FUND CONTRIBUTIONS.

## PERMANENT FUND DEPOSIT:

CONSTITUTIONALLY MANDATED CONTRIBUTIONS TO THE PERMANENT FUND. CONTRIBUTIONS TO THE FUND CONSIST OF AT LEAST 25% OF MINERAL LEAST RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND BONUSES RECEIVED BY THE STATE. RECENTLY ENACTED LEGISLATION HAS RAISED THE CONTRIBUTION RATE TO 50%.

## NET SECTION 16 APPROPRIATION:

SECTION 16 APPROPRIATIONS LESS PERMANENT FUND DIVIDEND PAYMENTS AND DEBT SERVICE.

## TOTAL NET SECTION 16 APPROPRIATION:

NET SECTION 16 APPROPRIATION EXPRESSED IN 1983 DOLLARS.

## TOTAL SECTION 16 NET OF R.F. INT AND R.F. ROLLIN:

NET SECTION 16 LESS RESOURCE FUND INTEREST AND RESOURCE FUND APPROPRIATIONS MADE TO THE GENERAL FUND IN FISCAL YEARS 84-86. THIS PRODUCES A NET SECTION 16 WHICH IS EQUIVALENT TO THE CASE WHERE THERE IS NO ROLLIN OF THE RESOURCE FUND AND NO INTEREST IS EARNED ON THE RESOURCE FUND.

## RESOURCE FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION:

THE PERCENT OF SECTION 16 APPROPRIATIONS WHICH ARE FUNDED BY INTEREST EARNED OFF THE RESOURCE FUND.

## PERMANENT FUND INTEREST AS A PERCENT OF SECTION 16 APPROPRIATION:

THE PERCENT OF SECTION 16 APPROPRIATIONS WHICH ARE FUNDED BY INTEREST EARNED OFF THE PERMANENT FUND.

Margo

OBSERVATIONS ON SJR 61 (RULES) AND COMPARISONS WITH EARLIER VERSIONS AND FCCS SJR 4

Points to consider

1. SJR 61 is not a spending limit, but a spending plan. It would not limit state spending, only direct it. The operating budget would be limited only by the portion of the Section 16 funding it could garner, the extent to which taxes could be raised, and the ability to gain voter approval for expenditures from the resource fund (to the max of 1/5 of its balance every two years.) Capital spending would be limited only by the portion of Section 16 funding it could garner, the extent to which taxes could be raised, the ability to gain voter approval for expenditures from the resource fund (to the 1/5 max), and the extent to which "investments" (at interest rates from 0% to that earned by state g. o. bonds) would be made from the balance of the resource fund. Except for that necessary to keep a portion of the resource fund liquid and for that deposited into the permanent fund, all of the state's revenues would be available for "spending" one way or another-- most of it as "loans" for capital projects.

2. SJR 61 is a transparent attempt to ensure that enough state money is available to fund large capital projects, specifically the Susitna dams. The provision for pouring large amounts of money into the resource fund to then be divided among voter-approved appropriations and "investments" in state-operated programs and state-owned projects (which can be exempted, on a project-by-project basis, from making any real return) clearly identifies popular hydroelectric projects as the anticipated recipients. (What other projects would likely find their way onto the ballot and win voter approval? What other projects are state-owned? What other projects could conceivably return the principal through revenue earnings? What other projects require billions of dollars?) By 1994, the year that the Watana phase could come on-line, the resource fund balance would be roughly \$8 billion, with another \$5 billion having already been made available for voter-approved spending.)

3. SJR 61 would have some interesting effects on the operating budget and other areas of state spending. By limiting state spending (except for that from the resource fund) to taxes, the money available under Sec. 16 actually shrinks over time. According to Milt Barker's figures, the buying power steadily declines by more than 50% by 1996. Even if the 20% of the resource fund was spent entirely on operating items, there would still be a real decline in what was available for the operating budget. Assuming that there would be some level of capital spending, there would be a corresponding need for increased operation and maintenance funds. Two conclusions: Spending-- traditional capital spending, loan programs, permanent fund dividends, etc.-- other than that required for operating expenses would gradually get squeezed out of the Section 16 spending. And, taxes would before long be raised to supply more money.

4. Curiously, the effective date section allows for a phase-in of the requirement that the full royalty amount be deposited into the resource fund. This clearly fattens the state budget for the first three years, which is precisely the time, according to current revenue projections, when the budget would be least in need of "enhancement." After 1986, as the costs of government necessarily increase and the ratio of taxes to royalties incidentally swing more in favor of royalties, is when the real shortfalls appear. Apparently, none of the politically-motivated architects of this legislation are interested in what happens to traditional state spending after 1986.

5. SJR 61 would discourage and likely eliminate any bonding--either revenue or g. o. Since projects or programs that could generate revenues could get the preferred rates from the resource fund, their sponsors would not likely look to the bond market instead. Since direct appropriations from the fund could be put on the ballot for voter approval, they'd likely replace bond propositions. And since debt payments would have to come from the Section 16 budget, legislators would be reluctant to recommend g. o. bonds. The elimination of bonding concurrently eliminates the market test on whether projects are "good risks". As we should have already learned from our experience with direct appropriations for dams, the elimination of a market test leads to unfeasible projects being constructed and/or large cost overruns. What happens if the projects built as "investments" of the resource fund fail to repay the investment principal? Not even the Constitution can make a lousy project pay a return it's incapable of.

6. SJR 61 would forfeit legislative control over the budget process and institutionalize an inflexible spending plan that would prevent future legislators and governors from responding to the needs of Alaskans. It would give the executive branch the final say in basic state spending (by requiring that the governor correct any overspending by the legislature), would leave other spending choices to the voters, and would authorize someone (perhaps the Commissioner of Revenue or some kind of board) to make the choices and establish interest rates and terms for "investments" from the resource fund. It would "constitutiona-  
lize" a currently popular philosophy that state spending has tilted too much in favor of social spending with not enough for "infrastructure" and would prevent future Alaskans from making that choice for themselves. It would allow no provisions for emergencies.

7. SJR 61 would favor urban areas over rural. Because rural areas are unlikely to have projects that could make a return to the resource fund, they would likely not be the recipients of loans from it. Since both g. o. bonding in statewide packages and traditional capital spending would likely be curtailed, rural areas would as well be the losers there. Likewise, voter-approved spending from the resource fund would be controlled by the majority of the voters, who live in urban areas, and who, when given choices, are likely to choose those projects that benefit them most.

8. SJR 61 encourages state ownership of projects and, as a result, a socialized bureaucracy. Because only state-owned projects are eligible for loans from the resource fund, the state would end up owning the dams, ports, and whatever else qualified as investments. Municipalities, utilities, and private enterprise would not have the same opportunities to compete with the state for ownership, and private or local control would be lost.

9. SJR 61 has one good feature. It would raise the constitutionally dedicated contribution to the permanent fund to 50% of the royalties, etc. from future oil leases and would specify that the income-producing investments of the fund must be made at competitive market rates; both features correspond to the current law. The Governor's Office appears to believe that this amendment alone is worth almost any trade. In terms of the safeguard and management of the state's wealth, such a trade might better be characterized as weatherstripping the front door while leaving the back door wide open.

#### Comparisons with earlier versions

The Finance version required capital "investments" made by the fund to return the principal plus a rate of interest corresponding to state g. o. bonds. Interest from the fund accrued to the general fund. The combination of those two provisions increased the earnings of the general fund and provided a more realistic continuing level of Section 16 funding. By not requiring an interest-rate return and not requiring the earnings to go to the general fund, the integrity of the Section 16 funding is seriously compromised; in fact, as the numbers show, there simply won't be enough money to pay the expenses of state government. Earlier versions did not contain the phase-in transition language, which was added at the same time as these other changes to provide adequate budgets for the first three years before allowing a crash.

The Finance version restricted investments of the resource fund to traditional investments plus state-owned capital projects. The final version adds as investment possibilities "programs administered by the state." While capital projects have a favored rate compared to any other investments and also have the case-by-case exemption of any interest payment, programs do not enjoy the same privileges. It's difficult to conceive of what kinds of programs other than loan programs would be eligible as "investments." Subsidies could, of course, be provided out of Section 16 funding or the 20% of the resource fund.

Earlier versions contained a section, identical to that in FCCS SJR 4, that exempted the costs of a capital move from a second vote if approved in the November election. This was dropped in the Rules version.

#### Comparison with FCCS SJR 4

FCCS SJR 4 is a bad spending limit, without a doubt. Since it has previously received adequate analysis, I won't discuss its many deficiencies. It is, however, a limit. And as long as oil revenues remain low, that real limit should provide an additional cap to state spending (provided, of course, that we don't allow deficit spending-- and we shouldn't need a constitutional amendment to prevent that.)

SJR 4 requires that, within the limit, 1/3 of the spending must be for capital projects or loans. While this is extremely poor policy to put into the constitution, it will in fact result in less capital "spending" than SJR 61. It will also provide for broader, more traditional capital spending than SJR 61.

SJR 4 lasts only 4 years, before voters have a chance to reconsider it. It could then be thrown out, before too much damage has been done, and replaced with a more reasonable approach if necessary. SJR 61 only goes into full effect in FY 1987 and allows no opportunity to reconsider without going through a full constitutional repeal procedure.

SJR 4 does, of course, contain the capital move section and does not amend the permanent <sup>fund</sup> contribution rate or investment strategy. It does provide escape clauses for popular support and for emergencies.

James M. Souby  
Ron Lehr

May 3, 1982

81

Dona K. Lehr

CS SS SJR61 (Judiciary)  
Work Draft dated  
1/29/82

The purpose of this memo is to examine some of the questions and implications associated with the most recent version of the Dankworth spending limit (SJR61).

### Section 1

Section 16. There appears to be less flexibility to avoid the limit defined here. One possibility would be to shift the relative shares of oil "tax" versus oil "ownership" revenues.

Section 17 This section along with the changes to Section 15 serve to set a maximum instead of the current minimum contribution to the Permanent Fund from the contribution base. If this is done, the Permanent Fund Dividend Program would no longer be able (or necessary) to "encourage" increased contributions, though it might still give an incentive to the public to be watchful of PF management.

The percentage of the Alaska resource fund available for appropriation is crucial. This version provides for one-fourth of the balance may be appropriated, for any purpose, with voter approval at a general election (i.e., every other year). This approval process is to be specified in statute, and could presumably be a single choice as opposed to a program or project specific basis.

The balance of the resource fund is to be invested as listed below. According to the bill summary by Billy G. Berrier, these are a "hierarchy of investments," listed in priority order.

Type of Investment	Process	Rate of Return
1. Capital Projects- owned by State	As provided by law	Principal plus rate of return on State g.o. bonds unless otherwise provided by law
2. Programs Administered by State	Voter Approval at general election	Principal plus market rate; minimum rate = rate on U.S. government securities
3. Balance of Fund - type of investment not specified		market rate, minimum rate = rate on U.S. government securities

1. Capital Projects. Does "owned" by the State, mean solely owned or anything over 50%? The return on these projects is "the amount of the investment and,....." Does amount mean value? Or, could a project "pay off" in nominal dollars some time in the distant future, and thus be more of an expenditure than an investment? The rate of return (unless project is exempted) is to be at least that of State general obligation bonds of similar maturity. How the rate will be determined is not specified. Any project could be exempted from the rate of return requirement by statute. Thus the whole resource fund could be devoted to one or a few large projects which earn no return, and pay back devalued principal 50 years from now. No voter approval would be necessary.
2. Programs Administered by State. It appears that this might cover such items as loan programs and enterprises like the railroad (but not the gas line). Here again, it should be made clear whether or not the return expected is the real value of the investment plus market rates with U.S. government security rates as a minimum. (What happens if the return is less?) As written the programs rather than the investments are voted on.
3. The balance of the resource fund can be invested in anything as long as it earns market rates and does not fall in categories one or two above. Principal is not mentioned, as it is in

the two other categories. This is much clearer since it is consistent with usual terminology. Perhaps earlier sections could be simplified to just talk about rates of return, with the assumption that the value of principal is included.

As now stated, the income of the resource fund goes to the general fund, unless otherwise provided by law. This could lead to attempts to dedicate this stream of earnings.

#### Section 2

Section 7 is amended to allow for the dedication of the oil ownership revenues to the resource fund.

#### Section 3

Section 15 is amended to increase the Permanent Fund contribution to 50%. I do not know the significance of the dates December 1, 1979 and February 15, 1980 used in this section. The increase in the contribution rate is a vital part of this approach, since Section 17 changes the Permanent Fund contribution rate from a minimum to a maximum.

This section also states specifically that Permanent Fund investments must be "at competitive market rates of return for similar investments."

#### Section 4

Section 26 provides that if the capital move is approved it will not be necessary to have additional voter approvals to spend money from the resource fund. This would be relevant for the 25% of the fund available for appropriation and the funds available for investment in programs administered by the State. However, this would not change the rate of return requirements.

Section 27 serves to phase in the contributions to the resource fund allowing for higher general funds for the next few years (till 1986), so that gradual adjustment can be made to the limit. Budget and Management has analyzed the timing and funds availability questions.

#### Attachments

CS SS SJR61 (Judiciary)  
Comments on CS SS SJR61 (Finance)

DL/ad

**FEDERAL FUND REVENUES**

Taxes

Income

Corporate-General 35,000  
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500  
Fish-Canned Salmon 6,000  
Fish-Shorebased 11,000  
Fish-Floating 4,000  
Salmon Enhancement 2,400  
Insurance Companies 11,500  
Other 1,400

Severance

Gravel, Timber, etc. 2,500  
Oil & Gas Production 819,000  
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700  
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000  
Fuel Taxes-Aviation 4,500  
Fuel Taxes-Highway 18,500  
Fuel Taxes-Marine 3,800  
Tobacco Products 1,900

Other

Estate 500

Total Taxes 399,100

Licenses & Permits

Business 11,000  
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-  
Investment Earnings 315,000  
Rents 5,500  
Royalties 1,325,200  
Sale of State Property 5,500

AVAILABLE FOR  
PERMANENT FUND &  
CAPITAL INVESTMENT  
FUND

Total: \$1,336,200

Facilities Related Charges

Airports 1,200  
Ferry System-Southeast 26,300  
Ferry System-Southwest 3,800  
Other 4,500

Service Related Charges

Court System 3,300  
Other 4,500

Total State Resources  
Revenues 1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

4,133,700

AVAILABLE FOR CAPITAL  
& OPERATING BUDGET  
SJR 61

\$4,113,700  
- 1,336,200  
2,797,500

Berrier  
4/29/82

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and the retention,  
8 investment and expenditure of certain  
9 state revenues; providing for effec-  
10 tive dates for the amendments; and  
11 superseding the amendments proposed  
12 by Legislative Resolve No. 1, First  
13 Special Session of the Twelfth Legis-  
14 lature (FSS FCCS SJR 4).

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

16 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
17 by adding new sections to read:

18 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
19 this article, the total amount of appropriations which take effect in a  
20 fiscal year shall not exceed the sum of the uncommitted general fund  
21 balance at the beginning of that fiscal year plus the revenues of the  
22 State for that fiscal year, other than revenues from all mineral lease  
23 rentals, royalties, royalty sale proceeds, federal mineral revenue  
24 sharing payments and bonuses. If the governor determines that the total  
25 amount of appropriations taking effect in a fiscal year will exceed the  
26 amount authorized by this section, he shall reduce state spending to  
27 assure that amount is not exceeded.

28 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
29 15 of this article, all mineral lease rentals, royalties, royalty sale

Value vs amount - need revenue coming into  
-16

Enough from investments to go into general fund.

1 proceeds, federal mineral revenue sharing payments and bonuses received  
2 by the State shall be placed in an Alaska resource fund. Up to one-  
3 fourth of the balance in the Alaska resource fund may be appropriated  
4 for any purpose if the appropriation is approved by the voters in a  
5 general election as provided by law. The balance remaining in the  
6 Alaska resource fund after deduction of appropriations approved by the  
7 voters may be invested as provided by law in capital projects which are  
8 owned by the State, and programs administered by the State. Projects  
9 that are owned by the State shall return to the Alaska resource fund the  
10 amount of the investment and unless otherwise provided by a specific  
11 law for a particular project shall provide a rate of return on the  
12 investment at least equal to the market rate for general obligation  
13 bonds of similar maturity of the State at the time the investment is  
14 made. [Investments in programs administered by the State must be approved  
15 by the voters at a general election as prescribed by law, must return to  
16 the Alaska resource fund the amount of the investment, and must be  
17 invested at a rate of return equal to the market rate of return for  
18 similar investments but not less than the rate of return provided by  
19 obligations of similar maturity of the United States government at the  
20 time the investment is made.] The balance remaining in the Alaska  
21 resource fund that is not invested in capital projects owned by the  
22 State or in programs administered by the State shall be invested at a  
23 rate of return equal to the market rate of return for similar invest-  
24 ments but not less than the rate of return provided by obligations of  
25 similar maturity of the United States government at the time the invest-  
26 ment is made. All income from the Alaska resource fund shall be de-  
27 posited in the general fund, unless otherwise provided by law. *[cannot divert into more capital project]*

28 \* Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is  
29 amended to read:

1 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
2 license shall not be dedicated to any special purpose, except as pro-  
3 vided in sections [SECTION] 15 and 17 of this article or when required  
4 by the federal government for state participation in federal programs.  
5 This provision shall not prohibit the continuance of any dedication for  
6 special purposes existing upon the date of ratification of this section  
7 by the people of Alaska.

8 \* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is  
9 amended to read:

10 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
11 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
12 eral mineral revenue sharing payments received by the State from mineral  
13 leases issued on or before December 1, 1979, and at least twenty-five  
14 percent of all bonuses received by the State from mineral leases issued  
15 on or before February 15, 1980, shall be placed in a permanent fund.  
16 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
17 ceeds, and federal mineral revenue sharing payments received by the State  
18 from mineral leases issued after December 1, 1979, and fifty percent of  
19 all bonuses received by the State from mineral leases issued after Feb-  
20 ruary 15, 1980, shall be placed in the permanent fund. The principal of  
21 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
22 [THOSE] income-producing investments specifically designated by law as  
23 eligible for permanent fund investments at competitive market rates of  
24 return for similar investments. All income from the permanent fund  
25 shall be deposited in the general fund unless otherwise provided by law.

26 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
27 adding new sections to read:

28 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
29 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-  
2 viding for relocation of the capital, no additional voter approval of  
3 appropriations for that purpose within the cost approved by the voters  
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
6 article IX of this constitution adding sections 16 and 17 relating to  
7 appropriations and the Alaska resource fund, amending section 7 relating  
8 to dedicated funds, and amending section 15 relating to the permanent  
9 fund, take effect July 1, 1983. However, the provision of section 17 of  
10 article IX of this constitution relating to placing mineral lease  
11 rentals, royalties, royalty sale proceeds, federal mineral revenue  
12 sharing payments and bonuses received by the State into the Alaska  
13 resource fund shall be implemented as follows:

14 (1) for the period July 1, 1983 through June 30, 1984, one-  
15 quarter of the receipts otherwise payable into the Alaska resource fund  
16 for that period under section 17 shall be placed in the Alaska resource  
17 fund and three-quarters shall be deposited in the general fund;

18 (2) for the period July 1, 1984 through June 30, 1985, one-  
19 half of the receipts otherwise payable into the Alaska resource fund for  
20 that period under section 17 shall be placed in the Alaska resource fund  
21 and one-half shall be deposited in the general fund;

22 (3) for the period July 1, 1985 through June 30, 1986, three-  
23 quarters of the receipts otherwise payable into the Alaska resource fund  
24 for that period under section 17 shall be placed in the Alaska resource  
25 fund and one-quarter shall be deposited in the general fund;

26 (4) after June 30, 1986, the provisions of section 17 shall be  
27 fully in force.

28 \*Sec. 5. The amendments proposed by this resolution shall be placed be-  
29 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
2 of the state.

3 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
4 ments proposed by Legislative Resolve No. 1, First Special Session of the  
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
6 section 3 of that resolution that the amendments proposed by that resolution  
7 be placed before the voters of the state.

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

1 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
2 article IX of this constitution adding sections 16 and 17 relating to appropri-  
3 ations and the Alaska resource fund, amending section 7 relating to dedicated  
4 funds, and amending section 15 relating to the permanent fund, take effect  
5 July 1, 1983. However, the provision of section 17 of article IX of this  
6 constitution relating to placing mineral lease rentals, royalties, royalty  
7 sale proceeds, federal mineral revenue sharing payments and bonuses received  
8 by the State into the Alaska resource fund shall be implemented as follows:

9 (1) for the period July 1, 1983 through June 30, 1984,  
10 one quarter of the receipts otherwise payable into the Alaska  
11 resource fund for that period under section 17 shall be placed in the  
12 Alaska resource fund and three quarters shall be deposited in the gener-  
13 al fund;

14 (2) for the period July 1, 1984 through June 30, 1985, one half of  
15 the receipts otherwise payable into the Alaska resource fund for that  
16 period under section 17 shall be placed in the Alaska resource fund and  
17 one half shall be deposited in the general fund; and

18 (3) for the period July 1, 1985 through June 30, 1986, three  
19 quarters of the receipts otherwise payable into the Alaska resource fund  
20 for that period under section 17 shall be placed in the Alaska resource  
21 fund and one quarter shall be deposited in the general fund.  
22  
23  
24  
25  
26  
27  
28

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fifth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. Money in the Alaska resource fund may be invested as provided by law in capital projects which are owned by the State. Those projects shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. Money remaining in the Alaska resource fund shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. Earnings on money deposited in the Alaska resource fund shall be deposited in the general fund.

*should be there but not*

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
30TH PERCENTILE REVENUE PROJECTION  
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2006.2	1683.2	0.0	1683.2
1985	3703.8	3211.2	2287.1	1955.5	340.3	1901.1
1986	4251.3	3673.2	2599.7	2259.7	0.0	2171.5
1987	4989.1	4311.0	3051.7	2682.8	738.8	2524.6
1988	5221.0	4474.6	3058.5	2685.8	0.0	2493.7
1989	5353.3	5031.1	3504.3	3064.2	1173.6	2782.0
1990	5312.8	4568.3	3185.8	2704.5	0.0	2399.4
1991	5021.6	4545.9	3119.1	2600.7	1500.8	2205.6
1992	4982.2	4503.4	3087.1	2544.9	0.0	2154.7
1993	4749.0	4314.7	3011.8	2445.9	1745.5	1963.3
1994	4593.8	4180.5	2925.6	2333.0	0.0	1834.2
1995	4563.9	4162.3	2957.3	2348.8	1883.3	1813.4
1996	4250.3	3882.0	2777.3	2148.7	0.0	1657.7
1997	4502.5	4113.6	2946.9	2299.9	1965.0	1737.1
1998	4594.7	4191.4	2981.4	2315.0	0.0	1804.1

NET GENERAL FUND APPROPRIATION =  
GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE  
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%

NO ROLLIN OF THE RESOURCE FUND  
AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5%  
PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
1984 - 1990, OTHERWISE 25%

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
30TH PERCENTILE REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2633.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	777.4	1573.1	0.0	17.2
1985	3799.4	497.6	924.1	1708.0	2.4	15.9
1986	4377.4	578.1	1073.5	1844.6	3.4	14.6
1987	5055.5	678.1	1259.3	2046.7	5.2	14.3
1988	5801.9	746.4	1386.1	1914.9	6.2	16.4
1989	6624.0	822.2	1526.9	2041.8	8.1	16.6
1990	7366.5	744.5	1382.6	1684.3	9.6	20.8
1991	7844.1	475.6	1426.9	1513.6	12.7	23.6
1992	8317.9	473.8	1421.3	1384.3	12.6	25.4
1993	8752.2	434.3	1302.9	1243.4	16.0	27.6
1994	9170.5	418.3	1254.8	1110.8	15.5	29.9
1995	9572.1	401.6	1204.9	1042.9	18.1	31.0
1996	9940.4	368.3	1104.8	891.6	17.7	34.5
1997	10329.3	383.9	1166.7	891.9	19.1	35.7
1998	10732.6	403.3	1209.9	839.0	17.1	34.6

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%

STATE OF ALASKA  
 OFFICE OF THE GOVERNOR  
 DIVISION OF BUDGET AND MANAGEMENT  
 RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
 VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
 LONG RUN POPULATION GROWTH RATE = 1.5%  
 30TH PERCENTILE REVENUE PROJECTION  
 SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2589.2	2266.2	0.0	1683.2
1985	3663.0	3170.4	2708.3	2376.7	131.3	1901.1
1986	4197.0	3618.9	2813.8	2473.8	0.0	2171.3
1987	4917.3	4239.2	2979.9	2611.0	517.9	2524.6
1988	5163.6	4417.2	3031.1	2628.3	0.0	2493.7
1989	5795.9	4973.7	3446.8	3006.8	996.9	2782.0
1990	5266.9	4522.4	3139.8	2658.6	0.0	2399.4
1991	4975.6	4500.0	3073.1	2554.7	1359.4	2205.6
1992	4945.4	4471.6	3050.4	2508.2	0.0	2154.7
1993	4712.2	4277.9	2975.0	2409.1	1632.4	1963.3
1994	4569.4	4151.1	2896.2	2308.6	0.0	1854.2
1995	4534.5	4132.9	2927.9	2319.4	1797.9	1813.4
1996	4226.8	3858.5	2753.8	2125.1	0.0	1657.7
1997	4479.0	4090.1	2923.4	2276.4	1892.6	1737.1
1998	4575.8	4172.5	2962.6	2296.1	0.0	1804.1

NET GENERAL FUND APPROPRIATION =  
 GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE  
 RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
 1986 - 1998 = 10%  
 RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5%  
 PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
 1984 - 1990, OTHERWISE 25%

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
30TH PERCENTILE REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	194.3	2118.0	0.0	13.4
1985	3799.4	497.6	462.1	2075.9	0.5	13.4
1986	4377.4	578.1	805.2	2019.3	1.2	13.5
1987	5055.5	678.1	1259.3	1991.9	2.9	14.7
1988	5801.9	746.4	1336.1	1874.0	4.4	16.7
1989	6624.0	822.2	1526.9	2003.5	6.5	16.8
1990	7368.5	744.5	1382.6	1655.6	8.3	21.1
1991	7844.1	475.6	1426.9	1486.9	11.4	24.0
1992	8317.9	473.8	1421.3	1364.3	11.6	25.7
1993	8752.2	434.3	1302.9	1224.7	15.0	27.9
1994	9170.5	418.3	1254.8	1096.8	14.6	30.2
1995	9572.1	401.6	1204.9	1029.8	17.3	31.3
1996	9940.4	368.3	1104.8	831.9	17.0	34.7
1997	10329.3	388.9	1166.7	882.3	18.4	34.0
1998	10732.6	403.3	1209.9	832.2	16.6	34.9

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
30TH PERCENTILE REVENUE PROJECTION  
SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. IN AND R.F. ROLL I
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3202.1	2783.5	2539.2	2266.2	0.0	1683.2
1985	3675.8	3178.2	2716.1	2384.5	131.3	1901.1
1986	4215.3	3637.3	2832.1	2492.2	0.0	2171.3
1987	4963.9	4285.8	3026.5	2657.6	517.9	2524.6
1988	5236.1	4489.7	3103.6	2700.8	0.0	2423.7
1989	5916.9	5094.7	3567.9	3127.8	996.9	2782.0
1990	5406.4	4662.0	3279.4	2798.2	0.0	2329.4
1991	5163.6	4688.0	3261.1	2742.7	1359.4	2205.6
1992	5135.7	4662.0	3240.7	2698.5	0.0	2154.7
1993	4952.3	4518.0	3215.1	2649.2	1632.4	1963.3
1994	4797.9	4379.6	3124.8	2537.2	0.0	1854.2
1995	4807.0	4405.3	3200.4	2591.9	1797.9	1813.4
1996	4478.5	4110.2	3005.5	2376.8	0.0	1657.7
1997	4769.3	4380.4	3213.8	2566.7	1892.6	1737.1
1998	4840.8	4437.5	3227.6	2561.1	0.0	1804.1

NET GENERAL FUND APPROPRIATION =  
GENERAL FUND EXPENDITURES - PERMANENT FUND DIVIDEND - DEBT SERVICE  
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%  
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
1984 - 1990, OTHERWISE 25%

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
30TH PERCENTILE REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3301.8	418.6	194.3	2118.0	0.0	13.4
1985	3799.4	497.6	462.1	2032.7	0.8	13.4
1986	4377.4	578.1	805.2	2034.3	1.9	13.4
1987	5055.5	678.1	1259.3	2027.5	4.4	14.5
1988	5801.9	746.4	1386.1	1925.7	6.7	16.3
1989	6624.0	822.2	1526.9	2084.2	9.7	16.3
1990	7368.5	744.5	1382.6	1742.6	12.2	20.2
1991	7844.1	475.6	1426.9	1596.3	16.5	22.6
1992	8317.9	473.8	1421.3	1467.8	16.8	24.2
1993	8752.2	434.3	1302.9	1346.7	21.3	25.9
1994	9170.5	418.3	1254.8	1205.4	20.9	28.0
1995	9572.1	401.6	1204.9	1150.8	24.3	23.6
1996	9940.4	368.3	1104.8	986.3	23.9	31.8
1997	10329.3	388.9	1166.7	995.4	25.8	30.9
1998	10732.6	403.3	1209.9	928.3	23.4	32.0

PAGE 2

RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%

*not estimated*

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
MEAN REVENUE PROJECTION  
5JR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 17 AND R.F. ROLL
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3459.8	3001.0	2787.9	2464.9	0.0	1825.8
1985	3955.8	3410.3	2903.9	2570.1	143.9	2040.2
1986	4568.0	3930.0	3041.3	2696.9	0.0	2345.1
1987	5401.6	4651.4	3258.0	2831.8	571.5	2735.3
1988	5761.3	4925.6	3373.7	2959.9	0.0	2731.3
1989	6610.4	5670.4	3924.5	3469.0	1116.8	3085.1
1990	6789.5	6101.2	4036.4	3533.8	0.0	3087.1
1991	6793.3	6123.5	4119.1	3582.1	1708.3	2923.9
1992	6881.2	6199.5	4154.2	3583.7	0.0	2900.4
1993	7193.4	6499.0	4400.7	3796.1	2195.3	2903.3
1994	7364.3	6641.1	4471.4	3831.9	0.0	2953.8
1995	7271.2	6588.3	4539.6	3863.9	2599.9	2768.8
1996	7082.8	6410.4	4393.4	3683.6	0.0	2643.6
1997	7681.9	6965.2	4815.2	4071.8	2913.4	2830.1
1998	7872.6	7122.0	4870.3	4091.0	0.0	2925.7

NET GENERAL FUND APPROPRIATION =  
GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE  
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%  
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
1984 - 1989, OTHERWISE 25%

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
MEAN REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	453.8	213.0	2303.7	0.0	12.4
1985	3837.4	545.4	506.5	2244.8	0.8	12.7
1986	4525.5	633.0	838.7	2201.5	1.9	12.8
1987	5275.7	750.3	1393.3	2193.5	4.5	13.9
1988	6111.4	835.7	1552.0	2110.3	6.3	15.6
1989	7051.5	940.1	1745.8	2311.5	9.8	15.6
1990	7739.7	688.3	2064.8	2200.7	11.1	17.5
1991	8409.5	669.8	2009.4	2084.8	15.9	18.8
1992	9091.3	681.8	2045.3	1949.3	16.4	20.2
1993	9790.7	699.4	2093.3	1929.3	20.2	20.7
1994	10513.9	723.2	2169.7	1820.5	19.6	21.9
1995	11196.9	682.9	2048.7	1715.6	24.1	23.2
1996	11869.2	672.3	2017.0	1523.6	23.7	25.5
1997	12535.9	716.7	2150.0	1579.1	25.3	24.6
1998	13336.4	750.6	2251.7	1482.8	23.9	25.3

STATE OF ALASKA  
 OFFICE OF THE GOVERNOR  
 DIVISION OF BUDGET AND MANAGEMENT  
 RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
 VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
 LONG RUN POPULATION GROWTH RATE = 1.5%  
 MEAN REVENUE PROJECTION  
 SJR61

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT. AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3459.8	3001.0	2148.8	1825.8	0.0	1825.8
1985	3992.0	3446.6	2433.6	2099.8	373.0	2040.2
1986	4607.4	3969.4	2784.5	2440.1	0.0	2343.1
1987	5429.2	4679.0	3285.6	2909.3	814.1	2735.3
1988	5744.3	4908.7	3356.7	2942.9	0.0	2731.3
1989	6539.2	5599.1	3853.3	3397.7	1310.8	3085.1
1990	6683.6	5995.3	3930.5	3427.9	0.0	3037.1
1991	6620.1	5950.3	3940.9	3403.9	1863.5	2928.9
1992	6682.4	6000.7	3955.4	3384.9	0.0	2900.4
1993	6923.0	6228.6	4130.3	3525.8	2319.5	2908.3
1994	7089.3	6366.1	4196.4	3556.8	0.0	2953.8
1995	6920.2	6237.3	4188.6	3512.9	2699.3	2768.8
1996	6744.6	6072.3	4055.3	3345.4	0.0	2643.6
1997	7273.1	6556.5	4406.5	3663.0	2992.8	2830.1
1998	7485.4	6734.8	4483.1	3703.8	0.0	2925.7

NET GENERAL FUND APPROPRIATION =  
 GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE  
 RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
 1986 - 1998 = 10%

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
 1984 - 1989, OTHERWISE 25%

NO ROLLIN OF THE RESOURCE FUND

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
MEAN REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2383.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	458.8	852.1	1706.4	0.0	16.1
1985	3887.4	545.4	1012.9	1834.1	2.5	15.1
1986	4525.5	638.0	1184.9	1991.9	3.5	14.0
1987	5275.7	750.3	1393.3	2219.5	5.3	13.8
1988	6111.4	835.7	1552.0	2098.3	6.3	15.7
1989	7051.5	940.1	1745.8	2264.0	8.1	15.9
1990	7739.7	688.3	2064.8	2134.7	8.7	17.9
1991	8409.5	669.8	2009.4	1981.1	12.1	19.6
1992	9091.3	681.8	2045.3	1841.2	12.2	21.3
1993	9790.7	699.4	2093.3	1792.3	14.9	22.0
1994	10513.9	723.2	2169.7	1689.8	14.4	23.3
1995	11196.9	682.9	2048.7	1559.8	17.8	25.1
1996	11869.2	672.3	2017.0	1388.2	17.3	27.6
1997	12585.9	716.7	2150.0	1420.6	18.9	26.9
1998	13336.4	750.6	2251.7	1342.4	17.4	28.1

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = .5%  
MEAN REVENUE PROJECTION  
✓ SJR61

2/10  
2/10

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE NET OF PERMANENT FUND CONTRIBUTIONS	SECTION 16 APPROPRIATION	NET SECTION 16 APPROPRIATION	SECTION 17 CAPITAL APPROPRIATION	NET SECTION 16 NET OF R.F. INT AND R.F. ROLLIN
1983	2934.7	2551.5	2551.5	2245.3	0.0	2245.3
1984	3459.8	3001.0	2787.9	2466.9	0.0	1825.8
1985	3947.2	3401.8	2895.4	2561.6	143.9	2040.2
1986	4547.8	3909.8	3021.1	2676.8	0.0	2343.1
1987	5350.4	4600.1	3206.8	2830.5	571.5	2735.3
1988	5681.3	4845.6	3293.6	2879.9	0.0	2731.3
1989	6476.1	5536.0	3790.2	3334.6	1116.8	3055.1
1990	6633.1	5944.9	3830.0	3377.5	0.0	3057.1
1991	6569.7	5899.9	3890.5	3353.5	1708.3	2925.9
1992	6642.1	5960.3	3915.0	3344.6	0.0	2900.4
1993	6887.7	6188.3	4090.0	3485.4	2195.3	2908.3
1994	7057.0	6333.8	4164.1	3524.6	0.0	2953.8
1995	6837.9	6205.0	4156.3	3480.6	2599.9	2768.8
1996	6718.8	6046.5	4029.4	3319.6	0.0	2643.6
1997	7247.3	6530.6	4330.6	3637.2	2913.4	2830.1
1998	7464.7	6714.2	4462.5	3683.2	0.0	2925.7

NET GENERAL FUND APPROPRIATION =  
GENERAL FUND APPROPRIATION - PERMANENT FUND DIVIDEND - DEBT SERVICE  
RATE OF RETURN: 1983 = 12.5%, 1984 = 12%, 1985 = 11%  
1986 - 1998 = 10%  
RENEWABLE RESOURCE FUND ROLLED IN OVER 1984 - 1986 FISCAL YEARS

PERMANENT FUND CONTRIBUTIONS FROM ROYALTIES = 35% IN FISCAL YEARS  
1984 - 1989, OTHERWISE 25%

AVG. RATE OF RETURN ON THE RESOURCE FUND = 6.5% ✓

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT  
RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%  
LONG RUN POPULATION GROWTH RATE = 1.5%  
MEAN REVENUE PROJECTION  
SJR61

FISCAL YEAR	PERMANENT FUND BALANCE	PERMANENT FUND DEPOSIT	RESOURCE FUND DEPOSIT	REAL NET GENERAL FUND APPROPRIATION	RESOURCE FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION	PERMANENT FUND INTEREST AS A PERCENT OF GENERAL FUND APPROPRIATION
1983	2883.2	383.2	0.0	2245.3	0.0	12.2
1984	3342.0	458.8	213.0	2303.7	0.0	12.4
1985	3837.4	545.4	506.5	2237.4	0.5	12.7
1986	4525.5	638.0	838.7	2185.0	1.2	12.9
1987	5275.7	750.3	1393.3	2159.4	3.0	14.1
1988	6111.4	835.7	1552.0	2053.3	4.5	16.0
1989	7051.5	940.1	1745.8	2222.0	6.6	16.1
1990	7739.7	688.3	2064.8	2103.3	7.5	18.2
1991	8409.5	669.8	2009.4	1951.8	10.9	19.9
1992	9091.3	681.8	2045.3	1819.2	11.3	21.5
1993	9790.7	699.4	2093.3	1771.8	14.1	22.2
1994	10513.9	723.2	2169.7	1674.5	13.7	23.5
1995	11196.9	682.9	2048.7	1545.4	17.1	25.3
1996	11869.2	672.3	2017.0	1377.5	16.8	27.8
1997	12585.9	716.7	2150.0	1410.6	18.4	27.1
1998	13336.4	750.6	2251.7	1335.0	17.0	28.2

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 29, 1982

SUBJECT: Sectional analysis of draft  
CSSSSJR 61 (Judiciary)

TO: Senator Patrick M. Rodey  
Chairman, Senate Judiciary Committee

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

This resolution proposes a constitutional amendment which imposes an appropriation limit for each fiscal year, creates a new trust fund called the Alaska Resource Fund and dedicates certain revenues to the fund, adds an exemption to the prohibition of dedicated funds allowing the Alaska Resource Fund, amends the dedication to the Alaska Permanent Fund; provides that if the ballot proposition on costs of capital relocation is approved no voter approval for the appropriation of those costs is required, provides a transitional schedule for payment to the Alaska Resources Fund, and provides that these amendments supersede those proposed last year in FSS FCCSSJR 4.

1. Section 1 of the resolution proposes that new sections 16 and 17 be added to Article IX of the constitution.

Proposed section 16 limits appropriations in a fiscal year to the beginning general fund balance plus the revenues for the year. The revenues from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses are excluded from the revenue available for appropriation. The governor is required to reduce state spending if he determines the total amount of appropriations in a fiscal year exceed the limit.

Proposed section 17 provides that, except for revenue allocated to the permanent fund under Sec. 15 of the constitution, all mineral lease rentals, royalties, royalty

sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the fund may be appropriated for any purpose with voter approval. It creates a hierarchy of investments of the remainder. The first priority is capital projects owned by the state and programs administered by the state. In both categories the investment must be returned to the state. Projects owned by the state must return a rate at least equal to market rate for general obligation bonds of the state unless otherwise provided by specific law for a particular project. Investments in programs of the state must provide a rate of return equal to the rate of similar investments but not less than the rate of United States government obligations of similar maturity. The investment in programs administered by the state must be approved by the voters. The balance after these first priority investments shall be invested at market rates but not less than the rate returned by United States government obligations of similar maturity. The income from the fund shall be deposited in the general fund unless otherwise provided by law.

2. Section 2 amends Sec. 7 of Article IX of the constitution to except the provisions of proposed section 17 from the constitutional prohibition of dedicated funds.

3. Section 3 amends existing Sec. 15 of Article IX by changing the dedication to the Alaska permanent fund and specifically requiring investments of the permanent fund to be at competitive market rates of return for similar investments. It appears that specific dates are designed with an eye to revenue consequences of lease and bonuses previously received. Apart from that the dedication of "at least twenty-five percent" is increased to a specific fifty percent.

4. (a) Section 4 amends Article XV to add a proposed section 26 to the transitional article. The proposed section 26 excepts appropriations for capital relocation from requirements of voter approval of appropriations if the voters approve the total cost of capital relocation. Since the only requirement for voter approval is that contained in proposed section 26, Article IX, this is in effect an exception to that proposed section.

Senator Patrick M. Rodey

Page 3

April 29, 1982

(b) A proposed section 27 is added to Article XV the transitional article, setting the effective date of the proposed amendments as July 1, 1983 and providing for the payments to the Alaska resource fund to be phased in as detailed in the proposed section.

5. Section 5 provides the proposed amendments be placed before the voters at the next general election.

6. Section 6 provides that the amendments proposed by FSS FCCS SJR 4 adopted last year are superseded and that the requirement that those proposed amendments be placed before the voters is void.

BGB:ljb

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
 6 tion of the State of Alaska relating  
 7 to appropriations and the retention,  
 8 investment and expenditure of certain  
 9 state revenues; providing for effec-  
 0 tive dates for the amendments; and  
 1 superseding the amendments proposed  
 2 by Legislative Resolve No. 1, First  
 3 Special Session of the Twelfth Legis-  
 4 lature (FSS FCCS SJR 4).

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

6 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
7 by adding new sections to read:

8 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
 9 this article, the total amount of appropriations which take effect in a  
 0 fiscal year shall not exceed the sum of the uncommitted general fund  
 1 balance at the beginning of that fiscal year plus the revenues of the  
 2 State for that fiscal year, other than revenues from all mineral lease  
 3 rentals, royalties, royalty sale proceeds, federal mineral revenue  
 4 sharing payments and bonuses. If the governor determines that the total  
 5 amount of appropriations taking effect in a fiscal year will exceed the  
 6 amount authorized by this section, he shall reduce state spending to  
 7 assure that amount is not exceeded.

8 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
 9 15 of this article, all mineral lease rentals, royalties, royalty sale

1 proceeds, federal mineral revenue sharing payments and bonuses received  
 2 by the State shall be placed in an Alaska resource fund. Up to one-  
 3 fourth of the balance in the Alaska resource fund may be appropriated  
 4 for any purpose if the appropriation is approved by the voters in a  
 5 general election as provided by law. The balance remaining in the  
 6 Alaska resource fund after deduction of appropriations approved by the  
 7 voters may be invested as provided by law in capital projects which are  
 8 owned by the State, and <sup>YN</sup> programs administered by the State. Projects  
 9 that are owned by the State shall return to the Alaska resource fund the  
 0 amount of the investment and, unless otherwise provided by a specific  
 1 law for a particular project, shall provide a rate of return on the  
 2 investment at least equal to the market rate for general obligation  
 3 bonds of similar maturity of the State at the time the investment is  
 4 made. [Investments in] programs administered by the State must be approved  
 5 by the voters at a general election as prescribed by law, must return to  
 6 the Alaska resource fund the amount of the investment, and must be  
 7 invested at a rate of return equal to the market rate of return for  
 8 similar investments but not less than the rate of return provided by  
 9 obligations of similar maturity of the United States government at the  
 0 time the investment is made. The balance remaining in the Alaska  
 1 resource fund that is not invested in capital projects owned by the  
 2 State or in programs administered by the State shall be invested at a  
 3 rate of return equal to the market rate of return for similar invest-  
 4 ments but not less than the rate of return provided by obligations of  
 5 similar maturity of the United States government at the time the invest-  
 6 ment is made. All income from the Alaska resource fund shall be de-  
 7 posited in the general fund unless otherwise provided by law.

8 \* Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is  
 9 amended to read:

1 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
2 license shall not be dedicated to any special purpose, except as pro-  
3 vided in sections [SECTION] 15 and 17 of this article or when required  
4 by the federal government for state participation in federal programs.  
5 This provision shall not prohibit the continuance of any dedication for  
6 special purposes existing upon the date of ratification of this section  
7 by the people of Alaska.

8 \* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is  
9 amended to read:

0 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
1 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
2 eral mineral revenue sharing payments received by the State from mineral  
3 leases issued on or before December 1, 1979, and at least twenty-five  
4 percent of all bonuses received by the State from mineral leases issued  
5 on or before February 15, 1980, shall be placed in a permanent fund.  
6 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
7 ceeds, and federal mineral revenue sharing payments received by the State  
8 from mineral leases issued after December 1, 1979, and fifty percent of  
9 all bonuses received by the State from mineral leases issued after Feb-  
0 ruary 15, 1980, shall be placed in the permanent fund. The principal of  
1 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
2 [THOSE] income-producing investments specifically designated by law as  
3 eligible for permanent fund investments at competitive market rates of  
4 return for similar investments. All income from the permanent fund  
5 shall be deposited in the general fund unless otherwise provided by law.

6 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
7 adding new sections to read:

8 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
9 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-  
2 viding for relocation of the capital, no additional voter approval of  
3 appropriations for that purpose within the cost approved by the voters  
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
6 article IX of this constitution adding sections 16 and 17 relating to  
7 appropriations and the Alaska resource fund, amending section 7 relating  
8 to dedicated funds, and amending section 15 relating to the permanent  
9 fund, take effect July 1, 1983. However, the provision of section 17 of  
0 article IX of this constitution relating to placing mineral lease  
1 rentals, royalties, royalty sale proceeds, federal mineral revenue  
2 sharing payments and bonuses received by the State into the Alaska  
3 resource fund shall be implemented as follows:

4 (1) for the period July 1, 1983 through June 30, 1984, one-  
5 quarter of the receipts otherwise payable into the Alaska resource fund  
6 for that period under section 17 shall be placed in the Alaska resource  
7 fund and three-quarters shall be deposited in the general fund;

8 (2) for the period July 1, 1984 through June 30, 1985, one-  
9 half of the receipts otherwise payable into the Alaska resource fund for  
0 that period under section 17 shall be placed in the Alaska resource fund  
1 and one-half shall be deposited in the general fund;

2 (3) for the period July 1, 1985 through June 30, 1986, three-  
3 quarters of the receipts otherwise payable into the Alaska resource fund  
4 for that period under section 17 shall be placed in the Alaska resource  
5 fund and one-quarter shall be deposited in the general fund;

6 (4) after June 30, 1986, the provisions of section 17 shall be  
7 fully in force.

8 \* Sec. 5. The amendments proposed by this resolution shall be placed be-  
9 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
2 of the state.

3 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
4 ments proposed by Legislative Resolve No. 1, First Special Session of the  
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
6 section 3 of that resolution that the amendments proposed by that resolution  
7 be placed before the voters of the state.

8  
9  
0  
1  
2  
3  
4  
5  
6  
7  
8  
9  
0  
1  
2  
3  
4  
5  
6  
7  
8  
9

# STATE OF ALASKA

## THE LEGISLATURE

1981

Source

FSS-FCCSSJR 4.

Legislative  
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made

ADD  
—  
SJR  
65

except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS. If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*New Section:*

*amend article IX, section 16  
reference section 16*

*Does this mean spending the proceeds of M.F.D. bonds  
for operating expenses or all expenses? It just an  
app. for paper for state  
service?*

Introduced: 1/29/82  
Referred: State Affairs,  
Finance and Judiciary

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 65

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to the  
7 expenditure of money which exceeds the  
8 limit on appropriations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty  
13 per cent of the unexpended and unobligated money in the state treasury  
14 which exceeds the limit established by section 16 of this article for a  
15 fiscal year may be expended for capital projects approved by the voters.  
16 If the voters fail to approve an appropriation for a capital project,  
17 the amount of the appropriation shall be placed in the permanent fund  
18 established by section 15 of this article. The remaining unexpended and  
19 unobligated money in the state treasury for a fiscal year shall be  
20 invested as provided in section 16 of this article unless the voters  
21 approve, as prescribed by law, the placement of the money in the perma-  
22 nent fund established by section 15 of this article.

23 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
24 adding new sections to read:

25 SECTION 29. EFFECTIVE DATE OF AMENDMENT. The 1982 amendment re-  
26 lating to the appropriation of unexpended and unobligated state money  
27 (art. IX, sec. 17) takes effect on the effective date of the amendment  
28 limiting appropriation increases (art. IX, sec. 16).

29 SECTION 30. REPEAL OF AMENDMENT. If the amendment limiting appro-

1           prium increases (art. IX, sec. 16) is rejected by the voters at the  
2           1986 general election, the amendment relating to the appropriation of  
3           unexpended and unobligated state revenue (art. IX, sec. 17) is repealed.

4           \* Sec. 3. The amendments proposed by this resolution shall be placed be-  
5           fore the voters of the state at the next general election in conformity with  
6           art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
7           of the state.

Introduced: 2/18/82  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 814

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of the appropriation  
7 limitation in art. IX, sec. 16 of the Alaska Constitu-  
8 tion; and providing for an effective date."

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

10 \* Section 1. AS 15.58.020 is amended by adding a new paragraph to read:

11 (10) for each capital project appropriation bill question  
12 under AS 37.07.075(a), the operation and maintenance cost information  
13 required by AS 37.07.074.

14 \* Sec. 2. AS 37.07.010 is amended by adding a new paragraph to read:

15 (7) implementation of art. IX, sec. 16 of the Alaska Consti-  
16 tution which provides for an appropriation limit.

17 \* Sec. 3. AS 37.07 is amended by adding new sections to read:

18 Sec. 37.07.072. ADJUSTMENT OF APPROPRIATION LIMIT BASE. (a) The  
19 appropriation limit of \$2,500,000,000 which is established by art. IX,  
20 sec. 16 of the Alaska Constitution must be cumulatively adjusted annual-  
21 ly by the division, by the sum of the following percentages:

22 (1) the percentage annual change, during the calendar year  
23 preceding each fiscal year, in the consumer price index for all urban  
24 consumers for Anchorage as published by the Bureau of Labor Statistics  
25 of the United States Department of Labor; and

26 (2) the percentage annual change as of each July 1, in the  
27 estimated population of the state, based on the trend established by the  
28 United States Census Bureau for the period between the previous two  
29 censuses or reenumerations.

1 (b) The base date for determining changes in population and infla-  
2 tion under (a) of this section is July 1, 1981.

3 (c) In this section "population" means total resident population  
4 under the rules of residency applicable to the most recent federal  
5 census or reenumeration.

6 Sec. 37.07.074. COST OF OPERATION AND MAINTENANCE OF CAPITAL  
7 PROJECTS IN EXCESS OF APPROPRIATION LIMIT. The division shall calculate  
8 its best estimate of the annual operation and maintenance costs for each  
9 year of the expected useful life of each capital project for which an  
10 appropriation bill must be approved by the voters under art. IX, sec.  
11 16. The estimated annual operation and maintenance cost figures for  
12 each project must be included in the election pamphlet published under  
13 AS 15.58.

14 \* Sec. 4. AS 37.07.120 is amended by adding a new subsection to read:

15 (b) In this chapter and in art. IX, sec. 16 of the Alaska Consti-  
16 tution

17 (1) "appropriation" means a maximum amount of money available  
18 for expenditure by a state agency for a stated purpose set out in an  
19 appropriation Act;

20 (2) "capital project" means any project, acquisition, equip-  
21 ment, improvement, construction, or repair for which money is appropri-  
22 ated and which;

23 (A) is likely to require an expenditure in a subsequent  
24 fiscal year;

25 (B) is expected to have a useful life of more than one  
26 year; or

27 (C) exceeds \$25,000 in price or value.

28 (3) "loan appropriation" means an appropriation of money used  
29 either to subsidize the difference between the market interest rate at

1 the time state loans are made and the rate charged borrowers for state  
2 loans, or to capitalize or directly finance state loans;

3 (4) "money received from a non-state source in trust for a  
4 specific purpose" means program receipts and all other money received by  
5 a state department, commission, authority, or agency from any source  
6 including the federal government, under terms or conditions which indi-  
7 cate the intent that the money be used for a specific program or pur-  
8 pose.

9 \* Sec. 5. AS 37.07.120(4) is repealed.

10 \* Sec. 6. This Act takes effect on the effective date of the 1982 amendment  
11 to the Alaska Constitution limiting appropriations of state money (art. IX,  
12 sec. 16).

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

Berrier  
4/29/82

Original sponsors: Dankworth and Sturgulewski

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and the retention,  
8 investment and expenditure of certain  
9 state revenues; providing for effec-  
10 tive dates for the amendments; and  
11 superseding the amendments proposed  
12 by Legislative Resolve No. 1, First  
13 Special Session of the Twelfth Legis-  
14 lature (FSS FCCS SJR 4).

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

16 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
17 by adding new sections to read:

18 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
19 this article, the total amount of appropriations which take effect in a  
20 fiscal year shall not exceed the sum of the uncommitted general fund  
21 balance at the beginning of that fiscal year plus the revenues of the  
22 State for that fiscal year, other than revenues from all mineral lease  
23 rentals, royalties, royalty sale proceeds, federal mineral revenue  
24 sharing payments and bonuses. If the governor determines that the total  
25 amount of appropriations taking effect in a fiscal year will exceed the  
26 amount authorized by this section, he shall reduce state spending to  
27 assure that amount is not exceeded.

28 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
29 15 of this article, all mineral lease rentals, royalties, royalty sale

1 proceeds, federal mineral revenue sharing payments and bonuses received  
2 by the State shall be placed in an Alaska resource fund. Up to one-  
3 fourth of the balance in the Alaska resource fund may be appropriated  
4 for any purpose if the appropriation is approved by the voters in a  
5 general election as provided by law. The balance remaining in the  
6 Alaska resource fund after deduction of appropriations approved by the  
7 voters may be invested as provided by law in capital projects which are  
8 owned by the State and programs administered by the State. Projects  
9 that are owned by the State shall return to the Alaska resource fund the  
10 amount of the investment and, unless otherwise provided by a specific  
11 law for a particular project, shall provide a rate of return on the  
12 investment at least equal to the market rate for general obligation  
13 bonds of similar maturity of the State at the time the investment is  
14 made. Investments in programs administered by the State must be approved  
15 by the voters at a general election as prescribed by law, must return to  
16 the Alaska resource fund the amount of the investment, and must be  
17 invested at a rate of return equal to the market rate of return for  
18 similar investments but not less than the rate of return provided by  
19 obligations of similar maturity of the United States government at the  
20 time the investment is made. The balance remaining in the Alaska  
21 resource fund that is not invested in capital projects owned by the  
22 State or in programs administered by the State shall be invested at a  
23 rate of return equal to the market rate of return for similar invest-  
24 ments but not less than the rate of return provided by obligations of  
25 similar maturity of the United States government at the time the invest-  
26 ment is made. All income from the Alaska resource fund shall be de-  
27 posited in the general fund unless otherwise provided by law.

28 \* Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is  
29 amended to read:

1 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
 2 license shall not be dedicated to any special purpose, except as pro-  
 3 vided in sections [SECTION] 15 and 17 of this article or when required  
 4 by the federal government for state participation in federal programs.  
 5 This provision shall not prohibit the continuance of any dedication for  
 6 special purposes existing upon the date of ratification of this section  
 7 by the people of Alaska.

8 \* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is  
 9 amended to read:

10 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
 11 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
 12 eral mineral revenue sharing payments received by the State from mineral  
 13 leases issued on or before December 1, 1979, and at least twenty-five  
 14 percent of all bonuses received by the State from mineral leases issued  
 15 on or before February 15, 1980, shall be placed in a permanent fund.  
 16 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
 17 ceeds, and federal mineral revenue sharing payments received by the State  
 18 from mineral leases issued after December 1, 1979, and fifty percent of  
 19 all bonuses received by the State from mineral leases issued after Feb-  
 20 ruary 15, 1980, shall be placed in the permanent fund. The principal of  
 21 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
 22 [THOSE] income-producing investments specifically designated by law as  
 23 eligible for permanent fund investments at competitive market rates of  
 24 return for similar investments. All income from the permanent fund  
 25 shall be deposited in the general fund unless otherwise provided by law.

26 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
 27 adding new sections to read:

28 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
 29 majority of those voting on the question at the general election in 1982

1 approve the ballot proposition for the total cost of the State of pro-  
2 viding for relocation of the capital, no additional voter approval of  
3 appropriations for that purpose within the cost approved by the voters  
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
6 article IX of this constitution adding sections 16 and 17 relating to  
7 appropriations and the Alaska resource fund, amending section 7 relating  
8 to dedicated funds, and amending section 15 relating to the permanent  
9 fund, take effect July 1, 1983. However, the provision of section 17 of  
10 article IX of this constitution relating to placing mineral lease  
11 rentals, royalties, royalty sale proceeds, federal mineral revenue  
12 sharing payments and bonuses received by the State into the Alaska  
13 resource fund shall be implemented as follows:

14 (1) for the period July 1, 1983 through June 30, 1984, one-  
15 quarter of the receipts otherwise payable into the Alaska resource fund  
16 for that period under section 17 shall be placed in the Alaska resource  
17 fund and three-quarters shall be deposited in the general fund;

18 (2) for the period July 1, 1984 through June 30, 1985, one-  
19 half of the receipts otherwise payable into the Alaska resource fund for  
20 that period under section 17 shall be placed in the Alaska resource fund  
21 and one-half shall be deposited in the general fund;

22 (3) for the period July 1, 1985 through June 30, 1986, three-  
23 quarters of the receipts otherwise payable into the Alaska resource fund  
24 for that period under section 17 shall be placed in the Alaska resource  
25 fund and one-quarter shall be deposited in the general fund;

26 (4) after June 30, 1986, the provisions of section 17 shall be  
27 fully in force.

28 \* Sec. 5. The amendments proposed by this resolution shall be placed be-  
29 fore the voters of the state at the next general election in conformity with

1 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
2 of the state.

3 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
4 ments proposed by Legislative Resolve No. 1, First Special Session of the  
5 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
6 section 3 of that resolution that the amendments proposed by that resolution  
7 be placed before the voters of the state.

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

4/24 #2

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation or appropriations are approved by the voters in a general election as provided by law. The balance remaining in the Alaska resource fund after deduction of appropriations approved by the voters may be invested as provided by law in capital projects which are owned by the State and programs administered by the State. Projects which are owned by the State <sup>and [unclear projects]</sup> shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. Programs administered by the State shall be approved by the voters in a general election as provided by law, shall return to the Alaska resource fund the amount of the investment, and shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. The balance remaining in the Alaska resource fund that is not invested in capital projects owned by the State or programs administered by the State shall be invested at a rate of return

DRAFT  
Law

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113  
114  
115  
116  
117  
118  
119  
120  
121  
122  
123  
124  
125  
126  
127  
128  
129  
130  
131  
132  
133  
134  
135  
136  
137  
138  
139  
140  
141  
142  
143  
144  
145  
146  
147  
148  
149  
150  
151  
152  
153  
154  
155  
156  
157  
158  
159  
160  
161  
162  
163  
164  
165  
166  
167  
168  
169  
170  
171  
172  
173  
174  
175  
176  
177  
178  
179  
180  
181  
182  
183  
184  
185  
186  
187  
188  
189  
190  
191  
192  
193  
194  
195  
196  
197  
198  
199  
200  
201  
202  
203  
204  
205  
206  
207  
208  
209  
210  
211  
212  
213  
214  
215  
216  
217  
218  
219  
220  
221  
222  
223  
224  
225  
226  
227  
228  
229  
230  
231  
232  
233  
234  
235  
236  
237  
238  
239  
240  
241  
242  
243  
244  
245  
246  
247  
248  
249  
250  
251  
252  
253  
254  
255  
256  
257  
258  
259  
260  
261  
262  
263  
264  
265  
266  
267  
268  
269  
270  
271  
272  
273  
274  
275  
276  
277  
278  
279  
280  
281  
282  
283  
284  
285  
286  
287  
288  
289  
290  
291  
292  
293  
294  
295  
296  
297  
298  
299  
300  
301  
302  
303  
304  
305  
306  
307  
308  
309  
310  
311  
312  
313  
314  
315  
316  
317  
318  
319  
320  
321  
322  
323  
324  
325  
326  
327  
328  
329  
330  
331  
332  
333  
334  
335  
336  
337  
338  
339  
340  
341  
342  
343  
344  
345  
346  
347  
348  
349  
350  
351  
352  
353  
354  
355  
356  
357  
358  
359  
360  
361  
362  
363  
364  
365  
366  
367  
368  
369  
370  
371  
372  
373  
374  
375  
376  
377  
378  
379  
380  
381  
382  
383  
384  
385  
386  
387  
388  
389  
390  
391  
392  
393  
394  
395  
396  
397  
398  
399  
400  
401  
402  
403  
404  
405  
406  
407  
408  
409  
410  
411  
412  
413  
414  
415  
416  
417  
418  
419  
420  
421  
422  
423  
424  
425  
426  
427  
428  
429  
430  
431  
432  
433  
434  
435  
436  
437  
438  
439  
440  
441  
442  
443  
444  
445  
446  
447  
448  
449  
450  
451  
452  
453  
454  
455  
456  
457  
458  
459  
460  
461  
462  
463  
464  
465  
466  
467  
468  
469  
470  
471  
472  
473  
474  
475  
476  
477  
478  
479  
480  
481  
482  
483  
484  
485  
486  
487  
488  
489  
490  
491  
492  
493  
494  
495  
496  
497  
498  
499  
500  
501  
502  
503  
504  
505  
506  
507  
508  
509  
510  
511  
512  
513  
514  
515  
516  
517  
518  
519  
520  
521  
522  
523  
524  
525  
526  
527  
528  
529  
530  
531  
532  
533  
534  
535  
536  
537  
538  
539  
540  
541  
542  
543  
544  
545  
546  
547  
548  
549  
550  
551  
552  
553  
554  
555  
556  
557  
558  
559  
560  
561  
562  
563  
564  
565  
566  
567  
568  
569  
570  
571  
572  
573  
574  
575  
576  
577  
578  
579  
580  
581  
582  
583  
584  
585  
586  
587  
588  
589  
590  
591  
592  
593  
594  
595  
596  
597  
598  
599  
600  
601  
602  
603  
604  
605  
606  
607  
608  
609  
610  
611  
612  
613  
614  
615  
616  
617  
618  
619  
620  
621  
622  
623  
624  
625  
626  
627  
628  
629  
630  
631  
632  
633  
634  
635  
636  
637  
638  
639  
640  
641  
642  
643  
644  
645  
646  
647  
648  
649  
650  
651  
652  
653  
654  
655  
656  
657  
658  
659  
660  
661  
662  
663  
664  
665  
666  
667  
668  
669  
670  
671  
672  
673  
674  
675  
676  
677  
678  
679  
680  
681  
682  
683  
684  
685  
686  
687  
688  
689  
690  
691  
692  
693  
694  
695  
696  
697  
698  
699  
700  
701  
702  
703  
704  
705  
706  
707  
708  
709  
710  
711  
712  
713  
714  
715  
716  
717  
718  
719  
720  
721  
722  
723  
724  
725  
726  
727  
728  
729  
730  
731  
732  
733  
734  
735  
736  
737  
738  
739  
740  
741  
742  
743  
744  
745  
746  
747  
748  
749  
750  
751  
752  
753  
754  
755  
756  
757  
758  
759  
760  
761  
762  
763  
764  
765  
766  
767  
768  
769  
770  
771  
772  
773  
774  
775  
776  
777  
778  
779  
780  
781  
782  
783  
784  
785  
786  
787  
788  
789  
790  
791  
792  
793  
794  
795  
796  
797  
798  
799  
800  
801  
802  
803  
804  
805  
806  
807  
808  
809  
810  
811  
812  
813  
814  
815  
816  
817  
818  
819  
820  
821  
822  
823  
824  
825  
826  
827  
828  
829  
830  
831  
832  
833  
834  
835  
836  
837  
838  
839  
840  
841  
842  
843  
844  
845  
846  
847  
848  
849  
850  
851  
852  
853  
854  
855  
856  
857  
858  
859  
860  
861  
862  
863  
864  
865  
866  
867  
868  
869  
870  
871  
872  
873  
874  
875  
876  
877  
878  
879  
880  
881  
882  
883  
884  
885  
886  
887  
888  
889  
890  
891  
892  
893  
894  
895  
896  
897  
898  
899  
900  
901  
902  
903  
904  
905  
906  
907  
908  
909  
910  
911  
912  
913  
914  
915  
916  
917  
918  
919  
920  
921  
922  
923  
924  
925  
926  
927  
928  
929  
930  
931  
932  
933  
934  
935  
936  
937  
938  
939  
940  
941  
942  
943  
944  
945  
946  
947  
948  
949  
950  
951  
952  
953  
954  
955  
956  
957  
958  
959  
960  
961  
962  
963  
964  
965  
966  
967  
968  
969  
970  
971  
972  
973  
974  
975  
976  
977  
978  
979  
980  
981  
982  
983  
984  
985  
986  
987  
988  
989  
990  
991  
992  
993  
994  
995  
996  
997  
998  
999  
1000

equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. All income from the Alaska resource fund shall be deposited in the general fund unless otherwise provided by law.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

AMY S. HARRISON, GOVERNOR

POUCH 5  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2300

April 24, 1982

The Honorable Patrick M. Rodey, Chairman  
Senate Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

RECEIVED  
APR 29 1982

BUDGET/AUDIT  
COMMITTEE

Re: Draft Judiciary CS for SJR 61

Dear Mr. Chairman:

At Friday's Judiciary Committee hearing on SJR 61, there was some discussion about whether the wording on page 3, line 14 of the third draft Judiciary Committee Substitute should read "at competitive market rates" as then written in the draft, or whether it should be revised to read "at national competitive market rates".

Let me emphasize at the outset that the Administration perceives absolutely no difference in concept or purpose between the phrases "competitive market rates" and "national competitive market rates". The purpose of both phrases is to make explicit that the trust nature of the Permanent Fund under the Constitution requires this Fund to be invested with at least the same investment philosophy that applies to both the pension funds and the General Fund -- namely, that the investment power over the Fund shall not be abused so as to subsidize any investment or activity by "investing" at sub-market rates. If any subsidy were ever to be associated with the Permanent Fund, the entire amount of the subsidy would have to be appropriated to the Permanent Fund to hold it harmless and keep it whole; the concept of permanence is at the heart of the Permanent Fund, and accordingly the Fund cannot be used to benefit some of the present generation of Alaskans at the expense of the rest of this generation and future ones.

At the hearing I indicated to the Committee that I thought it might not be appropriate to include the word "national" because of the possibility that the Permanent Fund would someday be able to invest outside the United States to diversify its portfolio, reduce its overall portfolio risk, and enhance its rate of return on investments. However, upon reflection, it occurs to me that the inclusion of that word would be appropriate even in the context of international investments, since there is nothing in the word "national" to limit it to refer to only the United States. If the Fund invested in a Swiss certificate of deposit, for example, we would want the Swiss national market rate for that CD. Thus, it would be entirely proper and appropriate for the Constitution to require "national competitive market rates" for such an investment even though it is overseas.

Senator Rodey (re SJR 61)  
April 24, 1982  
Page 2

Accordingly, since this is the Constitution of the State of Alaska that you are considering and since "national competitive market rates" is the phrase currently employed in the investment statutes for the pension funds and the General Fund, I recommend that the Committee include the word "national" on page 3, line 14 between "at" and "competitive" for the sake of absolute clarity, much as a conservative banker will wear both a belt and suspenders to hold his pants up. The difference is not in whether his pants will stay up or not, but in the extra comfort he has in the certainty that they will.

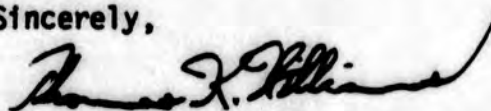
With respect to Senator Ray's request for Alaskan cases supporting the notion that the Constitution's Single Subject Rule (Art. II, sec. 13) should be broadly construed, I draw the Committee's attention to Gellert v. State, 522 P.2d 1120 (Alaska 1974); North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978); and Short v. State, 600 P.2d 20 (1979). Also, the Rule refers to bills only, and is silent with respect to resolutions:

"Section 13. Form of Bills. Every bill shall be confined to one subject unless it is an appropriation bill or one codifying, revising, or rearranging existing laws. Bills for appropriations shall be confined to appropriations. The subject of each bill shall be expressed in the title. The enacting clause shall be: 'Be it enacted by the Legislature of the State of Alaska.'"

Hence, it may be unclear whether the Rule even applies to resolutions proposing amendments to the Constitution.

Thank you very much for your consideration of my point about the rate of return to the Permanent Fund from its investments, and I request that this letter be incorporated into the Committee's record on SJR 61 in order to supplement and clarify my remarks of yesterday that are already in the record. I apologize if my hesitation about including the word "national" caused any confusion or uncertainty in the minds of the Committee Members.

Sincerely,



Thomas K. Williams  
Commissioner of Revenue

TKW:tw

cc: Senate Judiciary Committee Members

CS SS SJR 61 (3rd Judiciary)  
Resource Fund Earnings @ 0% Per Annum  
(\$ Millions)

Fiscal Year	(1) Revenue	(2) Interest	(3) Total Revenue	(4) Section 16 Revenue	(5) Resource Fund Balance	(6) Resource Fund Interest	(7) Section 17 Voter Approval	(8) Permanent Fund Balance	(9) Permanent Fund Interest	(10) Section 16 Revenue FY 83 \$
1984	3063.1	353.3	3416.4	2233.8	192.4	--		3739.1	353.3	2068.3
1985	3509.1	398.6	3907.7	2499.3	602.1	--	48.1	4232.0	398.6	2142.7
1986	4012.4	451.9	4464.3	2825.3	1401.1	--		4805.6	451.9	2242.8
1987	4634.7	514.2	5148.9	3225.2	2301.2	--	350.3	5478.9	514.2	2370.6
1988	4777.8	585.0	5362.8	3244.2	3678.2	--		6220.5	585.0	2207.9
1989	5258.7	663.2	5921.9	3586.8	4270.7	--	919.5	7043.6	663.2	2260.3
1990	4627.1	741.9	5369.0	3256.1	5633.5	--		7793.7	741.9	1899.9
1991	4186.3	803.5	4989.8	3100.7	5632.4	--	1408.4	8275.5	803.5	1675.2
1992	4119.8	852.5	4972.3	3089.9	7016.0	--		8774.3	852.5	1545.7
1993	3763.2	901.0	4664.2	2937.4	6518.2	--	1754.0	9244.9	901.0	1360.6
1994	3615.5	947.6	4563.1	2899.7	7720.0	--		9706.5	947.6	1243.6
1995	3475.4	993.0	4468.4	2871.2	6040.0	--	1930.0	10153.7	993.0	1140.2
1996	3184.9	1036.6	4221.5	2757.5	7979.4	--		10578.3	1036.6	1013.9
1997	3348.5	1080.8	4429.3	2882.2	7071.4	--	1094.8	11038.6	1080.8	981.3
1998	3474.5	1128.1	4602.6	2997.5	8190.9	--		11524.2	1128.1	944.9

Assumptions

1. Resource fund earns 0%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:

Mill Barker  
Legislative Finance  
4-23-82

CS SS SJR 61 (3rd Judiciary)  
Resource Fund Earnings @ 6% Per Annum  
(\$ Millions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Fiscal Year	Revenue	Interest	Total Revenue	Section 16 Revenue	Resource Fund Balance	Resource Fund Interest	Section 17 Voter Approval	Permanent Fund Balance	Permanent Fund Interest	Section 16 Revenue FY 83 \$
1984	3063.1	359.0	3422.1	2239.5	192.4	5.7		3739.1	353.3	2073.6
1985	3509.1	422.4	3931.5	2523.1	602.1	23.8	48.1	4232.0	398.6	2163.1
1986	4012.4	512.0	4524.4	2885.4	1401.1	60.1		4805.6	451.9	2200.5
1987	4634.7	625.3	5260.0	3336.3	2301.2	111.1	350.3	5478.9	514.2	2452.3
1988	4777.8	764.4	5542.2	3423.6	3678.2	179.4		6220.5	585.0	2330.0
1989	5258.7	901.7	6160.4	3825.8	4270.7	238.5	919.5	7043.6	663.2	2410.6
1990	4627.1	1039.0	5666.1	3553.2	5633.5	297.1		7793.7	741.9	2073.3
1991	4186.3	1141.5	5327.8	3438.7	5632.4	338.0	1408.4	8275.5	803.5	1857.8
1992	4119.8	1232.0	5351.8	3469.4	7016.0	379.5		8774.3	852.5	1735.6
1993	3763.2	1307.0	5070.2	3343.4	6518.2	406.0	1754.0	9244.9	901.0	1548.6
1994	3615.5	1374.7	4990.2	3326.8	7720.0	427.1		9706.5	947.6	1426.8
1995	3475.4	1432.8	4908.2	3311.0	6940.0	439.8	1930.0	10153.7	993.0	1314.8
1996	3184.9	1484.2	4669.1	3205.1	7979.4	447.6		10578.3	1036.6	1178.5
1997	3348.5	1532.3	4880.8	3333.7	7071.4	451.5	1994.8	11038.6	1080.8	1135.0
1998	3474.5	1586.0	5060.5	3455.4	8190.9	457.9		11524.2	1128.1	1089.3

Assumptions

1. Resource fund earns 6%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:  
Milt Barker  
Legislative Finance  
4-23-82

**CS SS SJR 61 (3rd Judiciary)**  
**Resource Fund Earnings @ 0% Per Annum; Permanent Fund Earnings Used for Dividends & Inflation-Proofing**  
**(\$ Millions)**

Fiscal Year	(1) Revenue	(2) Interest	(3) Total Revenue	(4) Section 16 Revenue	(5) Resource Fund Balance	(6) Resource Fund Interest	(7) Section 17 Voter Approval	(8) Permanent Fund Balance	(9) Permanent Fund Interest	(10) Section 16 Revenue FY 83 \$
1984	3063.1	--	3063.1	1880.5	192.4	--		3739.1	353.3	1741.2
1985	3509.1	--	3509.1	2100.7	602.1	--	48.1	4232.0	398.6	1801.0
1986	4012.4	--	4012.4	2373.4	1401.1	--		4805.6	451.9	1884.1
1987	4634.7	--	4634.7	2711.0	2301.2	--	350.3	5478.9	514.2	1992.7
1988	4777.8	--	4777.8	2659.2	3678.2	--		6220.5	585.0	1809.8
1989	5258.7	--	5258.7	2923.6	4270.7	--	919.5	7043.6	663.2	1842.4
1990	4627.1	--	4627.1	3514.2	5633.5	--		7793.7	741.9	1467.0
1991	4186.3	--	4186.3	2297.2	5632.4	--	1408.4	8275.5	803.5	1241.1
1992	4119.8	--	4119.8	2237.4	7016.0	--		8774.3	852.5	1119.3
1993	3763.2	--	3763.2	2036.4	6518.2	--	1754.0	9244.9	901.0	943.2
1994	3615.5	--	3615.5	1952.1	7720.0	--		9706.5	947.6	837.2
1995	3475.4	--	3475.4	1878.2	6940.0	--	1930.0	10153.7	993.0	746.0
1996	3184.9	--	3184.9	1720.9	7979.4	--		10578.3	1036.6	632.8
1997	3348.5	--	3348.5	1801.4	7071.4	--	1994.8	11038.6	1080.8	613.3
1998	3474.5	--	3474.5	1869.4	8190.9	--		11524.2	1128.1	589.3

**Assumptions**

1. Resource fund earns 0%, permanent fund 10%
2. Permanent fund contribution increased to 35% for FY 83 through FY 90
3. March 1982 Department of Revenue estimates at 30th percentile
4. Resource fund contributions phased in
5. 25% of resource fund available for voter approval every two years
6. 8% annual inflation assumed in revenue projections (Col. 1) and real section 16 revenues (Col. 10)

PREPARED BY:

Milt Barker  
 Legislative Finance  
 4-23-82

DIVISION OF BUDGET AND MANAGEMENT  
 SJR 61 PROJECTIONS OF 4/20/82  
 WITH 1983 CONSTANT DOLLAR COMPARISONS

FISCAL YEAR	TOTAL REVENUE	TOTAL REVENUE FY 83 \$\$	NET SECTION 16 APPROPRIATION	NET SECTION 16 FY 83 \$\$	SECTION 17 CAPITAL APPROPRIATION	SECTION 17 CAPITAL FY 83 \$\$
1983	2934.7	2934.7	2245.3	2245.3	0.0	0.0
1984	3202.1	2992.6	2266.2	2117.9	0.0	0.0
1985	3675.8	3210.6	2384.5	2082.7	131.3	114.7
1986	4215.3	3440.9	2492.2	2034.4	0.0	0.0
1987	4963.9	3786.9	2657.6	2027.5	517.9	395.1
1988	5236.1	3733.3	2700.8	1925.6	0.0	0.0
1989	5916.9	3942.7	3127.8	2084.2	996.9	664.3
1990	5406.4	3366.8	2798.2	1742.6	0.0	0.0
1991	5163.6	3005.3	2742.7	1596.3	1359.4	791.2
1992	5135.7	2793.5	2698.5	1407.8	0.0	0.0
1993	4952.3	2517.5	2649.2	1346.7	1632.4	829.8
1994	4797.9	2579.4	2537.2	1205.4	0.0	0.0
1995	4807.0	2134.4	2591.9	1150.8	1797.9	798.3
1996	4478.5	1858.4	2376.8	986.3	0.0	0.0
1997	4769.3	1849.6	2566.7	995.4	1892.6	734.0
1998	4840.8	1754.5	2561.1	928.3	0.0	0.0

ASSUMES 7% LONG TERM INFLATION RATE

Berrier  
4/22/82

Original sponsors: Dankworth and Sturgulewski

*3ED*

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
 6 tion of the State of Alaska relating  
 7 to appropriations and the retention,  
 8 investment and expenditure of certain  
 9 state revenues; and superseding the  
 10 amendments proposed by Legislative  
 11 Resolve No. 1, First Special Session  
 12 of the Twelfth Legislature (FSS FCCS  
 13 SJR 4).

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

15 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
 16 by adding new sections to read:

17 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
 18 this article, the total amount of appropriations which take effect in a  
 19 fiscal year shall not exceed the sum of the uncommitted general fund  
 20 balance at the beginning of that fiscal year plus the revenues of the  
 21 State for that fiscal year, other than revenues from all mineral lease  
 22 rentals, royalties, royalty sale proceeds, federal mineral revenue  
 23 sharing payments and bonuses. If the governor determines that the total  
 24 amount of appropriations taking effect in a fiscal year will exceed the  
 25 amount authorized by this section, he shall reduce state <sup>expenditures</sup> spending to  
 26 assure that amount is not exceeded.

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
 28 15 of this article, all mineral lease rentals, royalties, royalty sale  
 29 proceeds, federal mineral revenue sharing payments and bonuses received

1 article IX of this constitution relating to placing mineral lease  
2 rentals, royalties, royalty sale proceeds, federal mineral revenue  
3 sharing payments and bonuses received by the State into the Alaska  
4 resource fund shall be implemented as follows:

5 (1) for the period July 1, 1983 through June 30, 1984, one-  
6 quarter of the receipts otherwise payable into the Alaska resource fund  
7 for that period under section 17 shall be placed in the Alaska resource  
8 fund and three-quarters shall be deposited in the general fund;

9 (2) for the period July 1, 1984 through June 30, 1985, one-  
10 half of the receipts otherwise payable into the Alaska resource fund for  
11 that period under section 17 shall be placed in the Alaska resource fund  
12 and one-half shall be deposited in the general fund;

13 (3) for the period July 1, 1985 through June 30, 1986, three-  
14 quarters of the receipts otherwise payable into the Alaska resource fund  
15 for that period under section 17 shall be placed in the Alaska resource  
16 fund and one-quarter shall be deposited in the general fund;

17 (4) after June 30, 1986, the provisions of section 17 shall be  
18 fully in force.

19 \* Sec. 5. The amendments proposed by this resolution shall be placed be-  
20 fore the voters of the state at the next general election in conformity with  
21 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
22 of the state.

23 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
24 ments proposed by Legislative Resolve No. 1, First Special Session of the  
25 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
26 section 3 of that resolution that the amendments proposed by that resolution  
27 be placed before the voters of the state.  
28  
29

*at least*  
*interest at inflation rate*

1 by the State shall be placed in an Alaska resource fund. Up to one-  
 2 fourth of the balance in the Alaska resource fund may be appropriated  
 3 for any purpose <sup>5\*</sup> ~~if~~ <sup>(5) are</sup> the appropriation <sup>is</sup> approved by the voters in a  
 4 general election as provided by law. The balance remaining in the  
 5 Alaska resource fund <sup>✓</sup> after deduction of appropriations approved by the  
 6 voters may be invested as provided by law in capital projects <sup>or programs</sup> which are  
 7 <sup>real principal</sup> owned by the State. Those projects shall return to the Alaska resource  
 8 fund <sup>value</sup> the amount of the investment and, unless otherwise provided by a  
 9 specific law for a particular project, shall provide a rate of return on  
 10 the investment at least equal to the market rate for general obligation  
 11 bonds of similar maturity of the State at the time the investment is  
 12 made. <sup>fronds</sup> The balance remaining in the Alaska resource fund that is not  
 13 invested in capital projects owned by the State shall be invested at a  
 14 rate of return equal to the market rate of return for similar invest-  
 15 ments but not less than the rate of return provided by obligations of  
 16 similar maturity of the United States government at the time the invest-  
 17 ment is made. [All income from the Alaska resource fund shall be de-  
 18 posited in the general fund unless otherwise provided by law.]

19 \* Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska, is  
 20 amended to read:

21 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
 22 license shall not be dedicated to any special purpose, except as pro-  
 23 vided in sections [SECTION] 15 and 17 of this article or when required  
 24 by the federal government for state participation in federal programs.  
 25 This provision shall not prohibit the continuance of any dedication for  
 26 special purposes existing upon the date of ratification of this section  
 27 by the people of Alaska.

28 \* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is  
 29 amended to read:

1 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
2 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
3 eral mineral revenue sharing payments received by the State from mineral  
4 leases issued on or before December 1, 1979, and at least twenty-five  
5 percent of all bonuses received by the State from mineral leases issued  
6 on or before February 15, 1980, shall be placed in a permanent fund.  
7 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
8 ceeds, and federal mineral revenue sharing payments received by the State  
9 from mineral leases issued after December 1, 1979, and fifty percent of  
10 all bonuses received by the State from mineral leases issued after Feb-  
11 ruary 15, 1980, shall be placed in the permanent fund. The principal of  
12 the permanent fund [, THE PRINCIPAL OF WHICH] shall be used only for  
13 [THOSE] income-producing investments specifically designated by law as  
14 eligible for permanent fund investments at competitive market rates of  
15 return for similar investments. All <sup>real</sup> income from the permanent fund  
16 shall be deposited in the general fund unless otherwise provided by law.

17 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
18 adding new sections to read:

19 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
20 majority of those voting on the question at the general election in 1982  
21 approve the ballot proposition for the total cost of the State of pro-  
22 viding for relocation of the capital, no additional voter approval of  
23 appropriations for that purpose within the cost approved by the voters  
24 is required under section 17 of article IX of this constitution.

25 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
26 article IX of this constitution adding sections 16 and 17 relating to  
27 appropriations and the Alaska resource fund, amending section 7 relating  
28 to dedicated funds, and amending section 15 relating to the permanent  
29 fund, take effect July 1, 1983. However, the provision of section 17 of

140201  
Resource Fund

SEC 17 CONSTITUTION

P2 L3

DELETE [ IF THE APPROPRIATION IS ]

( MAKES IT CLEAR THAT  
SEVERAL APPROPRIATIONS  
ARE POSSIBLE )

---

~~X~~

L6-7 DELETE [ WHICH ARE OWNED BY STATE ]  
L13 " [ OWNED BY STATE ]

( MAY WANT TO INSERT  
PUBLICLY OWNED INSTEAD )

— PROVIDES MORE FLEXIBILITY

---

P2 L8

DELETE [ AMOUNT ]  
INSERT VALUE

( MAKES SURE VALUE OF  
INVESTMENT IS REPAYED  
IN DOLLARS THAT ARE  
OF EQUAL VALUE — THAT IS,  
ADJUSTED FOR INFLATION )

P17, AFTER THE WORD "FUND"  
INSERT: IN EXCESS OF THE AMOUNT  
NECESSARY TO PRESERVE THE VALUE OF THE FUND  
AGAINST THE EFFECTS OF INFLATION AND  
REALIZED LOSSES

MALCOM

(2)

SEC 16

GENERAL FUND

PAGE 7  
LINE 26

ADD A NEW SENTENCE  
TO READ:

ALL REVENUES IN EXCESS  
OF APPROPRIATIONS UNDER THIS  
SECTION SHALL BE INVESTED  
AT NATIONALLY COMPETITIVE  
MARKET RATES.

PERMANENT FUND  
SEC 15

PAGE 3  
LINE 16

AFTER THE WORD "FUND"

ADD: , IN EXCESS OF THE AMOUNT  
NECESSARY TO PRESERVE THE  
VALUE OF THE FUND AGAINST  
THE EFFECTS OF INFLATION  
AND REALIZED LOSSES,

Original sponsors: Dankworth and Sturgulewski

THE SENATE

BY THE JUDICIARY COMMITTEE

RESOLUTIONS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Judiciary)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and the retention, investment and expenditure of certain state revenues; and superseding the amendments proposed by Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4).

IT IS RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 16. APPROPRIATIONS. Except as provided in section 17 of this article, the total amount of appropriations which take effect in a fiscal year shall not exceed the sum of the uncommitted general fund balance at the beginning of that fiscal year plus the revenues of the State for that fiscal year, other than revenues from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses. If the governor determines that the total amount of appropriations taking effect in a fiscal year will exceed the amount authorized by this section, he shall reduce state spending to assure that amount is not exceeded.

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section 15 of this article, all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received

provided by law

interest  
"not fall below  
superior"

by the State shall be placed in an Alaska resource fund. Up to one-fourth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. <sup>The balance</sup> ~~Money remaining~~ in the Alaska resource fund ~~after deduction of appropriations approved by the voters~~ ~~may~~ be invested as provided by law in capital projects which are owned by the State. Those projects shall return to the Alaska resource fund the amount of the investment and, unless otherwise provided by a specific law for a particular project, shall provide a rate of return on the investment at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made. <sup>THE BALANCE Funds</sup> ~~Money remaining~~ in the Alaska resource fund ~~after~~ <sup>which is not invested</sup> ~~investments~~ in capital projects owned by the State shall be invested at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made. <sup>All means as</sup> ~~Earnings on money placed~~ in the Alaska resource fund shall be deposited in the general fund.

\* Summary

\* Sec. 2.. Article IX, sec. 7, Constitution of the State of Alaska, is amended to read:

SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in sections [SECTION] 15 and 17 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

\* Sec. 3. Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

1 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
2 of all mineral lease rentals, royalties, royalty sale proceeds, and federal  
3 mineral revenue sharing payments received by the State from mineral  
4 leases issued on or before December 1, 1979, and at least twenty-five  
5 percent of all bonuses received by the State from mineral leases issued  
6 on or before February 15, 1980, shall be placed in a permanent fund.  
7 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
8 ceeds, and federal mineral revenue sharing payments received by the  
9 State from mineral leases issued after December 1, 1979, and fifty per-  
0 cent of all bonuses received by the State from mineral leases issued af-  
1 ter February 15, 1980, shall be placed in the permanent fund. The prin-  
2 cipal of the permanent fund [ , THE PRINCIPAL OF WHICH] shall be used  
3 only for [THOSE] income-producing investments specifically designated by  
4 law as eligible for permanent fund investments at the <sup>COMPARABLE</sup> market rate of re-  
5 turn for similar investments. All <sup>real</sup> income from the permanent fund shall  
6 be deposited in the general fund unless otherwise provided by law.

7 \* Sec. 4. Article XV, Constitution of the State of Alaska, is amended by  
8 adding new sections to read:

9 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
0 majority of those voting on the question at the general election in 1982  
1 approve the ballot proposition for the total cost of the State of pro-  
2 viding for relocation of the capital, no additional voter approval of  
3 appropriations for that purpose within the cost approved by the voters  
4 is required under section 17 of article IX of this constitution.

5 SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to  
6 article IX of this constitution adding sections 16 and 17 relating to  
7 appropriations and the Alaska resource fund, amending section 7 relating  
8 to dedicated funds, and amending section 15 relating to the permanent  
9 fund, take effect July 1, 1983. However, the provision of section 17 of

1 article IX of this constitution relating to placing mineral lease  
2 rentals, royalties, royalty sale proceeds, federal mineral revenue  
3 sharing payments and bonuses received by the State into the Alaska  
4 resource fund shall be implemented as follows:

5 (1) For the period July 1, 1983 through June 30, 1984, one-  
6 quarter of the receipts otherwise payable into the Alaska resource fund  
7 for that period under section 17 shall be placed in the Alaska resource  
8 fund and three-quarters shall be deposited in the general fund;

9 (2) For the period July 1, 1984 through June 30, 1985, one-  
10 half of the receipts otherwise payable into the Alaska resource fund for  
11 that period under section 17 shall be placed in the Alaska resource fund  
12 and one-half shall be deposited in the general fund;

13 (3) For the period July 1, 1985 through June 30, 1986, three-  
14 quarters of the receipts otherwise payable into the Alaska resource fund  
15 for that period under section 17 shall be placed in the Alaska resource  
16 fund and one-quarter shall be deposited in the general fund;

17 (4) After July 1, 1986, the provisions of section 17 shall be  
18 fully in force;

19 \* Sec. 5. The amendments proposed by this resolution shall be placed be-  
20 fore the voters of the state at the next general election in conformity with  
21 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
22 of the state.

23 \* Sec. 6. The amendments proposed by this resolution supersede the amend-  
24 ments proposed by Legislative Resolve No. 1, First Special Session of the  
25 Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in  
26 section 3 of that resolution that the amendments proposed by that resolution  
27 be placed before the voters of the state.  
28  
29

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL  
JUNEAU, ALASKA 99811

March <sup>25</sup> 26, 1982

Honorable Arliss Sturgulewski  
Senator  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

Following this morning's hearing on proposed CSSS SJR 61(Finance) in the Senate Finance Committee, a member of your staff contacted me with some questions about the effect of the proposed constitutional amendment adding section 26 to article XV with the title "Appropriations for Relocation of the Capital." This will formalize my answers to those questions.

The essential point of your staff member's inquiry was whether the language in proposed section 26 would constitute an automatic appropriation of funds necessary for the capital move (within the cost approved by the voters) in future years without further legislative action. It would not. Similarly, it would neither authorize future legislatures to exceed the spending limitation established by proposed section 16 of article IX nor to appropriate all or any part in excess of 20% of the resource fund established by section 17. What it would do is permit future legislatures to appropriate the amount authorized by the voters for the costs of the capital move without the necessity for additional approval by the voters at a general election, as would otherwise be required by section 17. During any two year period, those appropriations could not exceed 20 per cent of the money in the resource fund. Of course, if the capital move is approved by the voters this fall and the Capital City Development Corporation which would be established under AS 44.07 subsequently comes into existence, any amount of money in the resource fund could be used under section 17 to invest in revenue bonds which might be issued by the corporation, so long as they meet the requirements established in that section.

Honorable  
Arliss Sturgulewski


- 2 -

March 25, 1982

If it is the desire of the Finance Committee to deal with the question of appropriations for a possible capital move in a manner other than that which I have described above, the language proposed for section 26, article XV should be altered. I am certainly available to assist you and the committee in drafting alternate language.

Sincerely yours,

WILSON L. CONDON  
ATTORNEY GENERAL

By:   
Ronald W. Lorensen  
Deputy Attorney General

RWL:cjs

cc: Honorable Ed Dankworth  
Senator

Subject: SJR 61

(1) Section 16 appropriations. The constitutional amendment does not describe the procedure as to how the governor reduces the appropriations in any year the funding does not meet the appropriations. The constitutional amendment only says the governor will reduce spending. We assume this is the second chance to veto the budget and the legislature has a chance to override that veto with its usual three-quarters override on fiscal matters.

*Arlliss, you made this point in committee*

*can be amended at market to see in supply*

(2) Moneys in the Alaska Resource Fund can only be reinvested in state owned projects and the projects have to pay a rate of return equal to the general obligation bonds of similar maturity of the state at the time the investment is made. The state ownership requirement makes for a very short list of eligible projects. Currently, the only projects we have financed are hydroelectric dams and the international airports. State ownership precludes such things as docks (municipally owned), roads (non-revenue producing), rural airports (non-revenue producing), schools (municipally owned), water systems (municipally or privately owned), homes (private ownership) and businesses (privately owned). As to the interest rate, the legislature would put them in a Catch-22 position. With the current interest rate ceiling at 10% (the longest maturity the state can sell is 9 years). This would require, for instance, the Susitna Power Project be paid off in 9 years. If, on the other hand, the legislature raised the debt ceiling to allow maturities of longer interest rates to be sold, the interest rates would approximate 13% today and none of the power projects would pencil today. So?

*not precluded - just haven't done*

*could change mortgage program*

*- can change statute*

*debt variable rate will look 140 then debt will be below*

(3) Small nit. Funds don't have money in them, they have balances, money is dollar bills.

(4) Through time, royalties will become a larger proportion of oil revenues because severance taxes and income taxes are both based on profitability and as fields become less profitable through time, the royalty income will become a greater percentage of income. (I feel, as a responsible matter, we have to make an exception for general obligation debt service).

*with looking at this computer seems decent look for had the*

(5) The combined effect of the ownership requirement on projects and the requirement that the projects produce substantial revenues will create a second permanent fund. Most of the investments in the fund will end up being money market investments so that 20% of the number may be spent every 2 years after general election.

*not sure what point is being made here*

Arlliss,  
Margo, MW

This is some stuff on SJR 61, from someone who didn't want to be identified.

*Sh*



Official Business

# Alaska State Legislature

Senate

Committee on Finance

Peace V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Senator Dankworth  
FROM: Pete Jeans *PJ*  
DATE: March 24, 1982  
RE: SJR 61

*SJR-4 amendments needs*  

---

*average rate of return*

SECTION 16. This section places a limit on the revenue available for appropriation by the legislature. Revenue received from any source other than revenues from all mineral lease rentals, royalty sale proceeds, federal mineral revenue sharing payments and bonuses are available. This includes, but is not limited to revenue received from taxes, licenses and permit fees, federal shared revenues, investment earnings, airport and ferry system charges, court system charges and other miscellaneous revenues.

The legislature determines the percentage it will appropriate for operating, capital or loans.

The governor is responsible to reduce spending if actual revenues are below that appropriated by the legislature. This will prevent deficit spending and allow the legislature to "balance the books" at the beginning of each session.

SECTION 17. This section establishes the Alaska Resource Fund.

All revenue received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses, that are not required by law to be deposited in the permanent fund, are placed in the Alaska Resource Fund.

This fund is used in the following ways:

(1) The legislature may appropriate one-fifth (20%) of the balance in the fund for any purpose if the appropriation is approved by the voters.

*good*

*1/6  
The attachment shows it bi annual!*

(2) Money in the fund shall be invested at a rate of return equal to the market rate of return for similar investments, but not less than the rate of return provided by obligations of the United States Government. (For a 90 day investment the bottom line would be 90 day treasury bills, today 12.82%, 10 year maturity 13.79%.) or;

*interest  
90 to  
gen.  
fund*

(3) Money in the fund may be invested in capital projects which are owned by the state that will return the investment to the fund and provide a rate of return equal to the market rate for general obligation bonds of the state at the time the investment is made. (Approximately 10%).

(4) Earnings on the fund are deposited in the general fund.

SECTION 26. Will eliminate the possibility of a second vote on the appropriation for relocation of the capital.

FUNDS AVAILABLE FOR OPERATING & CAPITAL BUDGETS

SJR-61

IN THOUSAND OF CURRENT DOLLARS

	<u>FY 1983</u> <u>Estimate</u> <u>January</u>	<u>FY 1984</u> <u>Estimate</u> <u>January</u>
<u>Taxes</u>		
<u>Income</u>		
Corporate-General (1)	35,000	39,000
Corporate-Petroleum (2)	304,000	360,000
<u>Gross Receipts</u>		
Alaska Business License	5,500	5,500
Fish-Canned Salmon	6,000	6,000
Fish-Shorebased	11,000	11,000
Fish-Floating	4,000	4,000
Salmon Enhancement	2,400	2,400
Insurance Companies	11,500	11,500
Other	1,400	1,400
<u>Severance</u>		
Gravel, Timber, Etc.	2,500	2,500
Oil & Gas Production (3)(4)	1,819,000	2,213,400
Oil & Gas Conservation	700	700
<u>Property</u>		
Oil & Gas (5)	157,700	225,000
Vehicle Registration	200	200
<u>Sale/Use</u>		
Alcoholic Beverages	9,000	9,000
Fuel Taxes-Aviation	4,500	4,700
Fuel Taxes-Highway	18,500	19,000
Fuel Taxes-Marine	3,800	4,000
Tabacco Products	1,900	1,900
<u>Other</u>		
Estate	500	500
Total Taxes	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses &amp; Permits</u>		
<u>Business</u>	11,000	12,100
<u>Non-Business</u>	13,000	13,500
Total Licenses & Permits	<u>24,000</u>	<u>25,600</u>
 <u>Intergovernmental Receipts</u>		
Federal Shared Revenues (6)(7)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
 <u>Facilities Related Charges</u>		
Airports	1,200	1,200
Ferry System-Southeast	26,300	28,900
Ferry System-Southwest	3,800	4,100
Other	4,500	4,700
<u>Service Related Charges</u>		
Court System	3,300	3,500
Other	4,500	4,800
	<u>43,600</u>	<u>47,200</u>
 <u>Miscellaneous Revenues</u>		
	<u>5,900</u>	<u>6,000</u>
Total	2,797,500	3,385,500

SJR-61

YEAR	REVENUE PROJECTIONS	SECTION 16 REVENUE	RESOURCE FUND BALANCE	INTEREST RESOURCE FUND	SECTION 17 VOTER APPROVAL
1983	3308.4	2989.62	0.0	0.00	0.00
1984	5241.7	3101.91	1306.3	0.00	326.59
1985	6518.6	3696.82	3672.1	143.70	0.00
1986	7611.7	4304.35	5138.8	367.21	1284.70
1987	8762.2	4907.82	8325.2	462.49	0.00
1988	9275.2	5051.11	9443.9	749.27	2360.97
1989	10300.3	5624.25	13280.8	849.95	0.00
1990	10468.6	5926.71	13613.4	1195.27	3403.34
1991	10107.8	5814.31	17159.0	1225.20	0.00
1992	10437.1	6185.93	16538.6	1544.31	4134.66
1993	10547.9	6236.29	20102.3	1488.48	0.00
1994	10971.4	6658.49	18935.5	1809.21	4733.87
1995	10236.5	6307.10	22204.5	1704.19	0.00
1996	10298.7	6532.60	20278.4	1998.41	5069.61
1997	10729.1	6658.43	23663.7	1825.06	0.00
1998	11291.7	7100.27	21716.6	2129.73	5429.16

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

*Handwritten signature*

SJR-61

RESOURCE FUND

YEAR	RESOURCE FUND BALANCE	RESOURCE FUND INTEREST	RESOURCE FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	0.0	0.00	0.0%
1984	1306.3	0.00	0.0%
1985	3672.1	143.70	3.9%
1986	5138.8	367.21	8.5%
1987	8325.2	462.49	9.4%
1988	9443.9	749.27	14.8%
1989	13280.8	849.95	15.1%
1990	13613.4	1195.27	20.2%
1991	17159.0	1225.20	21.1%
1992	16538.6	1544.31	25.0%
1993	20102.3	1488.48	23.9%
1994	18935.5	1809.21	27.2%
1995	22204.5	1704.19	27.0%
1996	20278.4	1998.41	30.6%
1997	23663.7	1825.06	27.4%
1998	21716.6	2129.73	30.0%

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

SJR-61

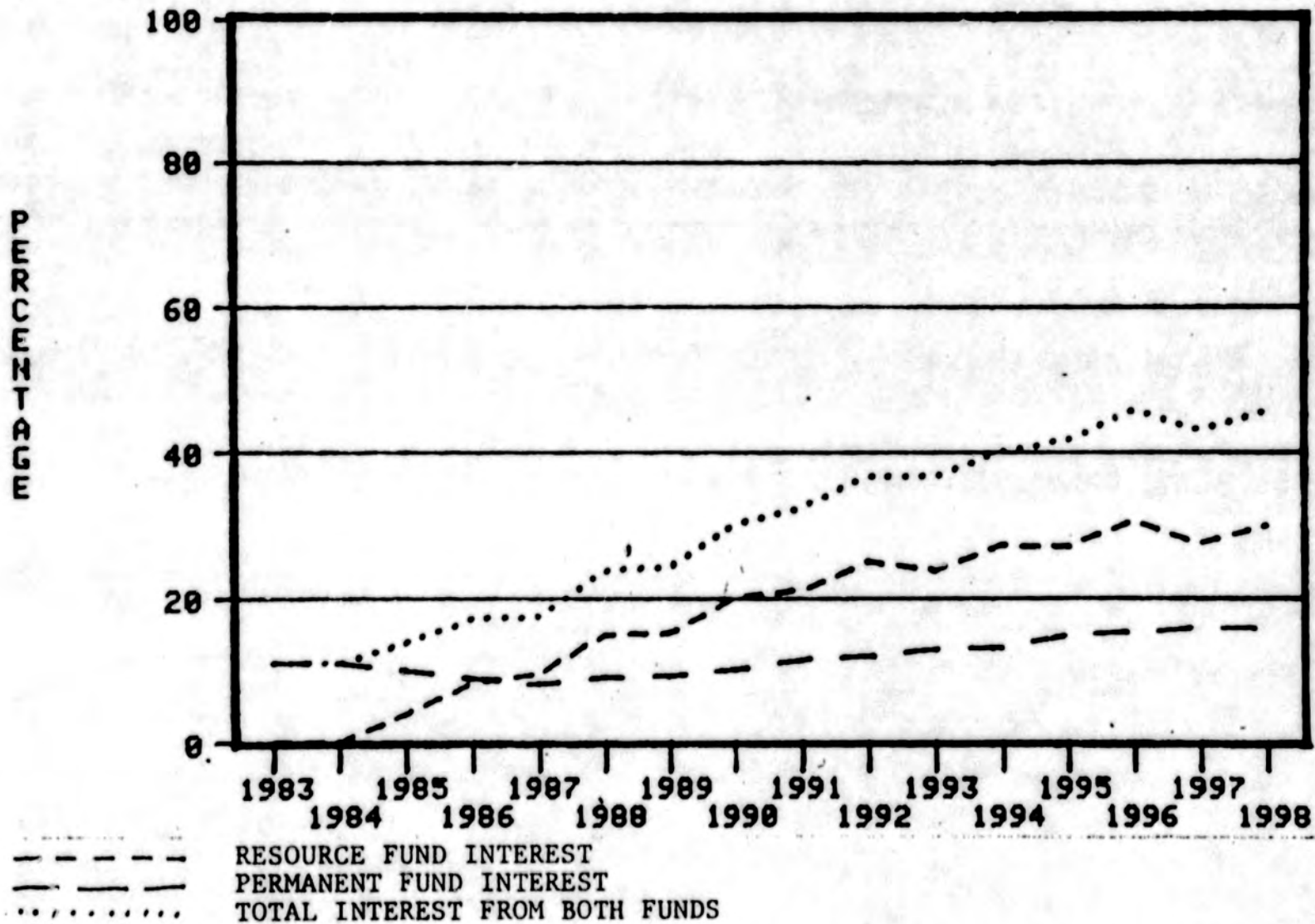
PERMANENT FUND

YEAR	PERMANENT FUND BALANCE	INTEREST	PERMANENT FUND INTEREST AS A PERCENTAGE OF SECTION 16
1983	2818.8	325.00	10.9%
1984	3325.6	338.26	10.9%
1985	3781.6	365.82	9.9%
1986	4337.5	378.16	8.8%
1987	5005.5	390.38	8.0%
1988	5749.9	450.49	8.9%
1989	6589.1	517.49	9.2%
1990	7395.1	593.02	10.0%
1991	8142.9	665.56	11.4%
1992	8879.7	732.86	11.8%
1993	9627.7	799.18	12.8%
1994	10373.5	866.49	13.0%
1995	11033.9	933.61	14.8%
1996	11656.5	993.05	15.2%
1997	12341.9	1049.08	15.8%
1998	13051.2	1110.77	15.6%

OFFICE OF THE GOVERNOR  
INFORMATION BY THE DIVISION OF BUDGET & MANAGEMENT

- (1) RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR
- (2) VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%
- (3) THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%, 1987-1998 = 9%

TOTAL INTEREST FROM THE RESOURCE AND PERMANENT FUNDS AS A PERCENTAGE OF FUNDS  
AVAILABLE FOR APPROPRIATION



-7-

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and the retention,  
8 investment and expenditure of certain  
9 state revenues; and superseding the  
10 amendments proposed by Legislative  
11 Resolve No. 1, First Special Session  
12 of the Twelfth Legislature (FSS FCCS  
13 SJR 4).

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

15 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
16 by adding new sections to read:

17 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
18 this article, the total amount of appropriations which take effect in a  
19 fiscal year shall not exceed the sum of the uncommitted general fund  
20 balance at the beginning of that fiscal year plus the revenues of the  
21 State for that fiscal year, other than revenues from all mineral lease  
22 rentals, royalties, royalty sale proceeds, federal mineral revenue shar-  
23 ing payments and bonuses. If the governor determines that the total  
24 amount of appropriations taking effect in a fiscal year will exceed the  
25 amount authorized by this section, he shall reduce state spending to as-  
26 sure that amount is not exceeded.

*James J. Brown  
Platani  
Brown*

~~can be adjusted  
can re-appropriate~~

27 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
28 15 of this article, all mineral lease rentals, royalties, royalty sale  
29 proceeds, federal mineral revenue sharing payments and bonuses received

*Earl Ingle*

1 by the State shall be placed in an Alaska resource fund. Up to one-  
2 fifth of the balance in the Alaska resource fund may be appropriated for  
3 any purpose if the appropriation is approved by the voters in a general  
4 election as provided by law. Money in the Alaska resource fund shall be  
5 invested as provided by law at a rate of return equal to the market rate  
6 of return for similar investments but not less than the rate of return  
7 provided by obligations of similar maturity of the United States govern-  
8 ment at the time the investment is made. Money in the Alaska resource  
9 fund may also be invested <sup>as provided by law</sup> in capital projects which are owned by the  
10 State, which will return to the Alaska resource fund the amount of the  
11 investment, and which will provide a rate of return on the investment at  
12 least equal to the market rate for general obligation bonds of similar  
13 maturity of the State at the time the investment is made. Earnings on  
14 money deposited in the Alaska resource fund shall be deposited in the  
15 general fund.

16 \* Sec. 2. Article IX, section 15, Constitution of the State of Alaska is  
17 amended to read:

18 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent  
19 of all mineral lease rentals, royalties, royalty sale proceeds, and fed-  
20 eral mineral revenue sharing payments received by the State from mineral  
21 leases issued on or before December 1, 1979, and at least twenty-five  
22 percent of all bonuses received by the State from mineral leases issued  
23 on or before February 15, 1980, shall be placed in a permanent fund.  
24 Fifty percent of all mineral lease rentals, royalties, royalty sale pro-  
25 ceeds, and federal mineral revenue sharing payments received by the  
26 State from mineral leases issued after December 1, 1979, and fifty per-  
27 cent of all bonuses received by the State from mineral leases issued af-  
28 ter February 15, 1980, shall be placed in the permanent fund. The prin-  
29 cipal of the permanent fund [ , THE PRINCIPAL OF WHICH] shall be used

*High fiduciary standards*  
*or some inflationary proofing*

only for [THOSE] income-producing investments specifically designated by law as eligible for permanent fund investments at the market rate of return for similar investments. All <sup>net (margin)</sup> income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

\* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

*25 years*  
*Eng. 1/11/82*  
SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under section 17 of article IX of this constitution.

SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to article IX of this constitution adding sections 16 and 17, relating to appropriations and the Alaska resources fund, and amending section 15, relating to the permanent fund, take effect July 1, 1983.

\* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

\* Sec. 5. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

*new if a majority of those voting*  
*scrapped - the 25 years*  
*presented*

AMENDMENTS INDICATED ARE THE RESULT OF MEETING  
LAST WEEK BETWEEN MEMBERS OF THE BOARD AND THE  
CAPITAL INVESTMENT FUND COMMITTEE

*ARR* 4-5-82

Original sponsor: Dankworth

3/19/82

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-  
tion of the State of Alaska relating  
to appropriations and the retention,  
investment and expenditure of certain  
state revenues; and superseding the  
amendments proposed by Legislative  
Resolve No. 1, First Special Session  
of the Twelfth Legislature (FSS FCCS  
SJR 4).

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended  
by adding new sections to read:

SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
this article, the total amount of appropriations which take effect in a  
fiscal year shall not exceed \$1,800,000,000 multiplied by the annual per capital income change  
since 1981.

~~balance at the beginning of the fiscal year, plus the revenues of the  
State for that fiscal year, other than revenues from all mineral lease  
rentals, royalties, royalty sale proceeds, federal mineral revenue share-  
ing payments and bonuses. If the governor determines that the total  
amount of appropriations taking effect in a fiscal year will exceed the  
amount authorized by this section, he shall reduce state spending in  
that amount is not exceeded.~~

SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
15 of this article, all mineral lease rentals, royalties, royalty sale  
proceeds, federal mineral revenue sharing payments and bonuses received

by the State shall be placed in an Alaska resource fund. Up to one-fifth of the balance in the Alaska resource fund may be appropriated for any purpose if the appropriation is approved by the voters in a general election as provided by law. Money in the Alaska resource fund ~~shall be not yet designated for the above may be placed in other income-producing investments as provided by law at a rate of return equal to the market rate of return for similar investments but not less than the rate of return provided by obligations of similar maturity of the United States government at the time the investment is made.~~ Money in the Alaska resource fund shall ~~may also~~ be invested in capital projects which are owned by the State, which will return to the Alaska resource fund the amount of the investment, and which will provide a rate of return ~~on the investment~~ ~~at least equal to the market rate for general obligation bonds of similar maturity of the State at the time the investment is made.~~ Earnings on money deposited in the Alaska resource fund shall ~~be deposited~~ <sup>remain</sup> in the ~~general~~ fund.

\* Sec. 2. Article IX, section 15, Constitution of the State of Alaska is amended to read:

SECTION 15. ALASKA PERMANENT FUND. At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the State from mineral leases issued on or before December 1, 1979, and at least twenty-five percent of all bonuses received by the State from mineral leases issued on or before February 15, 1980, shall be placed in a permanent fund. Fifty percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the State from mineral leases issued after December 1, 1979, and fifty percent of all bonuses received by the State from mineral leases issued after February 15, 1980, shall be placed in the permanent fund. The principal of the 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 at the market rate of return for similar investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

\* Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under section 17 of article IX of this constitution.

SECTION 27. EFFECTIVE DATE OF AMENDMENTS. The 1982 amendments to article IX of this constitution adding sections 16 and 17, relating to appropriations and the Alaska resources fund, and amending section 15, relating to the permanent fund, take effect July 1, 1983.

\* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

\* Sec. 5. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature (FSS FCCS SJR 4), and void the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

SJR 61

Senator Sturgulewski moved and asked unanimous consent that she be shown as a co-sponsor to SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an investment fund). Without objection, it was so ordered.

President ~~Kerretula~~ stated that Senator Bennett would be appointed to the Budget and Audit Committee replacing Senator Stimson as he is a statewide candidate.

## ANNOUNCEMENTS

Announcements appear at the end of the journal.

## SPECIAL ORDERS

Senator Eliason moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m., March 18 and March 19. Without objection, Senator Eliason was excused.

Senator Rodey moved and asked unanimous consent that he be excused from a call of the Senate March 18 and March 19. Without objection, Senator Rodey was excused.

Senator Colletta moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m., March 18 through March 19. Without objection, Senator Colletta was excused.

Senator Parr moved and asked unanimous consent that he be excused from a call of the Senate from 11:00 a.m. March 18. Without objection, Senator Parr was excused.

Senator Stimson moved and asked unanimous consent that he be excused from a call of the Senate April 1 and April 2. Without objection, Senator Stimson was excused.

DRAFT #1  
LAW

3/23/82  
CSSS SSR 61 FIN  
Legis Pj

Original sponsor: Dankworth

3/19/82

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating an  
8 Alaska resource fund; and superceding  
9 the amendments proposed by Legisla-  
10 tive Resolve No. 1, First Special  
11 Session of the Twelfth Legislature  
12 (FSS-FCCS SJR 4).

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

14 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
15 by adding new sections to read:

16 SECTION 16. APPROPRIATIONS. Except as provided in section 17 of  
17 this article, the total amount of appropriations which take effect in a  
18 fiscal year shall not exceed the sum of the unobligated general fund  
19 balance at the beginning of that fiscal year plus the revenues of the  
20 State for that fiscal year, other than revenues from all mineral lease  
21 rentals, royalties, royalty sale proceeds, federal mineral revenue shar-  
22 ing payments and bonuses, <sup>less revenues = appropriate in obligation</sup> less the unobligated amount of appropriations  
23 which took effect in a prior fiscal year and are still in effect at the  
24 beginning of that fiscal year. [ If the governor determines that the to-  
25 tal amount of appropriations taking effect in a fiscal year will exceed  
26 the amount authorized by this section, he shall reduce state spending to  
27 assure that that amount is not exceeded. ]

28 SECTION 17. ALASKA RESOURCE FUND. Except as provided in section  
29 15 of this article, all mineral lease rentals, royalties, royalty sale

1 proceeds, federal mineral revenue sharing payments and bonuses received  
2 by the State shall be placed in an Alaska resource fund. Money in the  
3 Alaska resource fund shall be invested as provided by law at a rate of  
4 return equal to the market rate of return for similar investments but  
5 not less than the rate of return provided by obligations of the United  
6 States government at the time the investment<sup>is</sup> ~~are~~ made. Money in the  
7 Alaska resource fund may also be invested in capital projects which are  
8 owned by the State, which will return to the Alaska resource fund the  
9 amount of the investment, and which will provide a rate of return on the  
10 investment at least equal to the market rate for general obligation  
11 bonds of the State at the time the investment is made. The legislature  
12 may appropriate up to one-fifth of the balance in the Alaska resource  
13 fund for capital projects which do not meet the requirements for an in-  
14 vestment under this section if the appropriation is approved by the vot-  
15 ers in a general ~~or special~~ election as provided by law. Earnings on  
16 money deposited in the Alaska resource fund shall be deposited in the  
17 general fund, ~~and may be appropriated under section 16 of this article.~~

Specific  
Enough?

(not  
sec.)

18 \* Sec. 2. Article IV, Constitution of the State of Alaska, is amended by  
19 adding a new section to read:

20 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
21 majority of those voting on the question at the general election in 1982  
22 approve the ballot proposition for the total cost of the State of pro-  
23 viding for relocation of the capital, no additional voter approval of  
24 appropriations for that purpose within the cost approved by the voters  
25 is required under the 1982 amendment establishing the Alaska Resource  
26 Fund (art. IX, sec. 17).

27 \* Sec. 3. The amendments proposed by this resolution shall be placed be-  
28 fore the voters of the state at the next general election in conformity with  
29 art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws

1 of the state.

2 \* Sec. 4. The amendments proposed by this resolution supersede the amend-  
3 ments proposed by the Legislative Resolve No. 1, First Special Session of the  
4 Twelfth Legislature (FSS - FCCS SJR 4), and voids the requirement contained  
5 in section 3 of that resolution that the amendments proposed by that resolu-  
6 tion be placed before the voters of the state.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION  
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE  
DEBT SERVICE EXPENSES  
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDENT + DEBT SERVICE  
RFBAL = RESOURCE FUND BALANCE  
RFINT = INTEREST EARNED ON THE RESOURCE FUND  
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE  
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND  
IS 9 PERCENT

THE INFLATION RATE USED IS 7 PERCENT

CURRENT AS OF MARCH 17, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	744.7	0.00	186.18
2	1984	4717.31	2775.24	3084.37	1902.1	67.03	475.53
3	1985	6023.56	3343.89	3657.80	3414.3	171.19	853.58
4	1986	6958.01	3887.78	4206.61	4932.6	307.29	1233.14
5	1987	8075.66	4565.37	4889.26	6495.2	443.93	1623.80
6	1988	8366.03	4557.30	4886.41	7979.8	584.57	1994.96
7	1989	9329.42	5158.00	5492.49	9453.4	718.19	2363.36
8	1990	9318.16	5242.23	5582.24	10551.5	850.81	2637.87
9	1991	9084.37	5193.02	5538.74	11277.7	949.63	2819.42
10	1992	9170.90	5305.02	5656.61	11833.6	1014.99	2958.39
11	1993	9376.52	5455.20	5812.83	12317.8	1065.02	3079.45
12	1994	9524.93	5594.02	5957.89	12707.9	1108.60	3176.97
13	1995	9015.64	5376.34	5746.62	12781.5	1143.71	3195.38
14	1996	8828.06	5307.65	5684.54	12740.0	1150.34	3185.01
15	1997	9365.26	5596.28	5979.98	12900.3	1146.60	3225.06
16	1998	9613.64	5740.86	6131.56	13105.9	1161.02	3276.47

11:53 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 15 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	791.3	0.00	139.64
2	1984	4721.49	2779.43	3038.56	2060.6	71.22	363.63
3	1985	6037.82	3358.15	3672.06	3762.4	185.45	663.95
4	1986	6989.33	3919.11	4237.94	5536.7	338.62	977.07
5	1987	8130.04	4619.74	4943.63	7414.7	498.31	1308.47
6	1988	8448.78	4640.06	4969.16	9260.1	667.32	1634.14
7	1989	9444.65	5273.23	5607.71	11132.5	833.41	1964.56
8	1990	9469.28	5393.34	5733.36	12638.2	1001.93	2230.26
9	1991	9272.17	5380.83	5726.54	13756.2	1137.43	2427.57
10	1992	9393.97	5528.09	5879.68	14679.9	1238.06	2590.58
11	1993	9632.69	5711.37	6069.00	15507.1	1321.19	2736.54
12	1994	9811.97	5881.06	6244.92	16213.0	1395.64	2861.12
13	1995	9331.10	5691.80	6062.08	16559.7	1459.17	2922.30
14	1996	9168.10	5647.69	6024.57	16747.8	1490.37	2955.49
15	1997	9725.96	5956.98	6340.67	17113.1	1507.30	3019.96
16	1998	9992.79	6120.01	6510.72	17505.9	1540.18	3089.27

13:41 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 10 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	837.8	0.00	93.09
2	1984	4725.7	2783.62	3092.75	2223.7	75.40	247.08
3	1985	6052.5	3372.83	3686.74	4130.5	200.13	458.94
4	1986	7022.5	3952.24	4271.07	6193.7	371.75	688.19
5	1987	8189.2	4678.87	5002.76	8442.1	557.43	938.01
6	1988	8541.3	4732.53	5061.63	10729.6	759.79	1192.17
7	1989	9576.9	5405.48	5739.96	13109.8	965.66	1456.65
8	1990	9647.2	5571.30	5911.32	15161.2	1179.89	1684.58
9	1991	9499.2	5607.90	5953.61	16836.1	1364.51	1870.68
10	1992	9671.2	5805.28	6156.87	18315.4	1515.25	2035.04
11	1993	9959.9	6038.56	6396.19	19691.2	1648.38	2187.91
12	1994	10188.5	6257.62	6621.49	20932.4	1772.20	2325.82
13	1995	9755.8	6116.54	6486.83	21781.3	1883.91	2420.14
14	1996	9638.0	6117.62	6494.51	22432.3	1960.31	2492.48
15	1997	10237.6	6468.59	6852.28	23235.8	2018.91	2581.76
16	1998	10543.8	6671.06	7061.77	24046.1	2091.22	2671.79

13:36 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 5 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	884.4	0.00	46.55
2	1984	4729.9	2787.81	3096.94	2391.4	79.59	125.87
3	1985	6067.6	3387.93	3701.84	4519.3	215.23	237.86
4	1986	7057.5	3987.23	4306.06	6907.2	406.74	363.54
5	1987	8253.4	4743.08	5066.97	9583.9	621.65	504.68
6	1988	8644.5	4835.74	5164.85	12415.1	863.00	653.43
7	1989	9728.6	5557.18	5891.66	15439.5	1117.36	812.60
8	1990	9856.9	5780.97	6120.98	18216.6	1389.55	958.77
9	1991	9774.2	5882.89	6228.60	20674.1	1639.49	1088.11
10	1992	10016.6	6150.70	6502.29	22979.0	1860.67	1209.42
11	1993	10379.6	6458.28	6815.92	25215.5	2068.11	1327.13
12	1994	10685.7	6754.82	7118.68	27343.5	2269.40	1439.13
13	1995	10332.8	6693.54	7063.82	29081.9	2460.91	1530.62
14	1996	10295.1	6774.68	7151.57	30614.1	2617.37	1611.27
15	1997	10973.9	7204.95	7588.65	32299.4	2755.27	1699.97
16	1998	11359.6	7486.78	7877.49	33992.4	2906.95	1789.07

13:40 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Pete Jeans asked that the run of March 18th be replicated with the Resource Fund starting in 1984 instead of 1983. The attached tables provide output on this run.

Current as of March 19, 1982

REVTOT2 = TOTAL REVENUE

GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE  
DEBT SERVICE EXPENSES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

RFCHANGE = CHANGE IN THE RESOURCE FUND BALANCE

RFINTEXP = INTEREST EARNED ON THE RESOURCE FUND EXPRESSED AS A  
PERCENTAGE OF TOTEXPDD

PF = PERMANENT FUND BALANCE

PFINT2 = INTEREST EARNED ON THE PERMANENT FUND

PFCHANGE = CHANGE IN THE PERMANENT FUND BALANCE

PFINTEXP = INTEREST EARNED ON THE PERMANENT FUND EXPRESSED AS A  
PERCENTAGE OF TOTEXPDD

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE  
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%,  
1987-1998 = 9%

the inflation rate used is 7%

CURRENT AS OF MARCH 19, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	REVTOT2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	3308.4	2685.12	2989.62	0.0	0.00	0.00
2	1984	5241.7	2792.78	3101.91	1306.3	0.00	326.59
3	1985	6518.6	3382.91	3696.82	3672.1	143.70	0.00
4	1986	7611.7	3985.52	4304.35	5138.8	367.21	1284.70
5	1987	8762.2	4583.93	4907.82	8325.2	462.49	0.00
6	1988	9275.2	4722.01	5051.11	9443.9	749.27	2360.97
7	1989	10300.3	5289.77	5624.25	13280.8	849.95	0.00
8	1990	10468.6	5586.69	5926.71	13613.4	1195.27	3403.34
9	1991	10107.8	5468.60	5814.31	17159.0	1225.20	0.00
10	1992	10437.1	5834.34	6185.93	16538.6	1544.31	4134.66
11	1993	10547.9	5878.65	6236.29	20102.3	1488.48	0.00
12	1994	10971.4	6294.63	6658.49	18935.5	1809.21	4733.87
13	1995	10236.5	5936.82	6307.10	22204.5	1704.19	0.00
14	1996	10298.7	6155.72	6532.60	20278.4	1998.41	5069.61
15	1997	10729.1	6274.74	6658.43	23663.7	1825.06	0.00
16	1998	11291.7	6709.57	7100.27	21716.6	2129.73	5429.16

14:15 FRIDAY, MARCH 19, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	RFBAL	RFINT	RFCHANGE	RFINTEXP
1	1983	0.0	0.00	0.0	0.0000
2	1984	1306.3	0.00	1306.3	0.0000
3	1985	3672.1	143.70	2365.8	3.8860
4	1986	5138.8	367.21	1466.7	8.5292
5	1987	8325.2	462.49	3186.4	9.4217
6	1988	9443.9	749.27	1118.7	14.8308
7	1989	13280.8	849.95	3836.9	15.1095
8	1990	13613.4	1195.27	332.6	20.1642
9	1991	17159.0	1225.20	3545.6	21.0686
10	1992	16538.6	1544.31	-620.4	24.9608
11	1993	20102.3	1488.48	3563.7	23.8642
12	1994	18935.5	1809.21	-1166.8	27.1674
13	1995	22204.5	1704.19	3269.0	27.0159
14	1996	20278.4	1998.41	-1926.1	30.5866
15	1997	23663.7	1825.06	3385.3	27.4056
16	1998	21716.6	2129.73	-1947.1	29.9909

14:15 FRIDAY, MARCH 19, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	PF	PFINT2	PFCHANGE	PFINTEXP
1	1983	2818.8	325.00	318.807	10.8673
2	1984	3325.6	338.26	506.843	10.9013
3	1985	3781.6	365.82	455.978	9.8929
4	1986	4337.5	378.16	555.906	8.7836
5	1987	5005.5	390.38	667.944	7.9526
6	1988	5749.9	450.49	744.465	8.9169
7	1989	6589.1	517.49	839.164	9.1995
8	1990	7395.1	593.02	805.957	10.0042
9	1991	8142.9	665.56	747.827	11.4449
10	1992	8879.7	732.86	736.843	11.8453
11	1993	9627.7	799.18	747.927	12.8129
12	1994	10373.5	866.49	745.818	13.0113
13	1995	11033.9	935.61	660.392	14.8002
14	1996	11656.5	993.05	622.619	15.1991
15	1997	12341.9	1049.08	685.400	15.7534
16	1998	13051.2	1110.77	709.319	15.6418

14:15 FRIDAY, MARCH 19, 1982

REVTOT2 = TOTAL REVENUE

GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE  
DEBT SERVICE EXPENSES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

RFCHANGE = CHANGE IN THE RESOURCE FUND BALANCE

RFINTEXP = INTEREST EARNED ON THE RESOURCE FUND EXPRESSED AS A  
PERCENTAGE OF TOTEXPDD

PF = PERMANENT FUND BALANCE

PFINT2 = INTEREST EARNED ON THE PERMANENT FUND

PFCHANGE = CHANGE IN THE PERMANENT FUND BALANCE

PFINTEXP = INTEREST EARNED ON THE PERMANENT FUND EXPRESSED AS A  
PERCENTAGE OF TOTEXPDD

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE  
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND IS  
1983 = 13%, 1984 = 12%, 1985 = 11%, 1986 = 10%,  
1987-1998 = 9%

the inflation rate used is 7%

CURRENT AS OF MARCH 18, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	REVTOT2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	3308.4	1754.20	2058.70	930.9	0.00	0.00
2	1984	3353.4	2904.49	3213.62	2051.1	111.71	512.77
3	1985	6600.5	3464.83	3778.74	4416.8	225.62	0.00
4	1986	7686.1	4059.99	4378.82	5734.6	441.68	1433.65
5	1987	8815.8	4637.55	4961.44	8921.0	516.11	0.00
6	1988	9328.8	4775.63	5104.73	9920.5	802.89	2480.12
7	1989	10343.2	5332.66	5667.14	13757.4	892.84	0.00
8	1990	10511.5	5629.59	5969.60	13994.7	1238.17	3498.67
9	1991	10142.1	5502.91	5848.63	17540.3	1259.52	0.00
10	1992	10471.4	5868.66	6220.25	16843.7	1578.63	4210.92
11	1993	10575.4	5906.11	6263.74	20407.4	1515.93	0.00
12	1994	10998.8	6322.08	6685.95	19179.5	1836.66	4794.88
13	1995	10258.5	5958.79	6329.07	22448.5	1726.16	0.00
14	1996	10320.7	6177.68	6554.57	20473.7	2020.37	5118.41
15	1997	10746.7	6292.31	6676.00	23858.9	1842.63	0.00
16	1998	11309.2	6727.14	7117.85	21872.8	2147.30	5468.20

14:52 THURSDAY, MARCH 18, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	PF	PFINT2	PFCHANGE	PFINTEXP
1	1983	2818.8	325.00	318.807	15.7790
2	1984	3325.6	338.26	506.843	10.5224
3	1985	3781.6	365.82	455.978	9.6785
4	1986	4337.5	378.16	555.906	8.6342
5	1987	5005.5	390.38	667.944	7.8667
6	1988	5749.9	450.49	744.465	8.8233
7	1989	6589.1	517.49	839.164	9.1299
8	1990	7395.1	593.02	805.957	9.9323
9	1991	8142.9	665.56	747.827	11.3777
10	1992	8879.7	732.86	736.843	11.7800
11	1993	9627.7	799.18	747.927	12.7567
12	1994	10373.5	866.49	745.818	12.9579
13	1995	11033.9	933.61	660.392	14.7489
14	1996	11656.5	993.05	622.619	15.1482
15	1997	12341.9	1049.08	685.400	15.7119
16	1998	13051.2	1110.77	709.319	15.6032

14:52 THURSDAY, MARCH 18, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20% WITHDRAWN EVERY OTHER YEAR  
VARIABLE RATE OF RETURN, LONG TERM INFLATION RATE = 7%

OBS	TIME	RFBAL	RFINT	RFCHANGE	RFINTEXP
1	1983	930.9	0.00	930.9	0.0000
2	1984	2051.1	111.71	1120.2	3.4751
3	1985	4416.8	225.62	2365.8	5.9692
4	1986	5734.6	441.68	1317.7	10.0845
5	1987	8921.0	516.11	3186.4	10.4004
6	1988	9920.5	802.89	999.5	15.7253
7	1989	13757.4	892.84	3836.9	15.7520
8	1990	13994.7	1238.17	237.2	20.7377
9	1991	17540.3	1259.52	3545.6	21.5316
10	1992	16843.7	1578.63	-696.6	25.3748
11	1993	20407.4	1515.93	3563.7	24.1978
12	1994	19179.5	1836.66	-1227.8	27.4664
13	1995	22448.5	1726.16	3269.0	27.2692
14	1996	20473.7	2020.37	-1974.9	30.8191
15	1997	23858.9	1842.63	3385.3	27.5966
16	1998	21872.8	2147.30	-1986.1	30.1637

14:52 THURSDAY, MARCH 18, 1982

From Tom Goster

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION  
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES, DOES NOT INCLUDE  
DEBT SERVICE EXPENSES  
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDENT + DEBT SERVICE  
RFBAL = RESOURCE FUND BALANCE  
RFINT = INTEREST EARNED ON THE RESOURCE FUND  
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

NOTE: THE PERMANENT FUND DIVIDENDS ARE FINANCED THROUGH THE  
PERMANENT FUND

DEBT SERVICE IS FINANCED THROUGH THE RESOURCE FUND

THE RATE OF RETURN ON THE RESOURCE AND PERMANENT FUND  
IS 9 PERCENT

THE INFLATION RATE USED IS 7 PERCENT

CURRENT AS OF MARCH 17, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT IN EVEN NUMBERED YEARS

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	930.9	0.00	0.00
2	1984	4734.1	2791.99	3101.13	2051.1	83.78	512.77
3	1985	6037.0	3357.30	3671.20	4416.8	184.60	0.00
4	1986	7048.2	3978.01	4296.84	5734.6	397.52	1433.65
5	1987	8147.8	4637.55	4961.44	8921.0	516.11	0.00
6	1988	8584.4	4775.63	5104.73	9920.5	802.89	2480.12
7	1989	9504.1	5332.66	5667.14	13757.4	892.84	0.00
8	1990	9705.5	5629.59	5969.60	13994.7	1238.17	3498.67
9	1991	9394.3	5502.91	5848.63	17540.3	1259.52	0.00
10	1992	9734.5	5868.66	6220.25	16843.7	1578.63	4210.92
11	1993	9827.4	5906.11	6263.74	20407.4	1515.93	0.00
12	1994	10253.0	6322.08	6685.95	19179.5	1836.66	4794.88
13	1995	9598.1	5958.79	6329.07	22448.5	1726.16	0.00
14	1996	9698.1	6177.68	6554.57	20473.7	2020.37	5118.41
15	1997	10061.3	6292.31	6676.00	23858.9	1842.63	0.00
16	1998	10599.9	6727.14	7117.85	21872.8	2147.30	5468.20

11:47 WEDNESDAY, MARCH 17, 1982

3/16

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION  
GFEXPEN = SECTION 16 ALLOWABLE EXPENDITURES  
TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE  
RFDAL = RESOURCE FUND BALANCE  
RFINT = INTEREST EARNED ON THE RESOURCE FUND  
TOTCAPEX = SECTION 17 CAPITAL EXPENDITURES

CURRENT AS OF MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 20 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	744.7	0.00	186.18
2	1984	4717.31	2775.24	3084.37	1902.1	67.03	475.53
3	1985	6023.56	3343.89	3657.80	3414.3	171.19	853.58
4	1986	6958.01	3887.78	4206.61	4932.6	307.29	1233.14
5	1987	8075.66	4565.37	4889.26	6495.2	443.93	1623.80
6	1988	8366.03	4557.30	4886.41	7979.8	584.57	1994.96
7	1989	9329.42	5158.00	5492.49	9453.4	718.19	2363.36
8	1990	9318.16	5242.23	5582.24	10551.5	850.81	2637.87
9	1991	9084.37	5193.02	5538.74	11277.7	949.63	2819.42
10	1992	9170.90	5305.02	5656.61	11833.6	1014.99	2958.39
11	1993	9376.52	5455.20	5812.83	12317.8	1065.02	3079.45
12	1994	9524.93	5594.02	5957.89	12707.9	1108.60	3176.97
13	1995	9015.64	5376.34	5746.62	12781.5	1143.71	3195.38
14	1996	8828.06	5307.65	5684.54	12740.0	1150.34	3185.01
15	1997	9365.26	5596.28	5979.98	12900.3	1146.60	3225.06
16	1998	9613.64	5740.86	6131.56	13105.9	1161.02	3276.47

11:53 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

7/10/82.  
9 1/2 index

# General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1981 Actual <u>January</u>	FY 1982 Estimate <u>January</u>	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <u>January</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	34,800	31,000	35,000	39,000
Corporate-Petroleum (2)	860,100	713,000	304,000	360,000
<u>Gross Receipts</u>				
Alaska Business License	5,400	5,500	5,500	5,500
Fish-Canned Salmon	5,900	6,200	6,000	6,000
Fish-Shorebased	11,000	11,200	11,000	11,000
Fish-Floating	3,800	4,000	4,000	4,000
Salmon Enhancement	-0-	2,000	2,400	2,400
Insurance Companies	10,600	11,300	11,500	11,500
Other	1,200	1,300	1,400	1,400
<u>Severance</u>				
Gravel, Timber, etc.	2,700	2,500	2,500	2,500
Oil & Gas Production(3)(4)	1,169,900	1,718,000	1,819,000	2,213,400
Oil & Gas Conservation	300	700	700	700
<u>Property</u>				
Oil & Gas(5)	143,000	155,000	157,700	225,000
Vehicle Registration	200	200	200	200
<u>Sale/Use</u>				
Alcoholic Beverages	8,300	8,500	9,000	9,000
Fuel Taxes-Aviation	4,100	4,300	4,500	4,700
Fuel Taxes-Highway	15,600	18,000	18,500	19,000
Fuel Taxes-Marine	3,500	3,600	3,800	4,000
Tobacco Products	1,700	1,800	1,900	1,900
<u>Other</u>				
Estate	500	500	500	500
<b>Total Taxes</b>	<b><u>2,282,600</u></b>	<b><u>2,698,600</u></b>	<b><u>2,399,100</u></b>	<b><u>2,921,700</u></b>
<u>Licenses &amp; Permits</u>				
<u>Business</u>	9,100	9,900	11,000	12,100
<u>Non-Business</u>	12,200	12,500	13,000	13,500
<b>Total Licenses &amp; Permits</b>	<b><u>21,300</u></b>	<b><u>22,400</u></b>	<b><u>24,000</u></b>	<b><u>25,600</u></b>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(6)(7)</u>	<u>8,500</u>	<u>18,200</u>	<u>9,900</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(8)(9)(10)	7,600	800	-0-	-0-
Investment Earnings	227,800	280,300	315,000	375,000
Rents(9)(10)	5,400	5,500	5,500	5,500
Royalties(3)(6)(11)	1,118,500 (12)	1,258,800	1,325,200	1,608,800
Sale of State Property	4,800	5,500	5,500	5,500

**Facilities Related Charges**

Airports	1,100	1,200	1,200	1,200
Ferry System-Southeast	21,000	23,900	26,300	28,900
Ferry System-Southwest	3,400	3,500	3,800	4,100
Other	3,700	4,000	4,500	4,700
<b>Service Related Charges</b>				
Court System	2,900	3,100	3,300	3,500
Other	4,100	4,300	4,500	4,800

**Total State Resources Revenues**

<u>1,400,300</u>	<u>1,590,900</u>	<u>1,694,800</u>	<u>2,042,000</u>
------------------	------------------	------------------	------------------

**Miscellaneous Revenues**

<u>5,500</u>	<u>5,700</u>	<u>5,900</u>	<u>6,000</u>
--------------	--------------	--------------	--------------

**Total Unrestricted Revenues**

<u>3,718,200</u>	<u>4,335,800</u>	<u>4,133,700</u>	<u>5,005,300</u>
------------------	------------------	------------------	------------------

- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59¢ less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

3/17/82

ARLISS STURGULEWSKI

As many of you will recall, I spent a great deal of time last session trying to find an effective way to limit our spending. During the special session, the legislature passed a spending limit to put before the voters. Although I supported a spending limit, I voted against that proposed constitutional limit because I felt that the bill had serious defects: Not only are there technical and definitional problems in the special session bill, but during this session we have had ample opportunity to try to work under it. We are seeing that it does not work. The proposed spending limit is simply not responsive to changes in our revenues such as those we are now experiencing. The bill also has a "time bomb" in it because of the relationship between capital and operating budgets. To place such a bill before the voters and to say it is an effective limit to spending would be a fraud.

During the past weeks I have been working with Senator Dankworth on another approach to limiting our spending. This approach focuses on sources of revenues and is responsive to changes in our income. This proposal offers a way of "smoothing out" expenditures over time by placing some revenue sources in a fund where they earn interest and are available for future capital and other needs. While all the "kinks" have not been worked out, I feel confident that we are moving in a better direction. The bill which will result from this work can be placed before the voters with assurance. It will not require lengthy explanations or protestations that with hope and luck things will work out. For that reason, I would like to have my name placed as a co-sponsor on Senator Dankworth's bill, SSJR 61.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

memo

Per our discussion, attached are copies of  
Budget & management's latest run on the  
numbers for Sen. Danforth's amendment.

Also, included is a review -- cleaned up  
by law -- with a few suggestions by me.

I think the Governor, Danforth, your boss  
and others (Kittling for sure) need to meet  
and open an language and policy.

A large, stylized handwritten signature, likely of Jay S. Hammond, consisting of several loops and a long horizontal stroke.

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

LOW EXPENDITURE RATE FROM RESOURCE FUND (10%)

OBS	TIME	ADJREV2	GFEXPEN	RFBAL	RFINT	RFEXP	TOTCAPEX
1	1983	2735.1	1499.70	837.8	0.00	93.09	93.09
2	1984	4725.7	2708.21	2291.6	75.40	254.62	330.02
3	1985	6058.6	3172.70	4377.2	206.24	486.36	692.59
4	1986	7044.7	3580.49	6770.3	393.95	752.25	1146.20
5	1987	8241.1	4121.43	9509.4	609.33	1056.60	1665.93
6	1988	8637.3	3972.74	12460.4	855.85	1384.49	2240.34
7	1989	9732.7	4439.82	15676.9	1121.44	1741.88	2863.31
8	1990	9878.3	4391.42	18741.4	1410.92	2082.37	3493.29
9	1991	9821.5	4243.39	21576.3	1686.72	2397.37	4084.09
10	1992	10097.8	4290.03	24329.2	1941.87	2703.25	4645.12
11	1993	10501.1	4390.17	27074.3	2189.63	3008.26	5197.89
12	1994	10853.0	4485.42	29770.2	2436.69	3307.80	5744.49
13	1995	10551.2	4232.63	32146.7	2679.32	3571.86	6251.18
14	1996	10570.9	4157.31	34365.1	2893.20	3818.34	6711.55
15	1997	11311.5	4449.68	36758.9	3092.86	4084.32	7177.18
16	1998	11760.9	4579.83	39194.4	3308.30	4354.93	7663.23

SSSSG1  
JR

ALC - Please make  
5 copies

**DRAFT**

CS FOR SPONSOR SUBSTITUTE FOR SENATE  
JOINT RESOLUTION NO. 61 (FINANCE)

PROPOSING AMENDMENTS TO THE  
CONSTITUTION OF THE STATE OF  
ALASKA RELATING TO APPROPRIA-  
TIONS AND CREATING AN ALASKA  
RESOURCE FUND; AND SUPERSEDING  
LEGISLATIVE RESOLVE No. 1,  
FIRST SPECIAL SESSION, TWELFTH  
LEGISLATURE (FSS-FCCS SJR 4)  
OF THE ARTICLE V.

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

\*SECTION 1. ARTICLE IX, CONSTITUTION OF THE STATE OF  
ALASKA,, IS AMENDED BY ADDING NEW SECTIONS TO READ:

SECTION 16. APPROPRIATIONS. EXCEPT AS PROVIDED IN  
SECTION 17, THE LEGISLATURE SHALL APPROPRIATE DURING A  
FISCAL YEAR NO MORE THAN THE SUM OF THE UNOBLIGATED GENERAL  
FUND BALANCE AT THE BEGINNING OF THAT FISCAL YEAR AND THE  
ESTIMATED REVENUES OF THE STATE FOR THAT FISCAL YEAR FROM  
SOURCES OTHER THAN MINERAL LEASE RENTALS, ROYALTIES, ROYALTY  
SALE PROCEEDS, FEDERAL MINERAL REVENUE SHARING PAYMENTS AND  
BONUSES.

SECTION 17. ALASKA RESOURCE FUND. EXCEPT AS PROVIDED  
IN SECTION 15 OF THE ARTICLE, ALL MINERAL LEASE RENTALS,  
ROYALTIES, ROYALTY SALE PROCEEDS, FEDERAL MINERAL REVENUE  
SHARING PAYMENTS AND BONUSES RECEIVED BY THE STATE SHALL BE  
PLACED IN AN ALASKA RESOURCE FUND. MONEY IN THE ALASKA  
RESOURCE FUND SHALL BE INVESTED AT MARKET RATES AS PROVIDED  
BY LAW. THE LEGISLATURE MAY APPROPRIATE UP TO ONE-FIFTH OF  
THE BALANCE IN THE ALASKA RESOURCE FUND DURING A FISCAL YEAR  
FOR CAPITAL PROJECTS IF THE APPROPRIATION IS APPROVED BY THE

*mine and coal  
oil gas corp.*

*1*

VOTERS IN A GENERAL ELECTION AS PROVIDED BY LAW. EARNINGS ON MONEY DEPOSITED IN THE ALASKA RESOURCE FUND SHALL BE DEPOSITED IN THE GENERAL FUND.

\*SECTION 2. ARTICLE XV, CONSTITUTION OF THE STATE OF ALASKA, IS AMENDED BY ADDING A NEW SECTION TO READ:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

IF A MAJORITY OF THOSE VOTING ON THE QUESTION AT THE GENERAL ELECTION IN 1982 APPROVE THE BALLOT PROPOSITION FOR THE TOTAL COST TO THE STATE OF PROVIDING FOR THE RELOCATION OF THE CAPITAL, NO ADDITIONAL VOTER APPROVAL OF APPROPRIATIONS FOR THAT PURPOSE WITHIN THE COST APPROVED BY THE VOTERS IS REQUIRED UNDER THE 1982 AMENDMENT ESTABLISHING THE ALASKA RESOURCE FUND (ART. IX, SEC. 17).

\*SECTION 3. THE AMENDMENTS PROPOSED BY THIS RESOLUTION SHALL BE PLACED BEFORE THE VOTERS OF THE STATE AT THE NEXT GENERAL ELECTION IN CONFORMITY WITH ART. XIII, SEC. I, CONSTITUTION OF THE STATE OF ALASKA, AND THE ELECTION LAWS OF THE STATE.

\*SECTION 4. THE AMENDMENTS PROPOSED BY THIS RESOLUTION SUPERSEDE THE AMENDMENTS PROPOSED BY LEGISLATIVE RESOLVE No. 1, FIRST SPECIAL SESSION OF THE TWELFTH LEGISLATURE (FSS-FCCS SJR 4), AND VOIDS THE REQUIREMENT CONTAINED IN SECTION 3 OF THAT RESOLUTION THAT THE AMENDMENTS PROPOSED BY THAT RESOLUTION BE PLACED BEFORE THE VOTERS OF THE STATE.

ADJREV2 = TOTAL REVENUE - PERMANENT FUND CONTRIBUTION

GFEXPEN = SECTION 16 ALLOWABLE OPERATING EXPENDITURES

TOTEXPDD = GFEXPEN + PERMANENT FUND DIVIDEND + DEBT SERVICE

RFBAL = RESOURCE FUND BALANCE

RFINT = INTEREST EARNED ON THE RESOURCE FUND

TOTCAPEX = TOTAL CAPITAL EXPENDITURES. THIS IS EQUAL TO INTEREST EARNED ON THE RESOURCE FUND + THE RESOURCE EXPENDITURE RATE (E.G., 15 OR 25 PERCENT) TIMES THE RESOURCE FUND BALANCE.

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 25 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.12	1499.70	1804.20	698.2	0.00	232.73
2	1984	4713.12	2708.21	3017.35	1795.5	62.84	661.33
3	1985	6013.96	3172.70	3486.61	3242.1	161.59	1242.30
4	1986	6942.51	3580.49	3899.32	4714.0	291.79	1863.12
5	1987	8055.99	4121.43	4445.33	6243.5	424.26	2505.42
6	1988	8343.38	3972.74	4301.84	7713.8	561.91	3133.17
7	1989	9305.47	4439.82	4774.30	9183.7	694.24	3755.47
8	1990	9293.88	4391.42	4731.43	10309.6	826.53	4263.07
9	1991	9062.60	4243.39	4589.11	11087.3	927.87	4623.64
10	1992	9153.77	4290.03	4641.62	11699.6	927.86	4897.73
11	1993	9364.46	4390.17	4747.81	12237.2	1052.96	5132.03
12	1994	9517.68	4485.42	4849.28	12679.2	1101.35	5327.75
13	1995	9013.06	4232.63	4602.91	12817.0	1141.13	5413.46
14	1996	8831.25	4157.31	4534.20	12835.5	1153.53	5432.04
15	1997	9373.86	4449.68	4833.38	13032.0	1155.20	5499.21
16	1998	9625.50	4579.83	4970.54	13265.2	1172.88	5594.63

8:33 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET AND MANAGEMENT

RESOURCE EXPENDITURE RATE = 15 PERCENT

OBS	TIME	ADJREV2	GFEXPEN	TOTEXPDD	RFBAL	RFINT	TOTCAPEX
1	1983	2735.1	1499.70	1804.20	791.3	0.00	139.64
2	1984	4721.5	2708.21	3017.35	2121.1	71.22	445.53
3	1985	6043.3	3172.70	3486.61	3976.1	190.90	892.57
4	1986	7008.6	3580.49	3899.32	6022.6	357.85	1420.65
5	1987	8173.8	4121.43	4445.33	8288.3	542.03	2004.68
6	1988	8527.4	3972.74	4301.34	10636.8	745.95	2623.04
7	1989	9568.5	4439.82	4774.30	13116.4	957.31	3271.93
8	1990	9647.8	4391.42	4731.43	15327.9	1180.48	3885.40
9	1991	9514.2	4243.39	4589.11	17215.1	1379.51	4417.46
10	1992	9705.3	4290.03	4641.62	18936.9	1549.36	4891.16
11	1993	10015.8	4390.17	4747.81	20574.2	1704.32	5335.06
12	1994	10268.0	4485.42	4849.23	22094.0	1851.68	5750.61
13	1995	9860.4	4232.63	4602.91	23248.7	1988.46	6091.17
14	1996	9770.1	4157.31	4534.20	24211.9	2092.39	6365.08
15	1997	10397.7	4449.68	4833.38	25309.9	2179.07	6645.52
16	1998	10730.5	4579.83	4970.54	26409.3	2277.89	6938.36

8:41 TUESDAY, MARCH 16, 1982

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an Alaska resource fund.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 16. APPROPRIATIONS. Except as provided in Section 17, the legislature shall appropriate in a fiscal year no more than the sum of the unobligated general fund balance and estimated revenues of the State for that fiscal year from sources other than revenues received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state other than revenue that is required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution, shall be placed in the Alaska resource fund. Money in the Alaska resource fund shall be invested at market rates as provided by law. The legislature may appropriate up to one-fifth of the balance in the Alaska Resource Fund for capital projects if the appropriation is approved

by the voters in a general election as provided by law.

Earnings on money deposited in the Alaska resource fund shall be deposited in the general fund.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment establishing the Alaska Resource Fund (art. IX, sec. 17).

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

\* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

*I like it. Maybe put in letter of intent (?) re 50-50 split between Resource Fund and PFR/ARGO #5*

*Comments Please  
Pete*

Original sponsor: Dankworth

IN THE SENATE BY THE FINANCE COMMITTEE  
CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an Alaska resource fund.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding new sections to read:

SECTION 16. APPROPRIATIONS. Except as provided in Section 17, the legislature shall appropriate in a fiscal year no more than the sum of the unobligated general fund balance and estimated revenues of the State for that fiscal year from sources other than revenues received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state other than revenue that is required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution, shall be placed in the Alaska resource fund. Money in the Alaska resource fund shall be invested at market rates as provided by law. The legislature may appropriate up to one-fourth of the balance in the Alaska Resource Fund for any purpose if the appropriation is approved

by the voters in a general election as provided by law.

Earnings on money deposited in the Alaska resource fund shall be deposited in the general fund.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment establishing the Alaska Resource Fund (art. IX, sec. 17).

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

\* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

REINWAND 3/9/82

SEC. 16

OPERATING EXPENSES TIED TO TAX REVENUES, OR A CERTAIN PERCENTAGE OF TAX REVENUES.

SEC. 17

OTHER REVENUES GO TO PEOPLE'S INVESTMENT FUND.

A. EARNINGS FROM FUND MAY BE APPROPRIATED BY LEGISLATURE FOR ANY PURPOSE.

B. PRINCIPAL OF FUND MAY BE APPROPRIATED BY LEGISLATURE--CONTINGENT UPON VOTER APPROVAL--FOR PROJECTS THAT WILL PAY BACK PRINCIPAL.

*government projects only - not direct loans*

*at a minimum?*

*IF 1986 \$106*

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**



Official Business

# Alaska State Legislature

*Senate*

*Committee on Finance*

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Senator Ed Dankworth  
FROM: Pete Jeans  
RE: FCCSSJR 4 and SJR 61  
DATE: January 29, 1982

---

As per your request, attached is a comparison of FCCSSJR 4 and SJR 61, relating to limiting State spending.

PJ:1a1

## A COMPARISON OF FCCSSJR 4 AND SJR 61

Both of these resolutions are proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations. They are two entirely different concepts.

### FCCSSJR 4

This concept utilizes a base of \$2.5 billion available for appropriations with increases based on population and inflation since July 1, 1981. One-third of this amount is reserved for capital projects and loans.

Exempt from this limitation are:

- (1) Alaska Permanent Fund Dividends.
- (2) Revenue Bond Proceeds.
- (3) Principle and Interest on General Obligation Bonds.
- (4) Money received from a non-state source in trust for a specific purpose.
- (5) Permanent Fund Contributions required by law.
- (6) Appropriations necessary to meet a state of disaster declared by the Governor.

The Legislature may exceed this limit in bills for appropriations to the Alaska Permanent Fund or Capital Projects if approved by the voters as prescribed by law.

### SJR-61 (Sponsor Substitute)

This proposal limits spending for the operation of state government to no more than three-fourths of the revenue received by the State from taxes, license fees, permits, interest and other miscellaneous income. Revenue received from the lease or disposal of State lands or interest in State lands cannot be used for the Operating Budget. The remaining one-fourth can be used for Capital Projects.

Revenue received from the lease or disposal of State lands, or interest in State lands, other than revenue that is required by law to be deposited in the Permanent Fund, is placed in the investment fund. The Legislature may annually appropriate no more than ten percent of the balance in the fund at the close of the previous fiscal year for capital projects. Additional amounts from the investment fund may be appropriated for any purpose that is approved by the voters.

Alternatives on how to use the interest earned from the investment fund are being considered. One approach is to use these funds for municipal assistance.

Exempt from this limitation are:

- (1) Permanent fund contributions required by law.
- (2) Appropriations necessary to meet a natural disaster.

The attached charts and graphs compare the effects of these two resolutions over a period of 16 years using the latest available revenue projections from the Department of Revenue.

FCCSSJR 4

- Couples government spending to population and inflation.
- No consideration given to available revenue.
- Funds available for voter approved capital projects would not exist after FY 92 based on revenue projections.
- Based on revenue projections there would be a shortfall or deficit in excess of \$18 billion by FY 98.

SJR-61

- Spending cannot exceed revenue.
- Operating budget is based on revenue received from taxes, license fees, permits and other miscellaneous income.
- Voters decide how to spend revenue received from the sale or lease of our natural resources.

FUNDS AVAILABLE FOR OPERATING & CAPITAL BUDGETS

SJR-61

IN THOUSAND OF CURRENT DOLLARS

	<u>FY 1983</u> <u>Estimate</u> <u>January</u>	<u>FY 1984</u> <u>Estimate</u> <u>January</u>
<u>Taxes</u>		
<u>Income</u>		
Corporate-General (1)	35,000	39,000
Corporate-Petroleum (2)	304,000	360,000
<u>Gross Receipts</u>		
Alaska Business License	5,500	5,500
Fish-Canned Salmon	6,000	6,000
Fish-Shorebased	11,000	11,000
Fish-Floating	4,000	4,000
Salmon Enhancement	2,400	2,400
Insurance Companies	11,500	11,500
Other	1,400	1,400
<u>Severance</u>		
Gravel, Timber, Etc.	2,500	2,500
Oil & Gas Production (3)(4)	1,819,000	2,213,400
Oil & Gas Conservation	700	700
<u>Property</u>		
Oil & Gas (5)	157,700	225,000
Vehicle Registration	200	200
<u>Sale/Use</u>		
Alcoholic Beverages	9,000	9,000
Fuel Taxes-Aviation	4,500	4,700
Fuel Taxes-Highway	18,500	19,000
Fuel Taxes-Marine	3,800	4,000
Tabacco Products	1,900	1,900
<u>Other</u>		
Estate	500	500
Total Taxes	<u>2,399,100</u>	<u>2,921,700</u>
<u>Licenses &amp; Permits</u>		
<u>Business</u>	11,000	12,100
<u>Non-Business</u>	13,000	13,500
Total Licenses & Permits	<u>24,000</u>	<u>25,600</u>
<u>Intergovernmental Receipts</u>		
Federal Shared Revenues (6)(7)	<u>9,900</u>	<u>10,000</u>
Investment Earnings	<u>315,000</u>	<u>375,000</u>
<u>Facilities Related Charges</u>		
Airports	1,200	1,200
Ferry System-Southeast	26,300	28,900
Ferry System-Southwest	3,800	4,100
Other	4,500	4,700
<u>Service Related Charges</u>		
Court System	3,300	3,500
Other	4,500	4,800
	<u>43,600</u>	<u>47,200</u>
<u>Miscellaneous Revenues</u>	<u>5,900</u>	<u>6,000</u>
Total	2,797,500	3,385,500

INVESTMENT FUND  
 10% - AVAILABLE FOR CAPITAL PROJECTS  
 90% - VOTER APPROVAL

<u>State Resource Revenue</u>	FY 1983 Estimate	FY 1984 Estimate
<u>Sale/Use</u>		
Bonus Sales (8)(9)(10)	-0-	-0-
Rents (9)(10)	5,500	5,500
Royalties (3)(6)(11)	1,325,200	1,608,800
Sale of State Property	5,500	5,500
 TOTAL -	 1,336,200	 1,619,800

- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59¢ less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

### ASSUMPTIONS

- (1) Annual rate of interest on general and permanent funds = 10%.
- (2) Annual rate of interest on new bonds = 10%.
- (3) Maturity period on new bonds in years = 10.
- (4) % of operating budget in G.F. cash balance = 20%.
- (5) Permanent fund contributions are based on 25% of total petroleum royalties earned from existing oil fields and 50% from as yet undiscovered fields as estimated in the "Petroleum Production Revenue Forecast" December 1981 quarterly report by the Alaska Department of Revenue.
- (6) Growth rate in operating budget for the purpose of estimating FCCSSJR-4 is 12%. (inflation 9%, population 3%)
- (7) % of permanent fund earnings paid as dividends = 50%.
- (8) Surplus available for voter approved projects.
- (9) All available funds are spent each FY.

### SOURCES OF INFORMATION

- (1) "Revenue Sources" - Alaska Department of Revenue  
January 1982
- (2) "Petroleum Production Revenue Forecast" - Alaska  
Department of Revenue, January 1982
- (3) "Budget Forecasting Model" - Legislative Finance Working  
Document, January 21, 1982
- (4) "Computer Report" - Department of Revenue, November 13, 1981

FCCSSJR-4

	OPERATING	CAPITAL	DEBT SERVICE	P/F DIVIDENDS	VOTER APPROVAL	PERMANENT FUND	TOTAL REVENUE	SURPLUS DEFICIT	ACCUMALATIVE DEFICIT
1983	1866.7	933.3	113.2	152.7	1142.9	441.7	4650.5	-0-	
1984	2090.7	1045.3	138.8	157.3	1821.9	536.3	5790.3	-0-	
1985	2341.6	1170.7	163.8	196.7	2482.9	635.6	6991.3	-0-	
1986	2622.6	1311.2	161.9	248.9	4082.5	720.0	7982.1	-0-	
1987	2937.3	1468.6	157.8	296.4	3532.9	837.0	9230.0	-0-	
1988	3289.8	1644.8	154.8	340.4	3120.1	918.7	9468.6	-0-	
1989	3684.5	1842.2	146.5	388.7	3398.4	1031.2	10491.5	-0-	
1990	4126.7	2063.2	135.4	441.5	2599.2	1010.6	10376.6	-0-	
1991	4621.9	2310.8	114.8	497.6	1494.1	959.8	9999.0	-0-	
1992	5176.5	2588.1	114.1	555.9	586.2	997.2	10018.0	-0-	
1993	5797.7	2898.7	31.7	615.4	-0-	1040.6	10276.2	107.9	
1994	6493.4	3246.5	25.8	675.1	-0-	1070.4	10498.6	1012.6	1120.5
1995	7272.6	3636.1	23.0	734.0	-0-	1002.5	10019.9	2648.3	3768.8
1996	8145.3	4072.4	21.5	791.8	-0-	996.0	9974.6	4052.4	7821.2
1997	9122.8	4561.1	16.7	849.0	-0-	1099.9	10808.2	4841.3	12662.5
1998	10217.5	5108.5	14.4	905.9	-0-	1162.3	11291.7	6116.9	18779.4

SJR - 61

	OPERATING	CAPITAL	AVAILABLE FROM INVESTMENT FUND	TOTAL CAPITAL	VOTER APPROVAL	PERMANENT FUND	TOTAL REVENUE	SURPLUS OR DEFICIT
1983	2169.4	723.1	132.6	846.7	1192.7	441.7	4650.5	-0-
1984	2733.9	911.3	160.9	1072.2	1447.9	536.3	5790.3	-0-
1985	3336.6	1112.2	190.7	1302.9	1716.2	635.6	6991.3	-0-
1986	3826.7	1275.6	216.0	1491.6	1943.8	720.0	7982.1	-0-
1987	4411.4	1470.5	251.1	1721.6	2260.0	837.0	9230.0	-0-
1988	4345.3	1448.4	275.6	1724.0	2480.6	918.7	9468.6	-0-
1989	4803.0	1601.0	305.6	1906.6	2750.7	1031.2	10491.5	-0-
1990	4794.6	1598.3	297.3	1895.6	2675.8	1010.6	10376.6	-0-
1991	4667.6	1555.8	281.6	1837.4	2534.2	959.8	9999.0	-0-
1992	4665.4	1555.1	280.0	1835.1	2520.3	997.2	10018.0	-0-
1993	4788.0	1596.0	285.2	1881.2	2566.4	1040.6	10276.2	-0-
1994	4923.2	1641.1	286.4	1927.5	2577.5	1070.4	10498.6	-0-
1995	4793.0	1597.7	262.7	1860.4	2364.0	1002.5	10019.9	-0-
1996	4834.1	1611.4	253.3	1864.7	2279.8	996.0	9974.6	-0-
1997	5224.9	1741.6	274.2	2015.8	2467.6	1099.9	10808.2	-0-
1998	5471.2	1823.7	283.5	2107.2	2551.0	1162.3	11291.7	-0-

BILLION

\$14

OPERATING BUDGET

\$12

\$10

\$ 8

\$ 6

\$ 4

\$2

YEAR

83

84

85

86

87

88

89

90

91

92

93

94

95

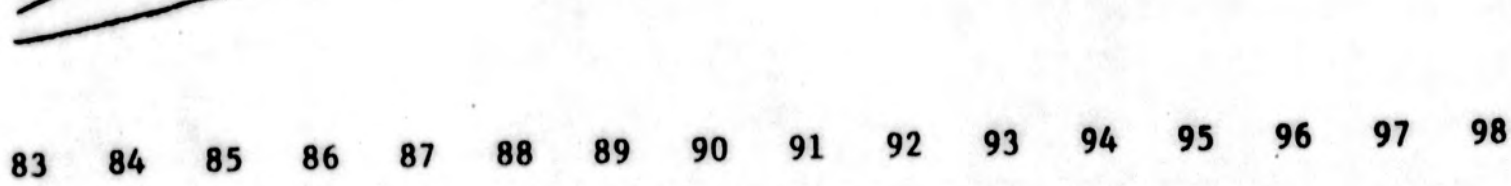
96

97

98

SJR-4

SJR-61



BILLIONS

\$4

\$3.5

\$3

\$2.5

\$2

\$1.5

\$1

CAPITAL BUDGET

SJR-4

SJR-61

YEAR

83

84

85

86

87

88

89

90

91

92

93

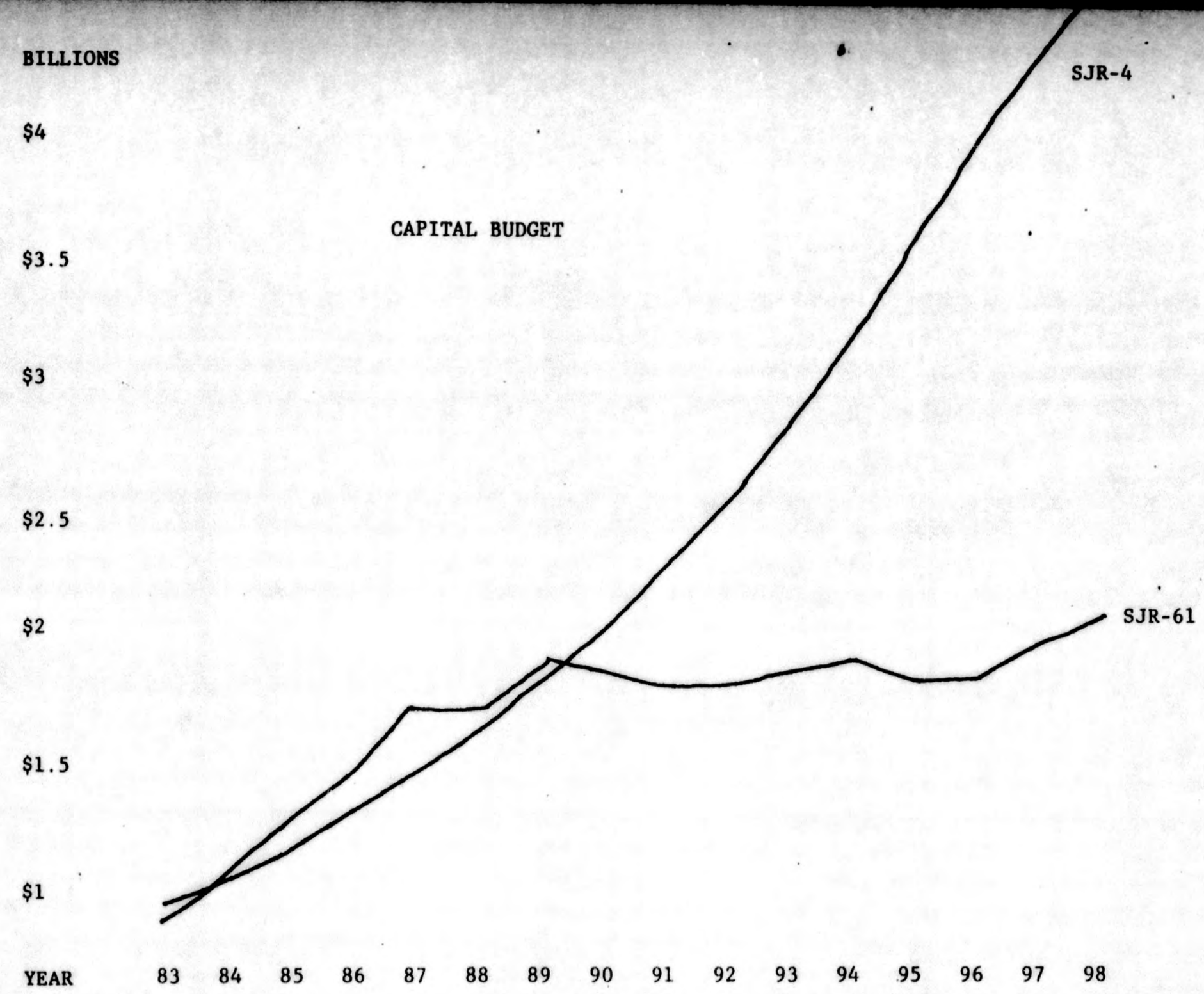
94

95

96

97

98



BILLIONS

AVAILABLE FOR VOTER APPROVAL

\$4

\$3.5

\$3

\$2.5

\$2

\$1.5

\$1

YEAR

83

84

85

86

87

88

89

90

91

SJR-4

92

93

94

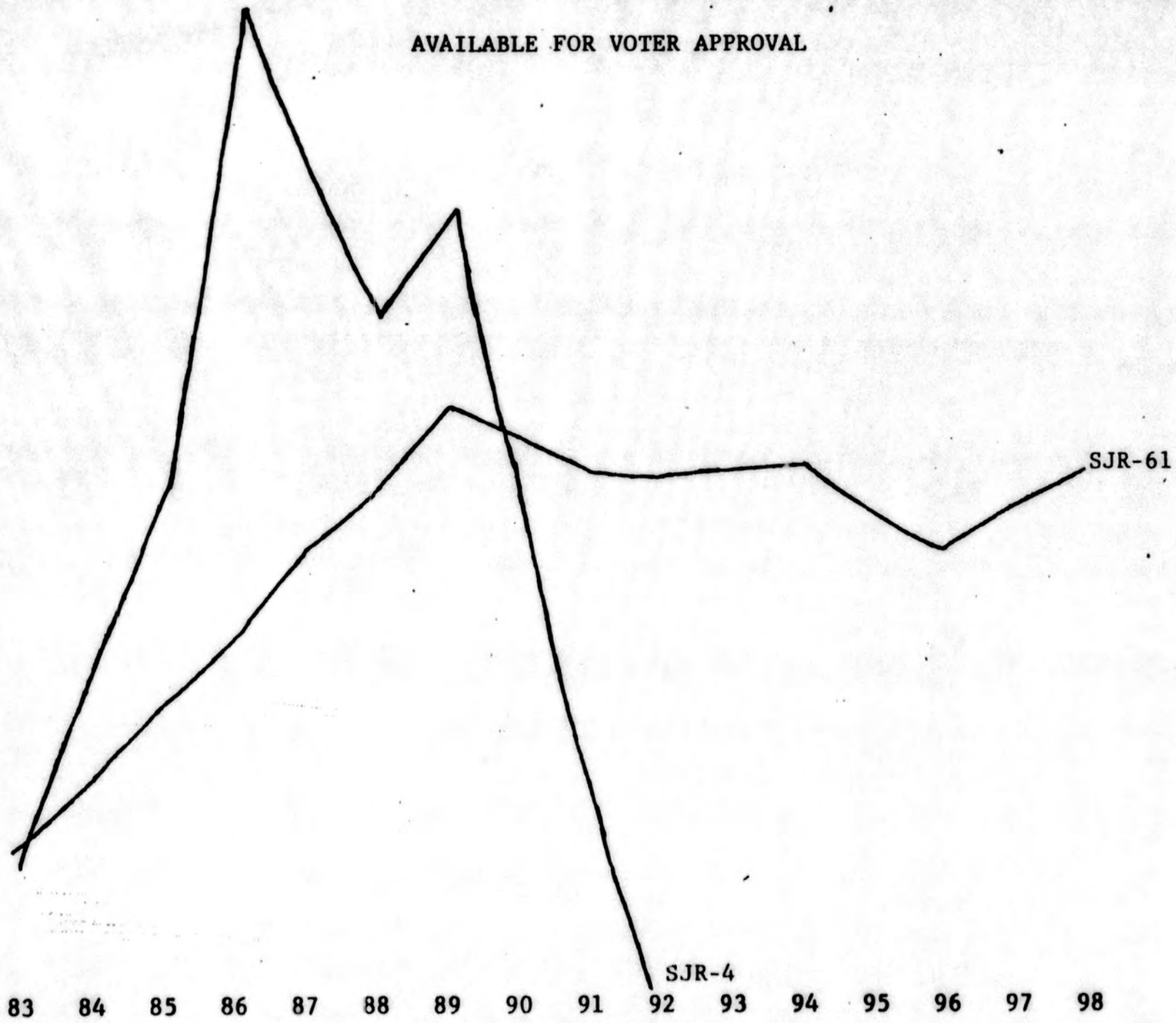
95

96

97

98

SJR-61



BILLION

\$14

TOTAL REVENUE REQUIRED TO REACH  
SPENDING LIMITATIONS

\$12

\$10

\$ 8

\$ 6

\$ 4

\$2

YEAR

83

84

85

86

87

88

89

90

91

92

93

94

95

96

97

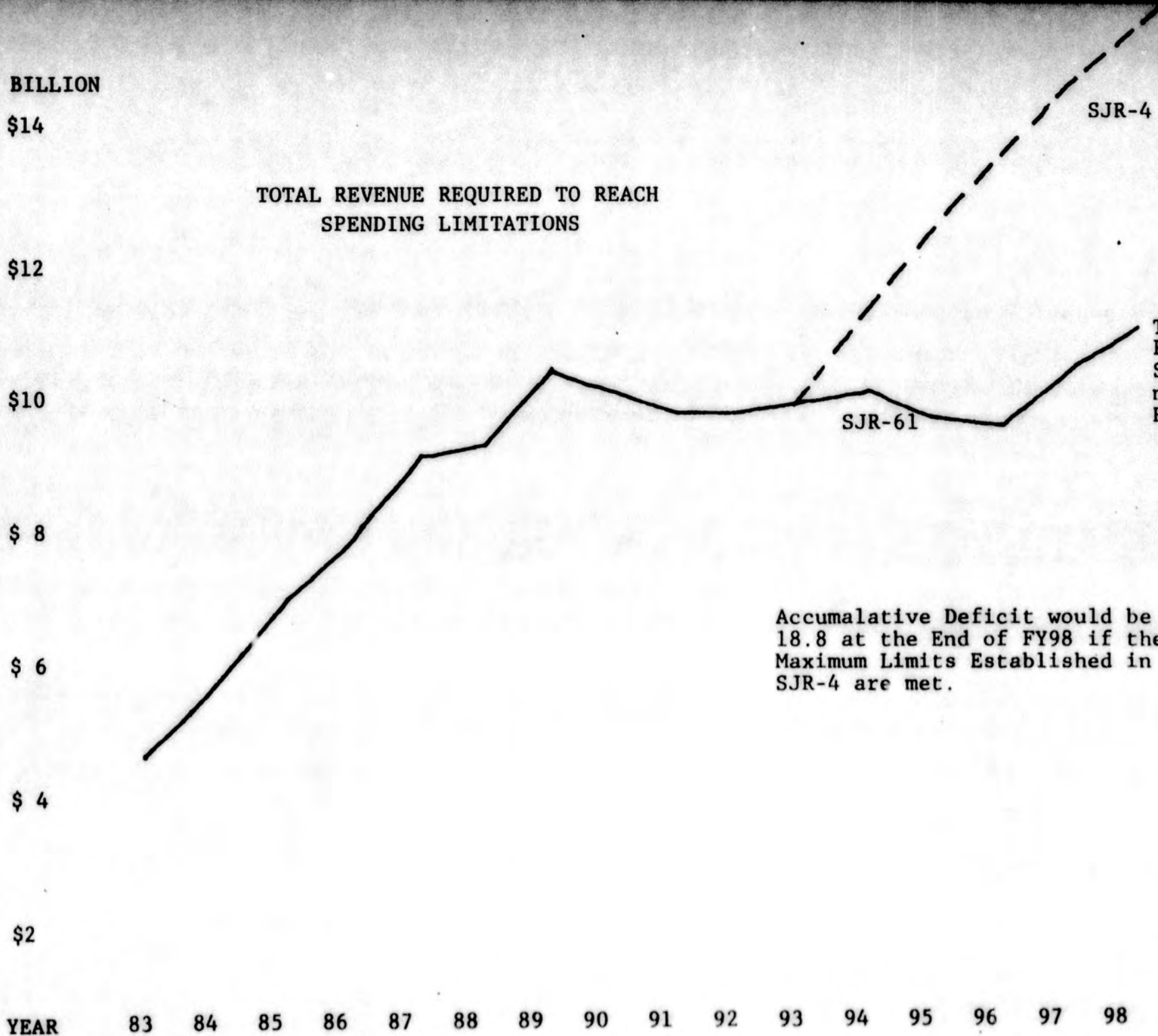
98

SJR-4

SJR-61

Total Revenue  
Projections  
SJR-61 can  
not Exceed  
Revenue

Accumulative Deficit would be  
18.8 at the End of FY98 if the  
Maximum Limits Established in  
SJR-4 are met.



*not  
intro*

Introduced: 1/29/82  
Referred: State Affairs, Finance  
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating an  
8 investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than disposal of state  
15 lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received  
19 from lease or disposal of state lands, or interests in state lands,  
20 other than revenue that is required by law to be deposited in the per-  
21 manent fund established in Section 15, Article IX of this constitution,  
22 shall be placed in the investment fund. Money in the fund shall be  
23 invested as provided by law. The legislature may annually appropriate  
24 up to ten percent of the balance in the investment fund at the close of  
25 the previous fiscal year for capital projects. Additional amounts from  
26 the investment fund may be appropriated for any purpose if the appropri-  
27 ation is approved by the voters as provided by law and for meeting  
28 natural disasters as provided by law.

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in  
2 state lands include, but are not limited to, all revenues from the sale  
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-  
4 ceeds, federal mineral revenue sharing payments and bonuses received by  
5 the State.

6 \* Sec. 2. The amendments proposed by this resolution shall be placed  
7 before the voters of the state at the next general election in conformity  
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
9 laws of the state.

10 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
11 ments proposed by Legislative Resolve No. 1, First Special Session of the  
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
13 in section 3 of that resolution that the amendments proposed by that resolu-  
14 tion be placed before the voters of the state.

Original sponsor: Rules/Governor

Offered: 7/14/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to limit-  
7 ing increases in appropriations.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
12 Alaska permanent fund dividends, appropriations of revenue bond pro-  
13 ceeds, appropriations required to pay the principal and interest on  
14 general obligation bonds, and appropriations of money received from a  
15 non-State source in trust for a specific purpose, including revenues of  
16 a public enterprise or public corporation of the State that issues  
17 revenue bonds, appropriations from the treasury made for a fiscal year  
18 shall not exceed \$2,500,000,000 by more than the cumulative change,  
19 derived from federal indices as prescribed by law, in population and  
20 inflation since July 1, 1981. Within this limit, at least one-third  
21 shall be reserved for capital projects and loan appropriations. The  
22 legislature may exceed this limit in bills for appropriations to the  
23 Alaska permanent fund and in bills for appropriations for capital  
24 projects, whether of bond proceeds or otherwise, if each bill is ap-  
25 proved by the governor, or passed by affirmative vote of three-fourths  
26 of the membership of the legislature over a veto or item veto, or  
27 becomes law without signature, and is also approved by the voters as  
28 prescribed by law. Each bill for appropriations for capital projects  
29 in excess of the limit shall be confined to capital projects of the

1 same type, and the voters shall, as provided by law, be informed of the  
2 cost of operations and maintenance of the capital projects. No other  
3 appropriation in excess of this limit may be made except to meet a  
4 state of disaster declared by the governor as prescribed by law. The  
5 governor shall cause any unexpended and unappropriated balance to be  
6 invested so as to yield competitive market rates to the treasury.

7 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
8 adding new sections to read:

9 ✓ SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
10 majority of those voting on the question at the general election in  
11 1982 approve the ballot proposition for the total cost to the State of  
12 providing for relocation of the capital, no additional voter approval  
13 of appropriations for that purpose within the cost approved by the  
14 voters is required under the 1982 amendment limiting increases in  
15 appropriations (art. IX, sec. 16).

16 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
17 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
18 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
19 ballot title and proposition for the amendment to be placed on the  
20 ballot again at the general election in 1986. If the majority of those  
21 voting on the proposition in 1986 rejects the amendment, it shall be  
22 repealed.

23 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limit-  
24 ing appropriation increases (art. IX, sec. 16) applies to appropria-  
25 tions made for fiscal year 1984 and thereafter.

26 \* Section 3. The amendments proposed by this resolution shall be placed  
27 before the voters of the state at the next general election in conformity  
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
29 tion laws of the state.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Original sponsor: Dankworth

IN THE SENATE

BY THE FINANCE COMMITTEE

~~CS FOR~~ SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitution of the State of Alaska relating to appropriations and creating an Alaska resource fund.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding new sections to read:

179 1984  
34  
operating  
capital  
loans  
cell phone  
B.F. line

SECTION 16. APPROPRIATIONS. Except as provided in Section 17, the legislature shall appropriate in a fiscal year no more than the sum of the unobligated general fund balance and estimated revenues of the State for that fiscal year from sources other than revenues received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state other than revenue that is required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution, shall be placed in the Alaska resource fund. Money in the Alaska resource fund shall be invested at market rates as provided by law. [The legislature may annually appropriate money in the Alaska resource fund for any purpose if the appropriation is approved by the voters as provided by law] or for meeting natural disasters as provided by law.

Permanent fund: not intent to do away w/ statute & P.F.

any purpose

~~Interest~~ <sup>Earnings</sup> earned on money deposited in the Alaska resource fund shall be deposited in the general fund for appropriation to capital projects.

\* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL.

If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost of the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment establishing the Alaska Resource Fund (art. IX, sec. 17).

\* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

\* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by the Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution shall be placed in the resource revenue fund. Income from the investment of the resource revenue fund shall be distributed among municipalities as provided by law. The Legislature may annually appropriate up to \_\_\_\_\_ percent of the balance in the resource revenue fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

Berrier ✓

Original sponsor: Dankworth

1 IN THE SENATE BY THE FINANCE COMMITTEE  
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
 6 tion of the State of Alaska relating  
 7 to appropriations and creating an  
 8 Alaska resource fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
 11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
 13 a fiscal year no more than three-fourths of the revenue of the State re-  
 14 ceived in that fiscal year from sources other than revenues received  
 15 from all mineral lease rentals, royalties, royalty sale proceeds, federal  
 16 mineral revenue sharing payments and bonuses received by the state for  
 17 operating expenses of state government.

18 SECTION 17. ALASKA RESOURCE FUND. Revenues of the State received  
 19 from all mineral lease rentals, royalties, royalty sale proceeds, federal  
 20 mineral revenue sharing payments and bonuses received by the state other  
 21 than revenue that is required by law to be deposited in the permanent  
 22 fund established in Section 15, Article IX of this constitution, shall  
 23 be placed in the Alaska resource fund. Money in the Alaska resource  
 24 fund shall be invested as provided by law. The legislature may annually  
 25 appropriate money in the Alaska resource fund for any purpose if the  
 26 appropriation is approved by the voters as provided by law or for meeting  
 27 natural disasters as provided by law. Interest earned on money deposited  
 28 in the Alaska resource fund shall be distributed to local governments as  
 29 provided by law to provide tax relief.

1 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
2 adding a new section to read:

3 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
4 majority of those voting on the question at the general election in 1982  
5 approve the ballot proposition for the total cost to the State of provid-  
6 ing for relocation of the capital, no additional voter approval of  
7 appropriations for that purpose within the cost approved by the voters  
8 is required under the 1982 amendment establishing the Alaska Resource  
9 Fund (art. IX, sec. 17).

10 \* Sec. 3. The amendments proposed by this resolution shall be placed  
11 before the voters of the state at the next general election in conformity  
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
13 laws of the state.

14 \* Sec. 4. The amendments proposed by this resolution supersede the amend-  
15 ments proposed by Legislative Resolve No. 1, First Special Session of the  
16 Twelfth Legislature, (FSS - FCCS SJR 4), and voids the requirement contained  
17 in section 3 of that resolution that the amendments proposed by that resolu-  
18 tion be placed before the voters of the state.

Berrier ✓

2/25

Original sponsor: Dankworth

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

IN THE SENATE BY THE FINANCE COMMITTEE  
CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-  
tion of the State of Alaska relating  
to appropriations and creating an  
investment fund.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is amended  
by adding new sections to read:

SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
a fiscal year no more than three-fourths of the revenue of the State in  
that fiscal year from sources other than mineral lease rentals, royalti-  
ties, royalty sale proceeds, federal mineral revenue sharing payments  
and bonuses for operating expenses of state government and not more than  
one-fourth of the revenues from those sources for capital projects.  
This section does not apply to revenue received from the federal govern-  
ment ~~to money~~ appropriated to meet natural disasters as defined by law, to appropria-  
tions required to pay the principal and interest on general obligation  
bonds, or to appropriations for direct distribution of income to resi-  
dents of the State from the permanent fund established in Section 15,  
Article IX of this Constitution.

SECTION 17. INVESTMENT FUND. Revenues of the State received from  
mineral lease rentals, royalties, royalty sale proceeds, federal mineral  
revenue sharing payments and bonuses received by the State other than  
revenue appropriated to or required by law to be deposited in the perman-  
ent fund established in Section 15, Article IX of this constitution,

1 shall be placed in the investment fund. Money in the investment fund  
2 shall be invested as provided by law. Income from the investment fund  
3 is a general revenue of the State and shall be deposited in the treasury.  
4 The legislature may annually appropriate up to ten percent of the balance  
5 in the investment fund at the close of the previous fiscal year for  
6 capital projects and for operation and maintenance of capital projects.  
7 Additional amounts from the investment fund may be appropriated for any  
8 purpose if the appropriation is approved by the voters as provided by  
9 law and for meeting natural disasters as provided by law. If an appro-  
10 priation for an additional amount from the investment fund is disapproved  
11 by the voters, the amount proposed to be appropriated shall be deposited  
12 in the permanent fund established in Section 15, Article IX of this  
13 constitution.

14 \* Sec. 2. The amendments proposed by this resolution shall be placed  
15 before the voters of the state at the next general election in conformity  
16 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
17 laws of the state.

18 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
19 ments proposed by Legislative Resolve No. 1, First Special Session of the  
20 Twelfth Legislature, (FSS-FCCS SJR 4) and voids the requirement contained in  
21 sec. 3 of that resolution that the amendments proposed by that resolution be  
22 placed before the voters of the state.

Recurring

Permanent  
Tax

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, <sup>royalty sale proceeds</sup> federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

Non-Recurring

revenue not  
existing or  
future relationship  
of the P.F.F.  
As. no. 100  
3 levels  
(1) contribution  
(2) state  
(3) appropriate

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution and revenues from the disposal of state land or an interest in state land shall be placed in the resource revenue fund. Money in the fund shall be invested as provided by law. ~~Interest~~ income from the investment of the resource revenue fund shall be distributed as municipal assistance as provided by law. The legislature may annually appropriate up to \_\_\_\_\_ percent of the balance in the resource revenue

fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 814

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of the appropriation  
7 limitation in art. IX, sec. 16 of the Alaska Constitu-  
8 tion; and providing for an effective date."

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

10 \* Section 1. AS 15.58.020 is amended by adding a new paragraph to read:

11 (10) for each capital project appropriation bill question  
12 under AS 37.07.075(a), the operation and maintenance cost information  
13 required by AS 37.07.074.

14 \* Sec. 2. AS 37.07.010 is amended by adding a new paragraph to read:

15 (7) implementation of art. IX, sec. 16 of the Alaska Consti-  
16 tution which provides for an appropriation limit.

17 \* Sec. 3. AS 37.07 is amended by adding new sections to read:

18 Sec. 37.07.072. ADJUSTMENT OF APPROPRIATION LIMIT BASE. (a) The  
19 appropriation limit of \$2,500,000,000 which is established by art. IX,  
20 sec. 16 of the Alaska Constitution must be cumulatively adjusted annual-  
21 ly by the division, by the sum of the following percentages:

22 (1) the percentage annual change, during the calendar year  
23 preceding each fiscal year, in the consumer price index for all urban  
24 consumers for Anchorage as published by the Bureau of Labor Statistics  
25 of the United States Department of Labor; and

26 (2) the percentage annual change as of each July 1, in the  
27 estimated population of the state, based on the trend established by the  
28 United States Census Bureau for the period between the previous two  
29 censuses or reenumerations.

1 (b) The base date for determining changes in population and infla-  
2 tion under (a) of this section is July 1, 1981.

3 (c) In this section "population" means total resident population  
4 under the rules of residency applicable to the most recent federal  
5 census or reenumeration.

6 Sec. 37.07.074. COST OF OPERATION AND MAINTENANCE OF CAPITAL  
7 PROJECTS IN EXCESS OF APPROPRIATION LIMIT. The division shall calculate  
8 its best estimate of the annual operation and maintenance costs for each  
9 year of the expected useful life of each capital project for which an  
10 appropriation bill must be approved by the voters under art. IX, sec.  
11 16. The estimated annual operation and maintenance cost figures for  
12 each project must be included in the election pamphlet published under  
13 AS 15.58.

14 \* Sec. 4. AS 37.07.120 is amended by adding a new subsection to read:

15 (b) In this chapter and in art. IX, sec. 16 of the Alaska Consti-  
16 tution

17 (1) "appropriation" means a maximum amount of money available  
18 for expenditure by a state agency for a stated purpose set out in an  
19 appropriation Act;

20 (2) "capital project" means any project, acquisition, equip-  
21 ment, improvement, construction, or repair for which money is appropri-  
22 ated and which;

23 (A) is likely to require an expenditure in a subsequent  
24 fiscal year;

25 (B) is expected to have a useful life of more than one  
26 year; or

27 (C) exceeds \$25,000 in price or value.

28 (3) "loan appropriation" means an appropriation of money used  
29 either to subsidize the difference between the market interest rate at

1 the time state loans are made and the rate charged borrowers for state  
2 loans, or to capitalize or directly finance state loans;

3 (4) "money received from a non-state source in trust for a  
4 specific purpose" means program receipts and all other money received by  
5 a state department, commission, authority, or agency from any source  
6 including the federal government, under terms or conditions which indi-  
7 cate the intent that the money be used for a specific program or pur-  
8 pose.

9 \* Sec. 5. AS 37.07.120(4) is repealed.

10 \* Sec. 6. This Act takes effect on the effective date of the 1982 amendment  
11 to the Alaska Constitution limiting appropriations of state money (art. IX,  
12 sec. 16).

Introduced: 1/29/82  
Referred: State Affairs, Finance  
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating an  
8 investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than disposal of state  
15 lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received  
19 from lease or disposal of state lands, or interests in state lands,  
20 other than revenue that is required by law to be deposited in the per-  
21 manent fund established in Section 15, Article IX of this constitution,  
22 shall be placed in the investment fund. Money in the fund shall be  
23 invested as provided by law. The legislature may annually appropriate  
24 up to ten percent of the balance in the investment fund at the close of  
25 the previous fiscal year for capital projects. Additional amounts from  
26 the investment fund may be appropriated for [any purpose if the appropri-  
27 ation is approved by the voters as provided by law and for meeting  
28 natural disasters as provided by law.]

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in  
2 state lands include, but are not limited to, all revenues from the sale  
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-  
4 ceeds, federal mineral revenue sharing payments and bonuses received by  
5 the State.

6 \* Sec. 2. The amendments proposed by this resolution shall be placed  
7 before the voters of the state at the next general election in conformity  
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
9 laws of the state.

10 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
11 ments proposed by Legislative Resolve No. 1, First Special Session of the  
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
13 in section 3 of that resolution that the amendments proposed by that resolu-  
14 tion be placed before the voters of the state.

SENATOR  
ARLISS STURGULEWSKI  
COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources



Senate

2057 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-B

While in Juneau  
POUCH Y  
JUNEAU, ALASKA 99811  
(907) 485-2818

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski  
FROM: Margo Waring  
RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 4. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SB 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

#### EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

#### EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

#### OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

#### OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

**ATTACHMENT A-2**  
**Governor's FY 83 Budget under SJR 4**

**Appropriations Subject to Spending Limit**

<u>Allowable General Fund Appropriation Level</u>	2,800.0
Operating	1,867.6
Capital Projects and Loans	932.4

**Operating Budget**

<u>Formula Programs, Total</u>	875.5
General Funds	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
General Funds	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
General Funds	1,812.1

<u>Additional Appropriations</u>	59.5
General Funds	55.5

<u>Total Operating</u>	2,350.5
General Funds	1,867.6

**Capital Budget**

<u>Loans Appropriations</u>	392.6
General Funds	392.6

<u>Other Capital Appropriations</u>	715.1
General Funds	465.6

<u>Additional Appropriations</u>	74.2
General Funds	74.2

<u>Total Capital/Loans</u>	1,181.9
General Funds	932.4

**Appropriations Not Subject to Spending Limit**

**Exempt Appropriations**

<u>Permanent Fund Dividends</u>	150.4
General Funds	150.4

<u>Debt Service</u>	141.7
General Funds	141.7

**Appropriations Subject to Voter Approval**

<u>General Funds Available for Voter Approval</u>	298.0
---	-------

<u>Capital Projects, Total (Book II)</u>	297.6
General Funds	297.6

<u>Additional Appropriations</u>	0.0
General Funds	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
General Funds	0.0

<u>Prior Year Appropriations, Total</u>	409.2
General Funds	409.2

<u>Total Appropriations</u>	4,531.3
General Funds	3,798.9

**State Revenues**

<u>Total State Revenues</u>	4,133.7
Petroleum Revenues	3,606.6

## ATTACHMENT A-3

Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus Loan Appropriations</u>	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2

---

Total	3336.4
-------	--------

Capital Budget	715.1
----------------	-------

---

Total Operating and Capital	4051.5
-----------------------------	--------

Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B  
In Thousands

SJR 61  
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C  
Beaufort Sea Revenues

<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"  
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker



# Alaska State Legislature

## Senate

### Committee on Finance

*MA*

Official Business

Pouch V  
State Capital  
Juneau, Alaska 99811

January 19, 1982

TO: All Senators  
Alaska Legislature  
FROM: M.E. Dankworth, Senator *MA*

This resolution proposes a constitutional amendment which establishes a spending limitation for state government that is directly related to the amount of taxes collected by the state. In order to increase spending for state government operations above the maximum level authorized, taxes will also have to be increased proportionately.

ARTICLE IX of the Alaska Constitution is amended by adding new sections to read:

*"no more than"*

SECTION 16. <sup>requires</sup> Allows the legislature to appropriate up to three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of the funds may be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section. *shall*  
(Attached is a schedule of funds that would be available for FY83 based on figures from the Department of Revenue.)

*by const as the bill (effect amends the law)*

SECTION 17. Establishes the capital investment fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by law to be deposited in the permanent fund, are placed in the capital investment fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for the balance of the fund.

SECTION 2. Places the proposal on the ballot at the next general election.

SECTION 3. Takes FSS-FCCS SJR-4 off the ballot. (This will require a two-thirds vote by the legislature.)

FUNDING AVAILABLE UNDER DANKWORTH PROPOSAL

FOR FY83 (Thousands)

TAXES -	\$2,399,000	
LISC. PERMITS -	24,000	
INTEREST -	315,000	
FACILITIES -	35,800	
SERVICES -	7,800	
MISC. -	5,900	
<b>TOTAL</b>	<b>\$2,787,600</b>	

1. OPERATING BUDGET  
 3/4 of \$2,787,600 - \$2,090,700

2. CAPITAL BUDGET  
 1/4 of \$2,787,600 - \$696,900

Plus 10% of Capital  
 Investment Fund - \$133,620

TOTAL \$830,520

*100,200*

TOTAL AVAILABLE FOR  
 LEGISLATIVE APPROPRIATION \$2,921,220

\*\* Alaska's Revenue Sources  
 Compiled by Research Section  
 Department of Revenue

*334,050*

HJR 79

Introduced: 1/29/82  
Referred: State Affairs,  
Finance and Judiciary

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 65

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to the  
7 expenditure of money which exceeds the  
8 limit on appropriations.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding a new section to read:

12 SECTION 17. UNEXPENDED AND UNOBLIGATED MONEY. Not more than fifty  
13 per cent of the unexpended and unobligated money in the state treasury  
14 which exceeds the limit established by section 16 of this article for a  
15 fiscal year may be expended for capital projects approved by the voters.  
16 If the voters fail to approve an appropriation for a capital project,  
17 the amount of the appropriation shall be placed in the permanent fund  
18 established by section 15 of this article. The remaining unexpended and  
19 unobligated money in the state treasury for a fiscal year shall be  
20 invested as provided in section 16 of this article unless the voters  
21 approve, as prescribed by law, the placement of the money in the perma-  
22 nent fund established by section 15 of this article.

23 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
24 adding new sections to read:

25 SECTION 29. EFFECTIVE DATE OF AMENDMENT. The 1982 amendment re-  
26 lating to the appropriation of unexpended and unobligated state money  
27 (art. IX, sec. 17) takes effect on the effective date of the amendment  
28 limiting appropriation increases (art. IX, sec. 16).

29 SECTION 30. REPEAL OF AMENDMENT. If the amendment limiting appro-

1        priation increases (art. IX, sec. 16) is rejected by the voters at the  
2        1986 general election, the amendment relating to the appropriation of  
3        unexpended and unobligated state revenue (art. IX, sec. 17) is repealed.

4        \* Sec. 3. The amendments proposed by this resolution shall be placed be-  
5        fore the voters of the state at the next general election in conformity with  
6        art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws  
7        of the state.

Introduced: 1/19/82  
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating a  
8 capital investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than lease or disposal of  
15 state lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State  
19 received from lease or disposal of state lands, or interests in state  
20 lands, other than revenue that is required by law to be deposited in the  
21 permanent fund established in Section 15, Article IX of this constitu-  
22 tion, shall be placed in the capital investment fund. Money in the fund  
23 shall be invested as provided by law. The legislature may annually  
24 appropriate no more than ten percent of the balance in the fund at the  
25 close of the previous fiscal year for capital projects. Additional  
26 amounts from the fund may be appropriated for capital projects if the  
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an  
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,  
2 royalty sale proceeds, federal mineral revenue sharing payments and  
3 bonuses received by the State.

4 \* Sec. 2. The amendments proposed by this resolution shall be placed  
5 before the voters of the state at the next general election in conformity  
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
7 laws of the state.

8 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
9 ments proposed by Legislative Resolve No. 1, First Special Session of the  
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
11 in section 3 of that resolution that the amendments proposed by that resolu-  
12 tion be placed before the voters of the state.

Original sponsor: Metcalfe

Offered: 2/5/82  
Referred: Judiciary

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR HOUSE JOINT RESOLUTION NO. 67 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Consti-  
6 tution of the State of Alaska relating  
7 to the creation of an Alaska capital  
8 investment fund.

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

10 \* Section 1. Article IX, sec. 7, Constitution of the State of Alaska, is  
11 amended to read:

12 Section 7. DEDICATED FUNDS. The proceeds of any state tax or  
13 license shall not be dedicated to any special purpose, except as provided  
14 in sections [SECTION] 15 and 16 of this article or when required by the  
15 federal government for state participation in federal programs. This  
16 provision shall not prohibit the continuance of any dedication for  
17 special purposes existing upon the date of ratification of this section  
18 by the people of Alaska.

19 \* Sec. 2. Article IX, Constitution of the State of Alaska, is amended by  
20 adding a new section to read:

21 SECTION 16. ALASKA CAPITAL INVESTMENT FUND. At least twenty-five  
22 percent of all mineral lease rentals, royalties, royalty sales proceeds,  
23 federal mineral revenue sharing payments and bonuses received by the  
24 State shall be placed in a capital investment fund, which shall be used  
25 for the planning, design, and construction of large-scale capital im-  
26 provements, regional in scope, which add to the economic infrastructure  
27 of the State. The capital investment fund shall be governed by a board  
28 of trustees as provided by law. The board of trustees shall be ap-  
29 pointed by the governor, subject to confirmation by a majority of the

1 members of the legislature in joint session. A capital improvement may  
2 be financed by the capital investment fund only if it is approved by a  
3 majority of the membership of each house of the legislature.

4 \* Sec. 3. The amendments proposed by this resolution shall be placed  
5 before the voters of the state at the next general election in conformity  
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
7 laws of the state.

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 1/29/82  
Referred: State Affairs, Finance  
and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating an  
8 investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than disposal of state  
15 lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. INVESTMENT FUND. (a) Revenues of the State received  
19 from lease or disposal of state lands, or interests in state lands,  
20 other than revenue that is required by law to be deposited in the per-  
21 manent fund established in Section 15, Article IX of this constitution,  
22 shall be placed in the investment fund. Money in the fund shall be  
23 invested as provided by law. The legislature may annually appropriate  
24 up to ten percent of the balance in the investment fund at the close of  
25 the previous fiscal year for capital projects. Additional amounts from  
26 the investment fund may be appropriated for any purpose if the appropri-  
27 ation is approved by the voters as provided by law and for meeting  
28 natural disasters as provided by law.

29 (b) For purposes of this section and Section 16 of this article,

1 revenues received from the disposal of state lands or an interest in  
2 state lands include, but are not limited to, all revenues from the sale  
3 or lease of land, mineral lease rentals, royalties, royalty sale pro-  
4 ceeds, federal mineral revenue sharing payments and bonuses received by  
5 the State.

6 \* Sec. 2. The amendments proposed by this resolution shall be placed  
7 before the voters of the state at the next general election in conformity  
8 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
9 laws of the state.

10 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
11 ments proposed by Legislative Resolve No. 1, First Special Session of the  
12 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
13 in section 3 of that resolution that the amendments proposed by that resolu-  
14 tion be placed before the voters of the state.

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 1/19/82  
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating a  
8 capital investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than lease or disposal of  
15 state lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State  
19 received from lease or disposal of state lands, or interests in state  
20 lands, other than revenue that is required by law to be deposited in the  
21 permanent fund established in Section 15, Article IX of this constitu-  
22 tion, shall be placed in the capital investment fund. Money in the fund  
23 shall be invested as provided by law. The legislature may annually  
24 appropriate no more than ten percent of the balance in the fund at the  
25 close of the previous fiscal year for capital projects. Additional  
26 amounts from the fund may be appropriated for capital projects if the  
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an  
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,  
2 royalty sale proceeds, federal mineral revenue sharing payments and  
3 bonuses received by the State.

4 \* Sec. 2. The amendments proposed by this resolution shall be placed  
5 before the voters of the state at the next general election in conformity  
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
7 laws of the state.

8 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
9 ments proposed by Legislative Resolve No. 1, First Special Session of the  
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
11 in section 3 of that resolution that the amendments proposed by that resolu-  
12 tion be placed before the voters of the state.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# MEMORANDUM


# State of Alaska

TO: James M. Souby

DATE: January 27, 1982

FILE NO: 8I; 9G.2

TELEPHONE NO:

FROM:  Dona K. Lehr

SUBJECT: SJR 61 - Dankworth  
Spending Limit

The limit proposed by Senator Dankworth (SJR 61) would allow for increases in expenditures as revenues from all sources other than lease or disposal of State lands, or interest in State lands increased. Revenues are divided into two categories:

- 1) taxes, user fees and interest; and,
- 2) bonus royalty, lease and other land/resource payments, net of Permanent Fund contributions.

The "tax" revenues would be divided 3:1 -- (operating:capital). The "resource" revenues would be placed in a capital investment fund. Each year 10% of this fund would be available for appropriation for capital projects. The remaining 90% of the capital fund would also be available for spending on capital projects, but would require voter approval.

General estimates of funds available for expenditure on major categories under the two proposals are:

	<u>SJR 4</u>	<u>SJR 61</u>
Operating Budget	1,867.6	1,797.90
PF <sup>FY 83</sup>	150.4	150.4
Debt Service	141.7	141.7
	<u>2,159.7</u>	<u>2,090.7</u>
Capital	932.4*	696.9
Capital-10% of C.I.F.	<u>---</u>	<u>133.6</u>
	932.4	830.5
Capital and PF - Voter Approved Residual Funds		Capital--Voter Approved Residual Funds

\* Includes Loans.

SJR 61 does not mention loans. The intent may be to use the Capital Investment Fund for this purpose (perhaps without appropriations).

The differences in operating budget amounts may be greater than apparent in the figures above, if Senator Dankworth uses the definition of capital suggested in his January 20, 1982 memo to the Senate. His definition is more restrictive (land acquisition, equipment, structural improvement, or construction), than that employed in developing the Governor's budget. Thus, the operating budget would be reduced even further than the 3.8% shown for FY 1983.

A major difference is in the exclusion for PFD's and debt service in SJR 4. SJR 61 contains no such exclusions. In order to evaluate the relative effects of these and other factors it will be necessary to review long run revenue projections by source.

#### Questions and Implications

- SJR 61 has a more inclusive definition of operating expenditures; therefore, tighter on operating, looser on capital construction.
- SJR 4 has market interest requirement for excess funds (SJR 61 has no such requirement).
- Unclear how loans handled under SJR 61 (under SJR 4, loans are part of the capital appropriation).
- SJR 61 does not allow for voter approved contributions to the PF. Apparently PF contributions can be made prior to deposit in the capital investment fund if so provided in statute; but not once the money goes into the C.I.F. SJR 61 would probably serve to reduce total contributions to the Permanent Fund.
- SJR 61 would remove SJR 4 from the ballot.
- Implied relative sizes of operating and capital budgets over time need to be analyzed. (I believe Budget and Management is developing numbers.)



Official Business

# Alaska State Legislature

Senate

Committee on Finance

Pouch V  
State Capitol  
Juneau, Alaska 99811

January 19, 1982

TO: All Senators  
Alaska Legislature  
FROM: M.E. Dankworth, Senator *MED*

This resolution proposes a constitutional amendment which establishes a spending limitation for state government that is directly related to the amount of taxes collected by the state. In order to increase spending for state government operations above the maximum level authorized, taxes will also have to be increased proportionately.

ARTICLE IX of the Alaska Constitution is amended by adding new sections to read:

SECTION 16. Allows the legislature to appropriate up to three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of the funds may be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section. (Attached is a schedule of funds that would be available for FY83 based on figures from the Department of Revenue.)

SECTION 17. Establishes the capital investment fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by law to be deposited in the permanent fund, are placed in the capital investment fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for the balance of the fund.

SECTION 2. Places the proposal on the ballot at the next general election.

SECTION 3. Takes FSS-FCCS SJR-4 off the ballot. (This will require a two-thirds vote by the legislature.)

B C

**FUNDING AVAILABLE UNDER DANKWORTH PROPOSAL**

FOR FY83 (Thousands)

FY 84

TAXES -	\$2,399,000
LISC. PERMITS -	24,000
INTEREST -	315,000
FACILITIES -	35,800
SERVICES -	7,800
MISC. -	5,900
<b>TOTAL</b>	<b>\$2,787,600</b>

75,500  
~~33,500~~

1. OPERATING BUDGET		
3/4 of \$2,787,600	=	<u>\$2,090,700</u>

25,316,25

2. CAPITAL BUDGET		
1/4 of \$2,787,600	=	\$696,900

84,3875

Plus 10% of Capital Investment Fund	=	\$133,620
-------------------------------------	---	-----------

~~100,200~~ 16,1980

TOTAL		<u>\$830,520</u>
-------	--	------------------

1,005,855

TOTAL AVAILABLE FOR LEGISLATIVE APPROPRIATION		\$2,921,220
---	--	-------------

\*\* Alaska's Revenue Sources  
Compiled by Research Section  
Department of Revenue

Introduced: 1/19/82  
Referred: Finance and Judiciary

1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating a  
8 capital investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than lease or disposal of  
15 state lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State  
19 received from lease or disposal of state lands, or interests in state  
20 lands, other than revenue that is required by law to be deposited in the  
21 permanent fund established in Section 15, Article IX of this constitu-  
22 tion, shall be placed in the capital investment fund. Money in the fund  
23 shall be invested as provided by law. The legislature may annually  
24 appropriate no more than ten percent of the balance in the fund at the  
25 close of the previous fiscal year for capital projects. Additional  
26 amounts from the fund may be appropriated for capital projects if the  
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an  
29 interest in state lands include, but are not limited to, all revenues

1 from the sale or lease of land, mineral lease rentals, royalties,  
2 royalty sale proceeds, federal mineral revenue sharing payments and  
3 bonuses received by the State.

4 \* Sec. 2. The amendments proposed by this resolution shall be placed  
5 before the voters of the state at the next general election in conformity  
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
7 laws of the state.

8 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
9 ments proposed by Legislative Resolve No. 1, First Special Session of the  
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
11 in section 3 of that resolution that the amendments proposed by that resolu-  
12 tion be placed before the voters of the state.



# Alaska State Legislature

Senate

Committee on Finance

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

January 20, 1982

TO: All Members, Alaska State Senate

FROM: Senator Ed Dankworth, Co-Chairman *W.E.A.*

SUBJECT: FY83 Capital Budget

Inquiries have been made concerning the procedure we will follow regarding this capital budget process this year. Unlike 1981, we will NOT be using Form 35s this time.

This year you will enter your capital budget requests into the Alaska Legislative Computer System. Each Member will have an individual "user code" which will provide both access to the computer system as well as complete privacy for the items you wish to fund in the FY83 Capital Budget.

Members and/or their designated staff will be given training and instructions as to the use of the computer system.

As of this date a determination has yet to be made concerning the amount of funds available for capital projects for FY83.

Members or aides will enter capital project requests into the computer including a short outline of the project and brief statement of need. Detailed backup for various projects should be kept on file in each Member's office for possible use by the Finance Committee, Legislative Finance and the Governor's Office once the budget has been assembled.

For purposes of identifying acceptable capital projects we will use the following definition for "capital outlays":

"A capital outlay means any item of appropriation for land acquisition, equipment, structural improvement, or construction that equals or exceeds \$25,000 and includes planning, engineering, and design for a single project when the proposed project cost will exceed \$1,000,000."

At this point a schedule for capital budget action has not been determined. Further information or questions may be directed to my assistant, Max Gifford, ext. 3753.

ED/mg

Carryforward Balance (cash) from FY81	490.8
FY82 Revenues	4335.9
FY82 Lapse	50.0
FY82 Loan Repayments	24.0
FY82 Appropriations: original	- 5209.1
supplemental	- 50.0
Carryforward Balance from FY82	<u>(358.4)</u>
Prior Year Appropriations effective in FY83	- 409.2
Balance - start of FY83	<u>(767.6)</u>
FY83 Revenues	4133.7
FY83 Loan Repayments	24.0
Net Available Revenues, FY83	<u>3390.1</u>
FY83 Spending Limit	- 2800.0
FY83 Perm. Fund Dividend	- 150.4
FY83 Debt. Service	- 141.7
Excess Available for V.A. capital, FY83	<u>298.0</u>

Carryforward Balance from FY83	0
Prior Year Appropriations effective in FY84	- 200.0
FY84 Revenues	<u>5005.3</u>
Net Available Revenues, FY84	<u>4805.3</u>
FY84 Spending Limit	- 3136.0
FY84 Perm. Fund Dividend	- 350.0
FY84 Debt Service	
Excess Available for V.A. capital, FY84	<u>1319.3</u>
Permanent Fund Contribution	660.0
Voter Approval Capital	659.3

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SSSJR 61 (1/29/82)  
 Title Constitutional Amendment relating to appropriations/investment fund  
 Requested by Senate State Affairs Committee Date 3/9/82

II. FISCAL DETAIL

Agency Affected Department of Revenue  
 Program Category Affected Revenue Collection & Management  
 BRU, Program, Or Subprogram(s) Affected Treasury Management  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME						
PART TIME						
TEMPORARY						

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

Legislation provides for investment of an "Investment Fund" as provided for by subsequent law.

Because fund management will be provided for by subsequent law fiscal impact as to administrative costs at this time is indeterminate as final form or organization/integration with our funds management, etc., will determine nature and extent of staff and other costs necessary.

Administrative costs, however, should be charged to fund income to establish proper cost allocation.

IV. DATE March 9, 1982

PREPARED BY Anselm C. Staack, Treasury Comptroller  
 AGENCY Dept. of Revenue/Treasury Division

Original: Legislative Finance

PHONE 465-2350

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

**THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE**

**FISCAL NOTE**

**I. REQUEST**  
 Bill/Resolution No. SSSJR 61  
 Title Constitutional Amendment relating to appropriations/investment fund  
 Requested by Senate State Affairs Committee Date 2/3/82

**II. FISCAL DETAIL**  
 Agency Affected \_\_\_\_\_  
 Program Category Affected \_\_\_\_\_  
 BRU, Program, Or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

**EXPENDITURES (Thousands of Dollars)**

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

**FUNDING (Thousands of Dollars)  
Millions**

GENERAL FUND		(1.345)	(1.630)			
FEDERAL FUNDS						
OTHER (Specify Source)						

**POSITIONS**

FULL TIME						
PART TIME						
TEMPORARY						

**III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)**

The projected figures represent the subsequent loss of General Fund revenues, based on the Department of Revenue's January 1982 estimates, which would be placed in the investment fund. It should be noted that royalty sale proceeds are not included in the estimates since bids are impossible to anticipate prior to sales.

**IV. DATE** 2/3/82 **PREPARED BY** Robert W. Elliott  
**AGENCY** Department of Revenue  
**Original: Legislative Finance** **PHONE** 465-2173  
**cc: Budget and Management**  
**Prime Sponsor (First Legislator Named)**  
 33-001 (Rev. 12/81)

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, <sup>royalty sale proceeds</sup> federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution ~~and revenues from the disposal of state land or an interest in state land~~ shall be placed in the resource revenue fund. Money in the fund shall be invested as provided by law. ~~Interest income from the investment of the resource revenue fund shall be distributed as municipal assistance as provided by law.~~ <sup>Income from the</sup> ~~investment of the resource revenue fund shall be distributed as~~ <sup>Investment of the R.R. Fund shall be distributed among municipalities as provided by law.</sup> The legislature may annually appropriate up to \_\_\_\_\_ percent of the balance in the resource revenue

fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

revenues to  
municipalities  
as provided by law

NOT under Sec 16?

money to GF

D.R. 61

MAR 29 /  
Let me know  
what you think  
[Signature]

Introduced: 1/29/82  
Referred: State Affairs, Finance  
and Judiciary

IN THE SENATE

BY DANKWORTH

COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-  
tion of the State of Alaska relating  
to appropriations and creating an  
investment fund.

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

\* Section 1. Article IX, Constitution of the State of Alaska, is  
amended by adding new sections to read:

What do you  
do w/ balance,  
How does this  
relate to  
present practice  
& to newly  
capital

SECTION 16. APPROPRIATIONS. The legislature shall appropriate  
in a fiscal year no more than three-fourths of the revenue the  
state received in that fiscal year from sources other than revenues  
received from all mineral lease rentals, royalties, royalty sale  
proceeds, federal mineral revenue sharing payments and bonuses  
received by the state for the operating expense of state government.

SECTION 17. ALASKA RESOURCE FUND. Revenues of the state  
received from all mineral lease rentals, royalties, royalty sale  
proceeds, federal mineral revenue sharing payments and bonuses  
received by the state, other than revenue that is required by  
state law to be deposited in the permanent fund established in  
Section 15, Article IX of this constitution, shall be replaced  
in the Alaska resource fund. Money in the fund shall be invested  
as provided by law. The legislature may annually appropriate  
funds in the Alaska resource fund for any purpose if the appro-  
priation is approved by the voters as provided by law or for

*Refers this matter  
must go to committee*

meeting natural disasters as provided by law. Interest earned on money deposited in the Alaska resource fund shall be distributed to local governments to provide tax relief as provided by law.

\* Sec. 2. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SECTION 3. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

\* Sec. 4. The amendments proposed by this resolution supersede the amendments proposed by Legislative Resolve No. 1, First Special Session of the Twelfth Legislature, (FSS - FCCS SJR 4) and voids the requirement contained in section 3 of that resolution that the amendments proposed by that resolution be placed before the voters of the state.

*7 laws -  
25%  
exceptions  
no cap of exp by voters*

Berrier ✓

1/82

Original sponsor: Dankworth

1 IN THE SENATE BY THE FINANCE COMMITTEE  
 2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
 6 tion of the State of Alaska relating  
 7 to appropriations and creating an  
 8 investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
 11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
 13 a fiscal year no more than three-fourths of the revenue of the State in  
 14 that fiscal year from sources other than mineral lease rentals, royalti-  
 15 ties, royalty sale proceeds, federal mineral revenue sharing payments  
 16 and bonuses for operating expenses of state government and not more than  
 17 one-fourth of the revenues from those sources for capital projects.  
 18 This section does not apply to revenue received from the federal govern-  
 19 ment other than federal mineral revenue sharing payments, to money  
 20 appropriated to meet natural disasters as defined by law, to appropria-  
 21 tions required to pay the principal and interest on general obligation  
 22 bonds, or to appropriations for direct distribution of income to resi-  
 23 dents of the State from the permanent fund established in Section 15,  
 24 Article IX of this Constitution.

25 SECTION 17. INVESTMENT FUND. Revenues of the State received from  
 26 mineral lease rentals, royalties, royalty sale proceeds, federal mineral  
 27 revenue sharing payments and bonuses received by the State other than  
 28 revenue appropriated to or required by law to be deposited in the perman-  
 29 ent fund established in Section 15, Article IX of this constitution,

1 shall be placed in the investment fund. Money in the investment fund  
2 shall be invested as provided by law. Income from the investment fund  
3 is a general revenue of the State and shall be deposited in the treasury.  
4 The legislature may annually appropriate up to ten percent of the balance  
5 in the investment fund at the close of the previous fiscal year for  
6 capital projects and for operation and maintenance of capital projects.  
7 Additional amounts from the investment fund may be appropriated for any  
8 purpose if the appropriation is approved by the voters as provided by  
9 law and for meeting natural disasters as provided by law. If an appro-  
10 priation for an additional amount from the investment fund is disapproved  
11 by the voters, the amount proposed to be appropriated shall be deposited  
12 in the permanent fund established in Section 15, Article IX of this  
13 constitution.

14 \* Sec. 2. The amendments proposed by this resolution shall be placed  
15 before the voters of the state at the next general election in conformity  
16 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
17 laws of the state.

18 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
19 ments proposed by Legislative Resolve No. 1, First Special Session of the  
20 Twelfth Legislation, (FSS-FCCS SJR 4) and voids the requirement contained in  
21 sec. 3 of that resolution that the amendments proposed by that resolution be  
22 placed before the voters of the state.

# General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1981 Actual January	FY 1982 Estimate January	FY 1983 Estimate January	FY 1984 Estimate January
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	34,800	31,000	35,000	39,000
Corporate-Petroleum (2)	860,100	713,000	304,000	360,000
<u>Gross Receipts</u>				
Alaska Business License	5,400	5,500	5,500	5,500
Fish-Canned Salmon	5,900	6,200	6,000	6,000
Fish-Shorebased	11,000	11,200	11,000	11,000
Fish-Floating	3,800	4,000	4,000	4,000
Salmon Enhancement	-0-	2,000	2,400	2,400
Insurance Companies	10,600	11,300	11,500	11,500
Other	1,200	1,300	1,400	1,400
<u>Severance</u>				
Gravel, Timber, etc.	2,700	2,500	2,500	2,500
Oil & Gas Production(3)(4)	1,169,900	1,718,000	1,819,000	2,213,400
Oil & Gas Conservation	300	700	700	700
<u>Property</u>				
Oil & Gas(5)	143,000	155,000	157,700	225,000
Vehicle Registration	200	200	200	200
<u>Sale/Use</u>				
Alcoholic Beverages	8,300	8,500	9,000	9,000
Fuel Taxes-Aviation	4,100	4,300	4,500	4,700
Fuel Taxes-Highway	15,600	18,000	18,500	19,000
Fuel Taxes-Marine	3,500	3,600	3,800	4,000
Tobacco Products	1,700	1,800	1,900	1,900
<u>Other</u>				
Estate	500	500	500	500
<b>Total Taxes</b>	<b><u>2,282,600</u></b>	<b><u>2,698,600</u></b>	<b><u>2,399,100</u></b>	<b><u>2,921,700</u></b>
<u>Licenses &amp; Permits</u>				
<u>Business</u>	9,100	9,900	11,000	12,100
<u>Non-Business</u>	12,200	12,500	13,000	13,500
<b>Total Licenses &amp; Permits</b>	<b><u>21,300</u></b>	<b><u>22,400</u></b>	<b><u>24,000</u></b>	<b><u>25,600</u></b>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(6)(7)</u>	<u>8,500</u>	<u>18,200</u>	<u>9,900</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(8)(9)(10)	7,600	800	-0-	-0-
Investment Earnings	227,800	280,300	315,000	375,000
Rents(9)(10)	5,400	5,500	5,500	5,500
Royalties(3)(6)(11)	1,118,500 (12)	1,258,800	1,325,200	1,608,800
Sale of State Property	4,800	5,500	5,500	5,500

**Facilities Related Charges**

Airports	1,100	1,200	1,200	1,200
Ferry System-Southeast	21,000	23,900	26,300	28,900
Ferry System-Southwest	3,400	3,500	3,800	4,100
Other	3,700	4,000	4,500	4,700

**Service Related Charges**

Court System	2,900	3,100	3,300	3,500
Other	4,100	4,300	4,500	4,800

**Total State Resources Revenues**

<u>1,400,300</u>	<u>1,590,900</u>	<u>1,694,800</u>	<u>2,042,000</u>
------------------	------------------	------------------	------------------

**Miscellaneous Revenues**

<u>5,500</u>	<u>5,700</u>	<u>5,900</u>	<u>6,000</u>
--------------	--------------	--------------	--------------

**Total Unrestricted Revenues**

<u>3,718,200</u>	<u>4,335,800</u>	<u>4,133,700</u>	<u>5,005,300</u>
------------------	------------------	------------------	------------------

- (1) Nonpetroleum corporate income tax estimates have declined for two reasons: 1) tax rates have been converted to a sliding scale with effective rates lowered for most corporations (Ch. 116 SLA 1981); and 2) the new accelerated depreciation rates enacted on a federal level will be automatically effective for these corporations (Economic Recovery Tax Act of 1981 - Pub. L. 97-34, 8/13/81).
- (2) The reasons for the notable decrease in the Corporate Income Petroleum Tax are 1) the change in tax law (Ch. 116 SLA 1981) passed during the 1981 legislative session which shifted revenue from the income tax to the oil and gas production tax and 2) the current softening in oil prices.
- (3) If the TAPS tariff negotiations or proceedings fail to materialize in favor of the State, then the aforementioned total revenues will have to be reduced \$80 million in FY 83 and \$200 million in FY 84. The current forecast assumes a \$5.62 TAPS tariff for FY 83 which is 59% less per barrel than the prevailing \$6.21 TAPS tariff, and a \$4.74 TAPS tariff for FY 84 which is \$1.47 less per barrel.
- (4) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0%.
- (5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1982, 1983, or 1984.
- (6) Net of 25 percent Permanent Fund contribution.
- (7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82, FY 83, and FY 84 figures reflect the State's 90 percent entitlement.
- (8) The Department of Natural Resources projects additional lease sales to be held in 1982, 1983, and 1984. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.
- (9) Net of Permanent Fund contribution by Ch. 18 SLA 1980.
- (10) Reflects lease sales of \$12.8 million held September 16, 1980, \$4.3 million held May 13, 1981, and \$1.5 million held August 25, 1981.
- (11) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$60.0 million from July to December 1981 which has not yet been realized.
- (12) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

SECTION 16. The legislature shall appropriate in a fiscal year for operating expenses of state government no more than the revenues of the State in that fiscal year from sources other than mineral lease rentals, royalties, *royalty sale proceeds* federal mineral revenue sharing payments and bonuses. This section does not apply to revenue received from the federal government, to money appropriated to meet natural disasters as defined by law, to appropriations required to pay the principal and interest on general obligation bonds, or to appropriations for direct distribution of income to residents of the State from the permanent fund established in Section 15, Article IX of this constitution.

SECTION 17. Resource Revenue Fund. Revenues of the State received from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State other than revenue appropriated to or as may be required by law to be deposited in the permanent fund established in Section 15, Article IX of this constitution and *revenues* from the disposal of state land or an interest in state land shall be placed in the resource revenue fund. Money in the fund shall be invested as provided by law. *Interest* income from the investment of the resource revenue fund shall be distributed as municipal assistance as provided by law. The legislature may annually appropriate up to \_\_\_\_\_ percent of the balance in the resource revenue

fund at the close of the previous fiscal year for capital projects and for maintenance of capital projects. Additional amounts from the resource revenue fund may be appropriated for any purpose if the appropriation is approved by the voters as provided by law. If an appropriation for an additional amount from the resource revenue fund is disapproved by the voters, the amount proposed to be appropriated shall be deposited in the permanent fund established in Section 15, Article IX of this constitution.

Original sponsor: Dankworth

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 61 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating an  
8 investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State in  
14 that fiscal year from sources other than mineral lease rentals, royalti-  
15 ties, royalty sale proceeds, federal mineral revenue sharing payments  
16 and bonuses for operating expenses of state government and not more than  
17 one-fourth of the revenues from those sources for capital projects.  
18 This section does not apply to revenue received from the federal govern-  
19 ment ~~other than federal mineral revenue sharing payments~~, to money  
20 appropriated to meet natural disasters as defined by law, to appropria-  
21 tions required to pay the principal and interest on general obligation  
22 bonds, or to appropriations for direct distribution of income to resi-  
23 dents of the State from the permanent fund established in Section 15,  
24 Article IX of this Constitution.

25 SECTION 17. INVESTMENT FUND. Revenues of the State received from  
26 mineral lease rentals, royalties, royalty sale proceeds, federal mineral  
27 revenue sharing payments and bonuses received by the State other than  
28 revenue appropriated to or required by law to be deposited in the perman-  
29 ent fund established in Section 15, Article IX of this constitution,

1 shall be placed in the investment fund. Money in the investment fund  
2 shall be invested as provided by law. Income from the investment fund  
3 is a general revenue of the State and shall be deposited in the treasury.  
4 The legislature may annually appropriate up to ten percent of the balance  
5 in the investment fund at the close of the previous fiscal year for  
6 capital projects and for operation and maintenance of capital projects.  
7 Additional amounts from the investment fund may be appropriated for any  
8 purpose if the appropriation is approved by the voters as provided by  
9 law and for meeting natural disasters as provided by law. If an appro-  
10 priation for an additional amount from the investment fund is disapproved  
11 by the voters, the amount proposed to be appropriated shall be deposited  
12 in the permanent fund established in Section 15, Article IX of this  
13 constitution.

14 \* Sec. 2. The amendments proposed by this resolution shall be placed  
15 before the voters of the state at the next general election in conformity  
16 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
17 laws of the state.

18 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
19 ments proposed by Legislative Resolve No. 1, First Special Session of the  
20 Twelfth Legislature, (FSS-FCCS SJR 4) and voids the requirement contained in  
21 sec. 3 of that resolution that the amendments proposed by that resolution be  
22 placed before the voters of the state.

## **A Threat To Loans/Development Programs ???**

# **SPENDING LIMIT PROBLEMS GROW**

Last summer, in a quick special session, Governor Hammond twisted enough arms to force the legislature to adopt a constitutional amendment placing a limit on the growth of state spending (FCCS-SJR-4). Though that amendment will appear on the November ballot, many lawmakers are having second thoughts about the issue. As the 1982 session picks up steam, legislators are considering changes to the spending limit, the permanent fund, and handling of state revenues generally. Nearly a dozen proposed constitutional amendments are pending dealing with these issues, though not all are under serious consideration.

The limit passed last summer allows no growth in state spending beyond inflation and population increases, unless voters approve amounts in excess of the limit for capital projects or permanent fund deposits. One-third of the funds under the limit are reserved for capital projects. The governor introduced a "codicil" to the limit, SJR-65, which allows no more than 50 per cent of the money exceeding the limit to be used for capital projects, with the remainder invested at market rates or deposited in the permanent fund.

Most legislators, though, want even further amendments to the limit. Sens. Parr and Fischer introduced SJR-63, repealing it completely. More significantly, Senate Finance chair Dankworth introduced SSSJR-61, replacing the current limit with a limit based on taxes collected, with all other state revenues dedicated to the permanent fund or a capital investment fund. SS-SJR-61 allows 3/4 of revenues received to be used for operating expenses, 1/4 for capital projects. All receipts from sale or lease of state lands (including oil leases) not placed in the permanent fund would be placed in an investment fund. The legislature could annually appropriate up to 10 per cent of the investment fund for capital projects; further amounts could be appropriated for natural disasters or any purpose if approved by the voters. Though the Dankworth plan needs refinement, it has the possibility of gaining widespread support in both the legislature and executive branches because it is simpler, more effective, and more flexible than the current limit.

Meanwhile, a number of constitutional amendments to the permanent fund have been offered. Gov. Hammond wants to dedicate 25 percent of severance and production taxes to the fund (HJR-72/SJR-58); Rep. Moss wants any amount over 25 percent to be used only in Alaska (HJR-69); Rep. Metcalfe wants another 50 percent used for large-scale capital improvements (HJR-67) and to dedicate severance taxes to revenue sharing (HJR-66).

The permanent fund board of trustees has asked for increased investment authority to parallel the state retirement funds (excepting investment in gold). SB-684 adds to the investment authority common and preferred stocks, mortgage-secured notes, certain types of real estate equity, and foreign securities; it also changes board composition and pay and allows fund management costs to be taken from the income of the investments. The bill has lukewarm support from the governor and some legislators, while others, including permanent fund advocate Oral Freeman (D-Ketchikan), have vowed to strongly oppose the new investment plans. Several interest groups around the state, particularly those involved in housing finance and hydroelectric projects, are also seeking access to the fund for their projects.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# Alaska State Legislature



Senate

SENATOR  
**ARLISS STURGULEWSKI**  
COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources

2967 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-B

While in Juneau  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 485-2818

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski  
FROM: Margo Waring  
RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

#### EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 4. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SB 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

#### EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

#### EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

#### OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

#### OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

GENERAL FUND REVENUES

Taxes

Income

Corporate-General 35,000  
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500  
Fish-Canned Salmon 6,000  
Fish-Shorebased 11,000  
Fish-Floating 4,000  
Salmon Enhancement 2,400  
Insurance Companies 11,500  
Other 1,400

Severance

Gravel, Timber, etc. 2,500  
Oil & Gas Production(+) ,819,000  
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700  
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000  
Fuel Taxes-Aviation 4,500  
Fuel Taxes-Highway 18,500  
Fuel Taxes-Marine 3,800  
Tobacco Products 1,900

Other

Estate 500

Total Taxes 399,100

Licenses & Permits

Business 11,000  
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-  
Investment Earnings 315,000  
Rents 5,500  
Royalties 1,325,200  
Sale of State Property 5,500

AVAILABLE FOR  
PERMANENT FUND &  
CAPITAL INVESTMENT  
FUND

Total: \$1,336,200

Facilities Related Charges

Airports  
Ferry System-Southeast 1,200  
Ferry System-Southwest 26,300  
Other 3,800

Service Related Charges

Court System 4,500  
Other 3,300

Total State Resources  
Revenues

1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

4,133,700

AVAILABLE FOR CAPITAL  
& OPERATING BUDGET  
SJR 61

\$4,113,700  
- 1,336,200  
2,797,500

ATTACHMENT A-2  
 Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level</u>	2,800.0
<u>Operating</u>	1,867.6
<u>Capital Projects and Loans</u>	932.4

Operating Budget

<u>Formula Programs, Total</u>	875.5
<u>General Funds</u>	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
<u>General Funds</u>	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
<u>General Funds</u>	1,812.1

<u>Additional Appropriations</u>	59.5
<u>General Funds</u>	55.5

<u>Total Operating</u>	2,350.5
<u>General Funds</u>	1,867.6

Capital Budget

<u>Loans Appropriations</u>	392.6
<u>General Funds</u>	392.6

<u>Other Capital Appropriations</u>	715.1
<u>General Funds</u>	465.6

<u>Additional Appropriations</u>	74.2
<u>General Funds</u>	74.2

<u>Total Capital/Loans</u>	1,181.9
<u>General Funds</u>	932.4

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
<u>General Funds</u>	150.4

<u>Debt Service</u>	141.7
<u>General Funds</u>	141.7

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
---	-------

<u>Capital Projects, Total (Book II)</u>	297.6
<u>General Funds</u>	297.6

<u>Additional Appropriations</u>	0.0
<u>General Funds</u>	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
<u>General Funds</u>	0.0

<u>Prior Year Appropriations, Total</u>	409.2
<u>General Funds</u>	409.2

<u>Total Appropriations</u>	4,531.3
<u>General Funds</u>	3,798.9

State Revenues

<u>Total State Revenues</u>	4,133.7
<u>Petroleum Revenues</u>	3,606.6

ATTACHMENT A-3      Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus</u> Loan Appropriations	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/>	
Total	3336.4

Capital Budget	715.1
<hr/>	
Total Operating and Capital	4051.5

Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B  
In Thousands

SJR 61  
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C  
Beaufort Sea Revenues

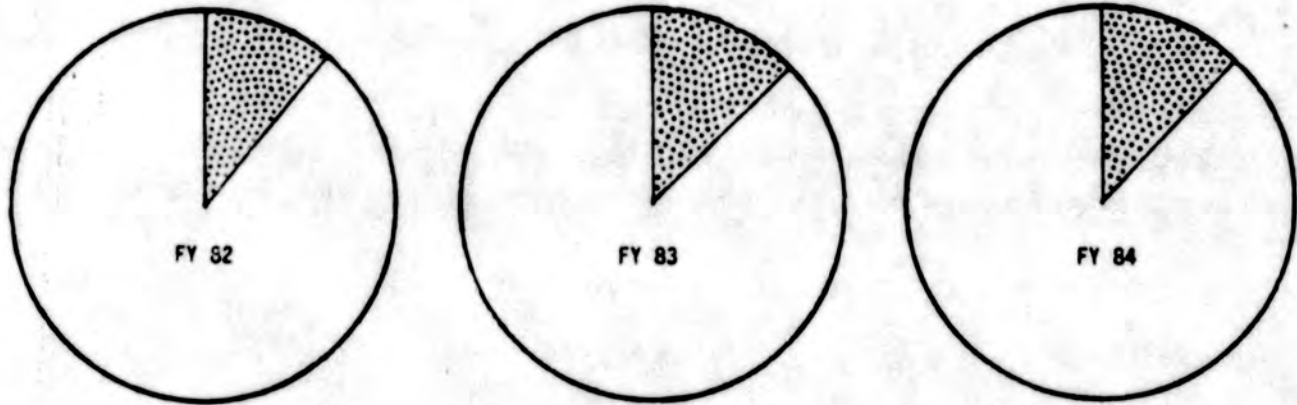
<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"  
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

UNRESTRICTED REVENUE FORECAST  
FY82, FY83, FY84  
(Millions of Dollars)



Total Non-Petroleum Revenue -- shaded  
Total Petroleum Revenue -- unshaded

	FY82	FY83	FY84
Tax Revenue	\$ 210.1	\$ 212.1	\$ 222.4
Investment Revenue	280.3	315.0	375.0
Total Non-Petroleum Revenue	490.4	527.1	597.4
Total Petroleum Revenue: <sup>1</sup>	3845.5	3606.6	4407.9
Severance Tax	1718.7	1819.7	2214.1
Royalties <sup>1</sup>	1258.8	1325.2	1608.8
Corporate Tax	713.0	304.0	360.0
Property Tax	155.0	157.7	225.0
TOTAL <sup>1</sup>	\$ 4335.9	\$ 4133.7	\$ 5005.3

<sup>1</sup> Figures shown are net of 25 percent Permanent Fund Contribution.

Introduced: 1/27/82  
Referred: Judiciary

1 IN THE HOUSE

BY METCALFE

2 SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 66

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to dedication of proceeds of a sever-  
8 ance tax on oil or gas production.

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

10 \* Section 1. Article IX, sec. 7 of the Constitution of the State of  
11 Alaska is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or  
13 license shall not be dedicated to any special purpose, except as pro-  
14 vided in Sections [SECTION] 15 and 16 of this article or when required  
15 by the federal government for state participation in federal programs.  
16 This provision shall not prohibit the continuance of any dedication for  
17 special purposes existing upon the date of ratification of this section  
18 by the people of Alaska.

19 \* Sec. 2. Article IX of the Constitution of the State of Alaska is amended  
20 by adding a new section to read:

21 SECTION 16. DEDICATION FOR MUNICIPAL PURPOSES. The proceeds of a  
22 state severance tax on oil or gas production in excess of twelve percent  
23 of the gross value at the point of production shall be dedicated to the  
24 organized boroughs and cities of the State for municipal purposes. The  
25 legislature shall establish a method of distributing the proceeds dedi-  
26 cated by this section among organized boroughs and cities by law.

27 \* Sec. 3. The amendments proposed by this resolution shall be placed  
28 before the voters of the state at the next general election in conformity  
29 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election

1 laws of the state.

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

Prepared by  
Approved by

FO055JR-4

	1	2	3	4	5	6	7	8	9
	CREDITING	CAPITAL	DEBT SERVICE	P/F DIVIDENDS	VOTER APPROVAL	PERMANENT FUND	TOTL REVENUE	SURPLUS DEFICIT	ACCUMULATED DEFICIT
F-103	18667	9333	1192	1527	11429	4417	46505	-	
	20907	10453	1338	1523	18219	5363	57903	-	
	23416	11707	1238	1967	24829	4356	69913	-	
	26226	13112	1619	2489	40825	7200	79921	-	
	29323	14686	1528	2964	35329	8370	92300	-	
	32898	16448	1548	3404	31201	9187	94486	-	
	36845	18422	1465	3887	33784	10312	104915	-	
	41267	20632	1354	4415	25992	10126	103746	-	
	46219	23128	1148	4926	14941	9598	99990	-	
	51765	25881	1141	5559	5862	9972	100180	-	
	57927	28987	317	6154	-	10406	102762	1079	
	64934	32465	258	6751	-	10704	104986	10126	
	72126	36361	230	7340	-	10025	100199	26483	
	81453	40724	215	7918	-	9960	99746	40524	
	91228	45611	167	8490	-	10999	100082	48413	
	102125	51085	144	9059	-	11623	112917	61169	

ATTACHMENT A-1  
Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level, 1</u>	2,800.0
Operating	<u>1,867.6</u>
Capital Projects and Loans	932.4

Operating Budget

<u>Formula Programs, Total<sup>2</sup></u>	875.5
General Funds	<u>809.4</u>
<u>Non-Formula Programs, Total</u>	1,415.5
General Funds	<u>1,002.7</u>
<u>Total Appropriations, Total<sup>3</sup></u>	2,291.0
General Funds	<u>1,812.1</u>
<u>Additional Appropriations<sup>4</sup></u>	59.5
General Funds	<u>55.5</u>
<u>Total Operating</u>	2,350.5
General Funds	<u>1,867.6</u>

Capital Budget

<u>Loans Appropriations<sup>5</sup></u>	392.6
General Funds	<u>392.6</u>
<u>Other Capital Appropriations<sup>6</sup></u>	715.1
General Funds	<u>465.6</u>
<u>Additional Appropriations<sup>7</sup></u>	74.2
General Funds	<u>74.2</u>
<u>Total Capital/Loans</u>	1,181.9
General Funds	<u>932.4</u>

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
General Funds	<u>150.4</u>
<u>Debt Service<sup>8</sup></u>	141.7
General Funds	<u>141.7</u>

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
<u>Capital Projects, Total (Book II)<sup>10</sup></u>	297.6
General Funds	<u>297.6</u>
<u>Additional Appropriations<sup>11</sup></u>	0.0
General Funds	<u>0.0</u>
<u>Permanent Fund Contribution, Total<sup>12</sup></u>	0.0
General Funds	<u>0.0</u>

<u>Prior Year Appropriations, Total<sup>13</sup></u>	409.2
General Funds	<u>409.2</u>

<u>Total Appropriations</u>	4,531.3
General Funds	<u>3,798.9</u>

State Revenues

<u>Total State Revenues</u>	4,133.7
Petroleum Revenues	<u>3,606.6</u>



1 IN THE SENATE

BY DANKWORTH

2 SENATE JOINT RESOLUTION NO. 61  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitu-  
6 tion of the State of Alaska relating  
7 to appropriations and creating a  
8 capital investment fund.

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

10 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
11 by adding new sections to read:

12 SECTION 16. APPROPRIATIONS. The legislature shall appropriate in  
13 a fiscal year no more than three-fourths of the revenue of the State re-  
14 ceived in that fiscal year from sources other than lease or disposal of  
15 state lands, or interest in state lands, for operating expenses of state  
16 government and not more than one-fourth of the revenues received by the  
17 State from those sources for capital projects.

18 SECTION 17. CAPITAL INVESTMENT FUND. (a) Revenues of the State  
19 received from lease or disposal of state lands, or interests in state  
20 lands, other than revenue that is required by law to be deposited in the  
21 permanent fund established in Section 15, Article IX of this constitu-  
22 tion, shall be placed in the capital investment fund. Money in the fund  
23 shall be invested as provided by law. The legislature may annually  
24 appropriate no more than ten percent of the balance in the fund at the  
25 close of the previous fiscal year for capital projects. Additional  
26 amounts from the fund may be appropriated for capital projects if the  
27 appropriation is approved by the voters as provided by law.

28 (b) Revenues received from the disposal of state lands or an  
29 interest in state lands include, but are not limited to, all revenues

*Principal*

1 from the sale or lease of land, mineral lease rentals, royalties,  
2 royalty sale proceeds, federal mineral revenue sharing payments and  
3 bonuses received by the State.

4 \* Sec. 2. The amendments proposed by this resolution shall be placed  
5 before the voters of the state at the next general election in conformity  
6 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election  
7 laws of the state.

8 \* Sec. 3. The amendments proposed by this resolution supersede the amend-  
9 ments proposed by Legislative Resolve No. 1, First Special Session of the  
10 Twelfth Legislation, (FSS - FCCS SJR 4) and voids the requirement contained  
11 in section 3 of that resolution that the amendments proposed by that resolu-  
12 tion be placed before the voters of the state.

FY 1983  
Estimate  
January

GENERAL FUND REVENUES

Taxes

Income

Corporate-General 35,000  
Corporate-Petroleum 304,000

Gross Receipts

Alaska Business Licens 5,500  
Fish-Canned Salmon 6,000  
Fish-Shorebased 11,000  
Fish-Floating 4,000  
Salmon Enhancement 2,400  
Insurance Companies 11,500  
Other 1,400

Severance

Gravel, Timber, etc. 2,500  
Oil & Gas Production 819,000  
Oil & Gas Conservation 700

Property

Oil & Gas(5) 157,700  
Vehicle Registration 200

Sale/Use

Alcoholic Beverages 9,000  
Fuel Taxes-Aviation 4,500  
Fuel Taxes-Highway 18,500  
Fuel Taxes-Marine 3,800  
Tobacco Products 1,900

Other

Estate 500

Total Taxes 1,399,100

Licenses & Permits

Business 11,000  
Non-Business 13,000

Total Licenses & Permits 24,000

Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource Revenue

Sale/Use

Bonus Sales -0-  
Investment Earnings 315,000  
Rents 5,500  
Royalties 1,325,200  
Sale of State Property 5,500

Facilities Related Charges

Airports 1,200  
Ferry System-Southeast 26,300  
Ferry System-Southwest 3,800  
Other 4,500

Service Related Charges

Court System 3,300  
Other 4,500

Total State Resources Revenues

1,694,800

Miscellaneous Revenues

5,900

Total Unrestricted Revenues

1,700,700

715.1

3336.4  
2048.4  

---

5384.8  
4133.7  

---

1251.1

4,133.7



mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

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

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

**Legislative history reports.** — For the House Journal, Supplement No. 7, April 2, 1980.  
Free Conference Committee Report on ch. 18, SLA 1980 (FCCSSB 161), see 1980

**Sec. 37.13.020. Findings.** The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) the corporation should provide a means of conserving a portion of the state's revenues from mineral resources to benefit all generations of Alaskans;

(2) the corporation's goal should be to maintain safety of principal while maximizing total return;

(3) the corporation should be used as a savings device managed to allow the maximum use of disposable income from the corporation for purposes designated by law. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.030. Purpose.** It is the purpose of AS 37.13.010 — 37.13.210 to provide a mechanism for the management and investment of those permanent fund assets allocated to the Alaska Permanent Fund Corporation in a manner consistent with the findings in AS 37.13.020. (§ 5 ch 13 SLA 1980)

**Sec. 37.13.040. Alaska Permanent Fund Corporation.** There is established the Alaska Permanent Fund Corporation. The corporation is a public corporation and government instrumentality in the Department of Revenue managed by the board of trustees. The purpose of the board is to manage and invest the assets of the corporation in accordance with AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski  
FROM: Margo W. Waring  
RE: SJR 61

Senator Dankworth requested that I share with him those changes which could be made in SJR 61 to correct problems which were identified during my analysis of the resolution. With your permission, I will send a copy of this memorandum to him.

Based on my analysis of SJR 61, I would suggest that the following items be considered for amendments to that resolution.

1. Make provision for appropriations to meet disasters as an exception to the appropriation limitation. Also exempt federal funds.
2. Use in Sec. 17 the exact same language as appears in Sec. 15. Amend further so that AS 37.13 is not annulled.
3. Provide that funds for projects from the Capital Investment Fund which are not approved by the voters automatically get contributed to the Permanent Fund.
4. Provide that income from the Capital Investment Fund goes to the general fund.
5. Allow funds from the Capital Investment Fund to be used for the operation and maintenance of capital projects.
6. For purposes of the Capital Investment Fund, allow special appropriations to the Permanent Fund to be defined as capital projects.

I believe that these changes are consistent with the intent of the legislation as explained to me by Senator Dankworth, and would correct either problems in the legislation or emphases which are unintentional. In addition, it should be noted that these changes establish a balance between the Permanent fund and the Capital Fund and provide for voter choice between the two as different ways of investing state funds, each with its own benefit--either increased dividends or new facilities.

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski  
FROM: Margo Waring  
RE: SJR 61

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 61. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SE 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

#### EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

#### EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

#### OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

#### OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

ATTACHMENT A-1  
Governor's FY 83 Budget under SJR 4

Appropriations Subject to Spending Limit  
Allowable General Fund Appropriation Level, 1  
Operating  
Capital Projects and Loans

2,800.0  
1,867.6  
932.4

Operating Budget

Formula Programs, Total 2  
General Funds

875.5  
809.4

Non-Formula Programs, Total  
General Funds

1,415.5  
1,002.7

Total Appropriations, Total 3  
General Funds

2,291.0  
1,812.1

Additional Appropriations 4  
General Funds

59.5  
55.5

Total Operating  
General Funds

2,350.5  
1,867.6

Capital Budget

Loans Appropriations 5  
General Funds

392.6  
392.6

Other Capital Appropriations 6  
General Funds

715.1  
465.6

Additional Appropriations 7  
General Funds

74.2  
74.2

Total Capital/Loans  
General Funds

1,181.9  
932.4

Appropriations Not Subject to Spending Limit  
Exempt Appropriations

Permanent Fund Dividends  
General Funds

150.4  
150.4

141.7  
141.7

Appropriations Subject to Voter Approval  
General Funds Available for Voter Approval

Capital Projects, Total (Book II) 10  
General Funds

298.0  
297.6  
297.6

Additional Appropriations 11  
General Funds

0.0  
0.0  
0.0

Prior Year Appropriations, Total 13  
General Funds

409.2  
409.2

4,531.3  
3,798.9

State Revenues

Total State Revenues  
Petroleum Revenues

4,133.7  
3,606.6

ATTACHMENT A-2

Governor's FY 83 Budget Under SJR 61

Operating Budget

Operating Budget	2350.5
<u>Plus Loan Appropriations</u>	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/> Total	3336.4

Capital Budget

Capital Budget	723.1
Capital Investment 10%	132.6
Capital Investment Principal	1192.7
<hr/> Total	2048.4

Draft

ATTACHMENT B  
In Thousands

	<u>Operating Budget</u>	<u>Total Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4903.0	4657.3
FY 90	4744.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on information provided by Senator Dankworth's staff.

ATTACHMENT C  
Beaufort Sea Revenue Projection

<u>FY</u>	<u>Contributions in in excess of 25% \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"  
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

September 22, 1981

Wilson L. Condon  
Attorney General  
Department of Law  
Pouch 1  
Juneau, AK 99811

Dear Mr. Condon:

The Free Conference Committee Substitute for SJR 4, proposing amendments to the constitution of the State of Alaska relating to limiting increases in appropriations, will undoubtedly need statutory language to carry out certain provisions, as several phrases seem in need of interpretation.

With that view in mind, I would appreciate some advice from you regarding:

1. the meaning of the term "capital projects"
2. the meaning of the term "loan appropriations"
3. the meaning of the clause "public corporations of the State that issues revenue bonds." Specifically, for this item, I am concerned whether to be eligible under this exemption the corporation needs statutory authority to issue revenue bonds or whether it must actually issue such bonds.
4. the application of the clause, "appropriation of money received from a non-state source in trust for a specific purpose" (emphasis added). A question has been raised whether this language covers the assessments made for the non-profit fish hatcheries.

Your attention to this matter will be appreciated. If there are any questions, please contact Margo Waring of my staff (3818).

Sincerely,

Senator Arlis Sturgulawski, Chairman  
Legislative Budget and Audit Committee

Free Conference CS for Senate Joint Resolution No. 4  
Definitions Needed

1. "appropriations of revenue bond proceeds" (p. 1; l. 12-13)
2. "appropriations of money received from a non-State source in trust for a specific purpose" (p. 1; l. 14-15)
3. "including revenues of a public enterprise or public corporation of the State that issues revenue bonds," (p. 1; l. 15-17)
4. "appropriations from the treasury" (p. 1; l. 17)
5. "the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981." (p. 1; l. 18-20)
6. "capital projects and loan appropriations." (p. 1; l. 21)
7. "bills for appropriations for capital projects, whether of bond proceeds or otherwise," (p. 1; l. 23-24)
8. "approved by the voters as prescribed by law." (p. 1; l. 27-28)
9. "Each bill for appropriations for capital projects in excess of the limit" (p. 1; l. 28-29)
10. "capital projects of the same type," (p. 1-2; l. 29-1)
11. "as provided by law, be informed of the cost of operations and maintenance of the capital projects." (p. 2; l. 1-2)
12. "state of disaster declared by the governor as prescribed by law" (p. 2; l. 4)
13. "unexpended and unappropriated balance" (p. 2; l. 5)

*pk pf do*  
*gob - sub. 4*  
*deferral*

Dona Lehr suggested adding:

"Alaska permanent fund dividends"  
"general obligation bonds"

does it include alternatives to the dividend  
does it include defeasance

Original sponsor: Rules/Governor

Offered: 7/14/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska relating to limit-  
7 ing increases in appropriations.

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

9 \* Section 1. Article IX, Constitution of the State of Alaska, is amended  
10 by adding a new section to read:

11 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for  
12 Alaska permanent fund dividends, <sup>1</sup>[appropriations of revenue bond pro-  
13 ceeds], appropriations required to pay the principal and interest on  
14 general obligation bonds, and <sup>2</sup>[appropriations of money received from a  
15 non-State source in trust for a specific purpose], <sup>3</sup>[including revenues of  
16 a public enterprise or public corporation of the State that issues  
17 revenue bonds], <sup>4</sup>[appropriations from the treasury] made for a fiscal year  
18 shall not exceed \$2,500,000,000 by more than <sup>5</sup>[the cumulative change,  
19 derived from federal indices as prescribed by law, in population and  
20 inflation since July 1, 1981]. Within this limit, at least one-third  
21 shall be reserved for <sup>6</sup>[capital projects and loan appropriations]. The  
22 legislature may exceed this limit in bills for appropriations to the  
23 Alaska permanent fund and in <sup>7</sup>[bills for appropriations for capital  
24 projects, whether of bond proceeds or otherwise], if each bill is ap-  
25 proved by the governor, or passed by affirmative vote of three-fourths  
26 of the membership of the legislature over a veto or item veto, or  
27 becomes law without signature, and is also <sup>8</sup>[approved by the voters as  
28 prescribed by law]. <sup>9</sup>[Each bill for appropriations for capital projects  
29 in excess of the limit] shall be confined to <sup>10</sup>[capital projects of the

1 same type,] and the voters shall, [as provided by law, be informed of the  
2 cost of operations and maintenance of the capital projects.] No other  
3 appropriation in excess of this limit may be made except to meet a  
4 [state of disaster declared by the governor as prescribed by law.] The  
5 governor shall cause any [unexpended and unappropriated balance] to be  
6 invested so as to yield competitive market rates to the treasury.

7 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by  
8 adding new sections to read:

9 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a  
10 majority of those voting on the question at the general election in  
11 1982 approve the ballot proposition for the total cost to the State of  
12 providing for relocation of the capital, no additional voter approval  
13 of appropriations for that purpose within the cost approved by the  
14 voters is required under the 1982 amendment limiting increases in  
15 appropriations (art. IX, sec. 16).

16 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN  
17 APPROPRIATIONS. If the 1982 amendment limiting appropriation increases  
18 (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the  
19 ballot title and proposition for the amendment to be placed on the  
20 ballot again at the general election in 1986. If the majority of those  
21 voting on the proposition in 1986 rejects the amendment, it shall be  
22 repealed.

23 SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limit-  
24 ing appropriation increases (art. IX, sec. 16) applies to appropria-  
25 tions made for fiscal year 1984 and thereafter.

26 \* Section 3. The amendments proposed by this resolution shall be placed  
27 before the voters of the state at the next general election in conformity  
28 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
29 tion laws of the state.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

RECEIVED

DEC 7 1981

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

BUDGET/AUDIT  
COMMITTEE

December 4, 1981

SUBJECT: Change to resolution proposing a  
constitutional amendment

TO: Senator Arliss Sturgulewski  
Attn: Margo Waring

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

You have asked whether a resolution proposing a constitutional amendment adopted during a special session of a legislature may be repealed or changed during the following second session and if so what would be the mechanism.

Section 1 of Article XIII of the Constitution of the State of Alaska provides:

Amendments to this constitution may be proposed by a two-thirds vote of each house . . .

The mechanism for implementing this power is established by AS 24.30.130(a) which provides:

(a) The legislature may propose amendments to the state constitution through the adoption of a joint resolution by an affirmative vote of two-thirds of the membership of each house. Resolutions proposing constitutional amendments shall be treated as bills.

and by Rule 49(a)(5) and (b) of the Uniform Rules which provide:

"(5) A joint resolution is the most formal type of resolution and is adopted by both houses and then signed by the governor as a ministerial formality. The joint resolution is treated in all respects as a bill but it is not subject to veto. It is usually reserved

for addressees outside the state. This resolution is used mainly to express the view or wish of the legislature to the President, the Congress or agencies of the United States Government or the governments of other states. It is required for proposing or ratifying amendments to the U.S. Constitution, proposing amendments to the State Constitution under provisions of Sec. 1, Art. XIII, of the State Constitution, and for disapproval of local government boundary changes recommended by the Local Boundary Commission under provisions of Sec. 12, Art. X, of the State Constitution. Approval of a joint resolution requires a majority vote of the full membership of each house.

"(b) All resolutions passed by one or both houses are sent to the governor as a matter of information and for permanent filing with the lieutenant governor. The lieutenant governor sends enrolled copies of joint resolutions to the federal and other state officers, agencies and jurisdictions. The transmittal of copies of all other resolutions to designated addressees is the responsibility of the Legislative Affairs Agency."

The obvious reason for using a resolution which is treated as a bill rather than using a bill is that a bill is subject to veto by the Governor and he is given no role by the constitution in proposing amendments to the constitution.

In my opinion the power to propose an amendment includes the power to withdraw the proposal prior to it being acted on by the voters. There seems to be no reason that this would be an exception to the general rule that a body has power to repeal that which it has power to enact.

There has been substantial scholarly discussion on whether a state may withdraw a resolution calling for an amendment to the United States Constitution. The comment made by the Special Constitutional Convention Study Committee of the American Bar Association in its 1974 study Amendment of the Constitution by the Convention Method under Article V (1974) that:

"There is no law dealing squarely with the question of whether a state may withdraw an application seeking a constitutional convention, although some commentators have suggested that a withdrawal is of no effect.

\* \* \*

"Since a convention should reflect a 'contemporaneously-felt need' that it take place, we think there should be no such limitation. In view of the importance and comparatively permanent nature of an amendment, it seems desirable that state legislatures be able to set aside applications that may have been hastily submitted or that no longer reflect the social, economic and political factors in effect when the applications were originally adopted. We believe Congress has the power to so provide."

appears well founded.

In addition this is an internal matter to the state not affecting Congress or the other states.

The only method I can think of for withdrawing a proposal for a constitutional amendment would be by adoption of a joint resolution withdrawing the amendment since it would appear that the formalities necessary to adopt the proposal apply equally to withdrawing it.

BGB:jdn

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT**

# Alaska State Legislature



Senate

SENATOR  
ARLISS STURGULEWSKI

COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources

2957 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-E

While in Juneau  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3318

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski

FROM: Margo Waring

RE: SJR 61 *WW*

As you requested, this memorandum provides an explanation of SJR 61, discusses some of the resolutions' implications, and provides some budget figures to illustrate the effect of the allocation scheme proposed in SJR 61.

In summary, SJR 61 will amend Article IX of the Alaska Constitution by adding two new sections.

SECTION 16 requires the legislature to appropriate "no more than" three-fourths of the revenues received from taxes, license fees and permits, interest, facilities income, miscellaneous services and other miscellaneous income to the operating budget. The remaining one-fourth of these funds shall be appropriated to the capital budget. Income received by the state from the sale or lease of state lands or interest in state lands is not available for appropriation under this section.

SECTION 17 establishes the Capital Investment Fund. All funds received by the state from the lease or sale of state lands or interest in state lands, except those required by the Constitution as the minimum appropriation to the Permanent Fund, are placed in the Capital Investment Fund. The legislature may appropriate no more than 10% of the balance of the fund annually for capital projects. Voter approval is required for appropriation of the balance of the fund.

In addition to adding the above two sections to the Constitution:

SECTION 2 places the proposal on the ballot at the next general election.

SECTION 3 takes FSS-FCCS SJR 4 off the ballot.

## EFFECT ON THE OPERATING BUDGET

Section 16 appears to permanently set a 3:1 ratio between appropriations for the operating and the capital budgets. This is true to the extent

that certain tax revenues are allocated in this manner. Section 17 allocates other revenues in such a manner that none go into the operating budget, but 4 of those dollars are available for capital projects. In FY 83 this would mean that 47.8% of all revenues were available to the operating budget, while 52.2% were available for capital projects.

This split between the operating and the capital budgets is intensified by the fact that SJR 61 redefines the operating budget, so that the working definition used by the Governor which comes from SJR 4 provides little obvious comparability. The following, however, represents what the Governor's Operating Budget for FY 83 would have been had his budget used the definition found in SJR 61. For FY 83, the Governor's Operating Budget would have been \$3,336,400 or 76.3% of all funds had SJR 61's definition been used, rather than the \$2,090,700 or 47.8% of all funds in SJR 61. The reason for this difference is that SJR 4 and the Governor's Budget modeled after it allow for certain exemptions which are rolled into SJR 61's operating budget. Those exemptions are: appropriations of permanent fund dividends, appropriations of revenue bond proceeds, general obligation bond payments of principal and interest, non-State funds (including federal receipts), revenues of public corporations. Additionally, SJR 61 redefines the capital budget so that using the "capital project definition" provided by SB 659, we would also have to include loan appropriations as part of the operating rather than capital budgets. The Governor placed loan appropriations in the capital budget. To the extent possible, Attachment A shows this difference.

It should be noted that as new sources of revenue are found, other than revenues from the disposal of state lands or an interest in state land as defined by Section 17 (see below for more discussion of this subject), the 3:1 ratio between operating budget and capital budget will be maintained. Thus, revenues from new taxes or new user fees would need to be 1/3 higher than needed in order to pay for new services, i.e., raising taxes to meet operating needs will create more money for capital projects.

#### EFFECT ON THE CAPITAL BUDGET

Large amounts of funds will accumulate for capital projects. Identifying the sums set aside by Section 16 and adding to those the funds identified by Section 17, assuming that funds in the Capital Investment Fund will be spent annually for capital projects, in FY 83, \$ 2072.4 billion could be spent. Attachment B shows these amounts over the next 16 years. These sums are significant in that increasing operation and maintenance funds would have to be found in the redefined operating budget, as will new personnel to staff these facilities.

#### EFFECT ON THE PERMANENT FUND

It is more difficult to quantify the effect of SJR 61 on the Permanent Fund. While quantified differences are difficult to estimate, qualitative ones are not. Briefly, we could anticipate a much slower

growth rate of the Permanent Fund under SJR 61. There are several reasons for this. First, the net effect of SJR 61 would be to re-write AS 37.13.010(a)(2) so that the statutorily established 50% of "all mineral lease rental, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" would be converted back to the 25% minimum identified in the Constitution. Thus, as of passage of SJR 61, mandatory contributions to the Permanent Fund would be halved for new fields. In addition, since special appropriations to the Permanent Fund would have to come under the operating budget limitation, we could anticipate severe reductions in additional funds flowing into the Permanent Fund. The likelihood of reductions in Permanent Fund contributions is intensified by the automatic appropriation under SJR 61's Section 17 of funds into the Capital Investment Fund. Nor is it possible for appropriations to be made from the Capital Investment Fund into the Permanent Fund.

In comparison, SJR 4 allows funds in excess of the spending limit to be appropriated, by voter approval, to either the Permanent Fund or to capital projects, so that competition exists between the Permanent Fund and Permanent Fund dividend increases and the desire for capital projects. On the other hand, SJR 61 mandates that no more than 25% of revenues from disposal of state land, or any interest in state land can go into the Permanent Fund (1/10 of oil revenue dollars) and thus permanently limits the size of Permanent Fund dividends. Projections of this difference appear in Attachment C, prepared at the 50% rate for the Beaufort only.

OTHER ISSUES: Tax Policy

There are several questions raised by Section 17 of SJR 61.

1. On line 29 of page 1, the phrase "but not limited to" is used in defining those revenues available for the Capital Investment Fund. At first glance, it appears to be the intention of Section 17 to identify the same set of revenues from which the Permanent Fund's 25% comes ("all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses" Sec. 15, Art. IX, Alaska State Constitution). However, to that definition in Sec. 15, the proposed Sec. 17 adds the defining language "revenues from the sale or lease of land" (page 2, line 1) and adds the language "but are not limited to" (page 1, line 29). Thus, the revenues available for the Capital Investment Fund are more than those available for the Permanent Fund, including as it does funds from the sale of land and the sale and lease of non-mineral land. Further, Section 17 implies some unstated future expansion of the list of revenues available for the Capital Investment Fund by the language "but are not limited to."

2. Because of this "unlimited" definition of revenues available to the Capital Investment Fund, it is not clear which revenues ultimately will be available for use under either Section 16 or Section 17 of SJR 61. This confusion can be illustrated by examining where severance tax proceeds might be appropriated. We might also speculate whether SJR 61 would provide incentives for the disposal and sale of state lands and

whether SJR 61's revenue-defining language would create incentives for the restructuring of state tax policy. Since only a limited range of taxes are available for the operating budget, future administrations and legislatures might have an incentive to substitute, for example, income taxes for royalty payment, not on the basis of its being the most appropriate tax for the resource or for the production process, but because of the desired ultimate destination for the revenues. In this way, it is possible that inefficient or inappropriate taxation policy decisions could be made in an attempt to correct the imbalance SJR 61 creates. While this effect is rather speculative, it should be kept in mind that SJR 61 may contain an incentive for this type of behavior.

3. Proceeds of the Permanent Fund go to the General Fund unless otherwise provided by law. SJR 61 makes no mention of the destination of the Capital Investment fund's income stream. Even if we assume that the Capital Investment Fund's principal will be expended each year, as it may well, the annual idle funds will generate income revenue. Similarly, SJR 61 does not specify the disposition of funds for capital projects which may be rejected by the voters. Will they be returned to the Capital Investment Fund for future capital expenditure? Do they return as revenues to be distributed by the 25% to the Permanent Fund, 75% to the capital Investment Fund formula? If both income and funds from rejected projects are returned to the Capital Investment Fund, this will mean that there will be even greater sums available for capital projects than indicated in the attachments.

#### OTHER ISSUES

No provision is made in SJR 61 for appropriations required due to disasters.

FY 1983  
Estimate  
January

## GENERAL FUND REVENUES

TaxesIncomeCorporate-General 35,000  
Corporate-Petroleum 304,000Gross ReceiptsAlaska Business Licenses 5,500  
Fish-Canned Salmon 6,000  
Fish-Shorebased 11,000  
Fish-Floating 4,000  
Salmon Enhancement 2,400  
Insurance Companies 11,500  
Other 1,400SeveranceGravel, Timber, etc. 2,500  
Oil & Gas Production (A) 819,000  
Oil & Gas Conservation 700PropertyOil & Gas (5) 157,700  
Vehicle Registration 200Sale/UseAlcoholic Beverages 9,000  
Fuel Taxes-Aviation 4,500  
Fuel Taxes-Highway 18,500  
Fuel Taxes-Marine 3,800  
Tobacco Products 1,900Other

Estate 500

Total Taxes 2,399,100Licenses & PermitsBusiness 11,000  
Non-Business 13,000Total Licenses & Permits 24,000Intergovernmental Receipt

Federal Shared Revenues 9,900

State Resource RevenueSale/UseBonus Sales -0-  
Investment Earnings 315,000  
Rents (S) 5,500 ) AVAILABLE FOR  
Royalties 1,325,200 ) PERMANENT FUND &  
Sale of State Property 5,500 ) CAPITAL INVESTMENT  
FUND  
Total: \$1,336,200Facilities Related ChargesAirports  
Ferry System-Southeast 1,200  
Ferry System-Southwest 26,300  
Other 3,800  
Service Related Charges 4,500Court System 3,300  
Other 4,500Total State Resources  
Revenues 1,694,800Miscellaneous Revenues

5,900

Total Unrestricted Revenues4,133,700AVAILABLE FOR CAPITAL  
& OPERATING BUDGET  
SJR 61\$4,113,700  
- 1,336,200  
2,797,500

**ATTACHMENT A-2**  
**Governor's FY 83 Budget under SJR 4**

Appropriations Subject to Spending Limit

<u>Allowable General Fund Appropriation Level</u>	2,800.0
<u>Operating</u>	1,867.6
<u>Capital Projects and Loans</u>	932.4

Operating Budget

<u>Formula Programs, Total</u>	875.5
<u>General Funds</u>	809.4

<u>Non-Formula Programs, Total</u>	1,415.5
<u>General Funds</u>	1,002.7

<u>Total Appropriations, Total</u>	2,291.0
<u>General Funds</u>	1,812.1

<u>Additional Appropriations</u>	59.5
<u>General Funds</u>	55.5

<u>Total Operating</u>	2,350.5
<u>General Funds</u>	1,867.6

Capital Budget

<u>Loans Appropriations</u>	392.6
<u>General Funds</u>	392.6

<u>Other Capital Appropriations</u>	715.1
<u>General Funds</u>	465.6

<u>Additional Appropriations</u>	74.2
<u>General Funds</u>	74.2

<u>Total Capital/Loans</u>	1,181.9
<u>General Funds</u>	932.4

Appropriations Not Subject to Spending Limit

Exempt Appropriations

<u>Permanent Fund Dividends</u>	150.4
<u>General Funds</u>	150.4

<u>Debt Service</u>	141.7
<u>General Funds</u>	141.7

Appropriations Subject to Voter Approval

<u>General Funds Available for Voter Approval</u>	298.0
---	-------

<u>Capital Projects, Total (Book II)</u>	297.6
<u>General Funds</u>	297.6

<u>Additional Appropriations</u>	0.0
<u>General Funds</u>	0.0

<u>Permanent Fund Contribution, Total</u>	0.0
<u>General Funds</u>	0.0

<u>Prior Year Appropriations, Total</u>	409.2
<u>General Funds</u>	409.2

<u>Total Appropriations</u>	4,531.3
<u>General Funds</u>	3,798.9

State Revenues

<u>Total State Revenues</u>	4,133.7
<u>Petroleum Revenues</u>	3,606.6

ATTACHMENT A-3      Comparisons

Exclusive of the Permanent Fund and Capital Investment Fund, SJR 61 has \$2,797,500 available for the capital and operating budget in FY 83.

Using the Governor's FY 83 recommended amounts, categorized as if under SJR 61, the budget would look as follows:

Operating Budget

Operating Budget	2350.5
<u>Plus</u> Loan Appropriations	392.6
Permanent Fund Dividend	150.4
Debt Service	141.7
Permanent Fund Contributions	200.0
Municipal Grants	101.2
<hr/> Total	<hr/> 3336.4

Capital Budget	715.1
<hr/> Total Operating and Capital	<hr/> 4051.5

Since only \$4,133,700 is available in revenues, we cannot have 75% of State Resource Sale/Use revenues removed and maintain the levels of operating budget and exempt items as in the Governor's Budget.

Conversely, in order to put 75% of State Resource Sale/Use revenues into a Capital Fund, the operating and capital budgets would need to be reduced by \$82,200, assuming revenue projections are accurate.

ATTACHMENT B  
In Thousands

SJR 61  
Revenues Available for Operating and Capital

	<u>Operating Budget</u>	<u>Total Available for Capital</u>
FY 83	2169.4	2072.4
FY 84	2733.9	2520.1
FY 85	3336.6	3019.1
FY 86	3826.7	3435.4
FY 87	4411.4	3981.6
FY 88	4345.3	4204.6
FY 89	4803.0	4657.3
FY 90	4794.6	4571.4
FY 91	4667.6	4371.6
FY 92	4665.4	4355.4
FY 93	4788.0	4447.6
FY 94	4923.2	4505.0
FY 95	4793.0	4224.4
FY 96	4834.1	4144.5
FY 97	5224.9	4483.4
FY 98	5471.2	4658.2

This chart is based on draft information provided by Senator Dankworth's staff.

ATTACHMENT C  
Beaufort Sea Revenues

<u>FY</u>	<u>Amounts in excess of 25% (i.e., 26-50%) \$ Millions</u>	<u>Cumulative with 10% interest \$ Millions</u>	<u>Additional PF Dividends at 50% of Earnings \$ Millions</u>
89	12.4	13.0	
90	19.5	34.8	1.2
91	21.2	60.5	2.4
92	63.7	133.4	4.8

Source: "Petroleum Revenue Production Forecast"  
Alaska Department of Revenue, December 1981

Legislative Finance: Milt Barker

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

# Alaska State Legislature



Senate

SENATOR  
**ARLISS STURGULEWSKI**

COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources

2957 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-H

While in Juneau  
FOUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3818

MEMORANDUM

January 23, 1982

TO: Senator Arliss Sturgulewski  
FROM: Margo W. Waring *MW*  
RE: SJR 61

Senator Dankworth requested that I share with him those changes which could be made in SJR 61 to correct problems which were identified during my analysis of the resolution. With your permission, I will send a copy of this memorandum to him.

Based on my analysis of SJR 61, I would suggest that the following items be considered for amendments to that resolution.

1. Make provision for appropriations to meet disasters as an exception to the appropriation limitation. Also exempt federal funds, permanent fund dividends and general obligation bond debt service.
2. Use in Sec. 17 the exact same language as appears in Sec. 15. Amend further so that AS 37.13 is not annulled.
3. Provide that funds for projects from the Capital Investment Fund which are not approved by the voters automatically get contributed to the Permanent Fund.
4. Provide that income from the Capital Investment Fund goes to the general fund.
5. Allow funds from the Capital Investment Fund to be used for the operation and maintenance of capital projects.
6. For purposes of the Capital Investment Fund, allow special appropriations to the Permanent Fund to be defined as capital projects.

I believe that these changes are consistent with the intent of the legislation as explained to me by Senator Dankworth, and would correct either problems in the legislation or emphases which are unintentional. In addition, it should be noted that these changes establish a balance between the Permanent fund and the Capital Fund and provide for voter choice between the two as different ways of investing state funds, each with its own benefit--either increased dividends or new facilities.

# TAX REVOLT

A - See Antedey  
pgs 2 + 5

pg 2 = short +  
good on effect  
of spending limitations  
from a reactionary view  
love it! *JA*

Stone - ~~Some~~ articles  
general interest

# In the appraisal industry...

# S sabre

systems  
and  
service

## one name says it all!

There's a reason Sabre has grown at a rate unparalleled in the industry. It's in the careful selection of experienced professionals on staff and in the development of modern government service systems.

- Professionals who have supervised hundreds of revaluation programs in more than thirty states (in the last 6 years, 46 Sabre tax equalization programs total 2.8 million parcels)
- Professionals who have pioneered and perfected on-line interactive mini-computer installations for local government with a broad scope of application and software packages (including Sabre Market Data Analysis computer-assisted appraisal)
- Professionals in property ownership mapping providing modern services from Tennessee to Mississippi to Ohio
- Consulting professionals specializing in administrative and fiscal counsel.

One other thing we think has helped our track record, we're owned by our professionals!

Sabre is selling a talented staff of professional experienced personnel and their performance today

Corporate Office: 900 Meadows Manor • Dayton, Ohio 45459 • 513.433.6250

# ASSESSMENT DIGEST

NOVEMBER/DECEMBER 1981

International Association of Assessing Officers

Volume 3, Number 6

## Features

### Executive Staff

Richard R. Almy, Acting Executive Director & Director of Research and Technical Services; Robert M. Clatanoff, Research Associate & Librarian; Robert C. Denne, Controller & Director of Administrative Services; James F. Gossett, Research and Association Counsel & Acting Director of Publications; Trinda Gray O'Connor, Assistant to the Education Director; Alan D. Grayson, Director of Education & Professional Admissions & Conference Coordinator; Dean A. McQuown, Curriculum Specialist; Stuart W. Miller, Information Specialist; Nancy Pagoulatos, Editor

### 2 Assessing the Tax Revolt

Born again special assessments and other creative development and public finance techniques in California.

*Donald G. Hagman*

### 5 Turning Point in the Real Estate Industry

Dramatic changes occurring in the real estate industry in the 1980s will affect assessing officers directly.

*M. Leanne Lachman*

### 8 Assessment Practices and Techniques in the 1980s

Assessors adapt in the changing economic and political environment of the 1980s.

*Richard R. Almy*

### 14 Legal Update

U.S. Congress and Supreme Court deal with issues of importance to assessing officers.

### 16 Conference '81

Coverage of the opening session and the professional seminar at Conference '81 in Louisville, Kentucky.

## Departments

Cover design: Fred Burton

Editorial Consultant: Fran Perveiler

### 21 Executive Director's Viewpoint

IAAO sees challenge to respond to changes in property tax systems.

### 22 IAAO News

1981-82 IAAO representatives and committee appointments, and 1981 award winners.

### 25 Publications

### 27 Law

U.S. District Court upholds constitutionality of Motor Carrier Act provisions.

### Executive Board

Richard A. Chandler, CAE, President, Assessor, Richmond, Virginia; Ian W. McClung, Vice President, Assessment Commissioner, Region of York, Newmarket, Ontario, Canada; Wayne C. Johnson, CAE, Immediate Past President, City Assessor, Ann Arbor, Michigan; Michael L. Austin, Assessor, Bath, Maine; Walter Birck, CAE, Assessor, Old Saybrook and Essex, Connecticut; Gerald E. Ernst, Assessor, Grand Rapids, Michigan; Ruby Hays, CAE, Assessor, Furnas County, Beaver City, Nebraska; Douglas R. Holbrook, Director of Ad Valorem Tax, North Carolina Department of Revenue, Raleigh, North Carolina; Ernest Lund, CAE, Assessor, Washington County, Washington, Iowa; John E. Smith, CAE, Valuation Manager, Multnomah County Division of Assessment and Taxation, Portland, Oregon; Tom Tegarden, CAE, Assistant Director of Assess-

ments, Tennessee Public Service Commission, Nashville, Tennessee

The *Assessment Digest* is published bimonthly by the International Association of Assessing Officers, 1313 East 60th Street, Chicago, Illinois 60637. The statements made or views expressed by authors in the *Assessment Digest* do not necessarily represent a policy position of the International Association of Assessing Officers. Advertisements appearing in this publication are paid advertisements and do not imply endorsement by the association of the products or services advertised. Any reproduction or use of contents must be accompanied by credit to the *Assessment Digest* or the International Association of Assessing Officers. Executive Offices • 1313 East 60th Street • Chicago, Illinois 60637 • 947-2069

# Assessing the Tax Revolt

## Born Again Special Assessments and Other Creative Development and Public Finance Techniques in California\*

By Donald G. Hagman,  
Professor of Law, UCLA

The state surplus is now almost exhausted; the federal government is substantially cutting aid to states and localities; Proposition 13 has "stood up." There will, therefore, be massive attempts to punch bigger holes in the limitations directed against taxes and government spending by Jarvis and Gann. I'm reminded of some observations I made in a 1978-79 orgy of writings about tax and expenditure limitations (TELS). The following among them now warrant further reflection:

•These limitations are legal creampuffs in the hands of clever lawyers. Getting around limits is as easy as fishing in a hatchery. "Where Californians Went Wrong," *Christian Science Monitor*.

•If traditional special assessments were meant to be banned by Proposition 13, it was a dumb idea. "How to Comply with Property Tax Limitations and Raise Taxes on Property at the Same Time," *Real Estate Issues*.

•The property tax on the homeowner-resident-voter . . . is the best tax from a conservative-efficiency perspective. "Proposition 13: A Prostitution of Conservative Principles," *Tax Review*.

•It is not unfair that the existing community require new development to pay its full infrastructure [public works, etc.] costs. "Reliance on Infrastructures Fees Indicates Resurgent Interest in

Growth Control," *Los Angeles Times*.

### Legal Creampuffs

Both the legislature and the courts have been busy authorizing loopholes in the TELS. For example, San Francisco was in danger of running afoul of its spending limit because that limit decreases with population, and San Francisco was losing population. No problem, the legislature defined San Francisco's population to be that of the Bay

---

*"Both the legislature and the courts have been busy authorizing loopholes in the TELS."*

---

area. Redevelopment authorities were having problems because spending limits are tied to previous expenditures. A redevelopment agency in an expanding phase of redevelopment activity could have been prevented from increasing expenditures by its spending limit. No problem, the legislature provided that revenues derived from property tax increments, the major source of redevelopment funds, were not subject to a redevelopment authority's spending limit. That should have made the increment subject to some other government's spending limit, but that is not the case under the legislature's imaginative statute.

The courts have also hardly been caught up in the spirit of 13. While Proposition 13 requires a two-thirds vote before special taxes can be im-

posed, the appellate courts so far neither have defined the term special tax nor have included various government revenues as special taxes. While once laughable, it is now thinkable that only property taxes which go into a special fund are subject to the two-thirds vote.

### Special Assessments, Charges, Fees, Exactions, Impact "Taxes"

Even if the courts decide various taxes are "special," a big loophole will remain. Most of the end-runs around TELS have resulted from characterizing governmental impositions as special assessments, charges, fees, exactions, or impact "taxes." Generically, these imposts are not taxes at all. Rather, they are payments due because the impost payer either is creating a need for services or facilities for which he should pay, or is causing a public harm which he should relieve with his payments, or is receiving a benefit for which he should pay.

It is not difficult to change a few words and make a tax impost into a non-tax impost. For example, since courts broadly defer to legislative bodies, courts will approve a special assessment where the amount one pays is allocated on the basis of benefit received as measured by the value of the property. The allocation is exactly the same as it would be under a property tax where the burden is allocated on a theory of ability to pay as measured by property value. Thus, the legislature has provided in recent years, and the courts have accepted (or will accept), the financing of services or capital expenditures by special assessment for police, fire, schools, refuse, infiltration, sewerage, drainage, flood control, rapid transit (such as subways, buses) harbors, streets, lighting, irrigation, park-

\* This paper was originally prepared for Current Legal and Legislative Issues in Property Assessment and Taxation; IAAO Legal Seminar, Orlando, Florida, March 19-21, 1981. 1981 © Donald G. Hagman

ing, and redevelopment. In fact, it is very difficult to think of services and public works which could not be paid for by a special assessment, charge, fee, exaction, or impact "tax." For example, I think developers could be required to provide low income housing in their projects or to pay a fee in-lieu thereof as a benefit-based or as a harm-avoidance impost.

#### Conservative Plaudits

While some of these end-runs raise the hackles of knee-jerk conservatives, the schemes are almost text-book applications of conservative thought. For example, the legislature has provided that many of these imposts be billed with property taxes, thus saving administrative costs. The imposts can be "zoned" and can thus be precisely based on benefit received. You get what you pay for, and you pay for what you get. There is no opportunity to demand unlimited services at someone else's expense. At least in theory, there is no redistribution of wealth from rich to poor featured in these devices, so conservatives should be happy about that.

A government such as a city or a county or a special district is an institution on which one can hang as many special service areas for as many kinds of services as wanted at whatever level desired. Two efficiencies flow from such an arrangement. First, there is a common institutional arrangement permitting economies of administration and scale. Second, people need not pay for what they don't want but can receive and pay for what they do want. Many of the schemes are controllable by landowner voting. As a result, they are good mechanisms landowner-developers can use to finance infrastructure. They also provide a means whereby the propertied class can keep better control than when decisions are in the hands of representative government or are made under one-person, one-vote rules.

As a by-product, these schemes also cure what economists call market failure. Market failure often arises when groups try to achieve a common end, and government is usually called on to remedy the failure. Not infrequently, the governmental cure is worse than the disease. Market failures go by such names as free riders (getting a service without paying for it); hold outs (everybody but one or a few go along); commons tragedies (everyone is so paranoid about getting his that the resource is exhausted). The TELS end-run schemes, however, involve government only modestly. They constitute more privatized and decentralized methods for curing market failure, yet they allow groups to join together for private as well as common benefit.

Developers are happy with these schemes once they realize they ultimately do not pay these imposts. Moreover, they'd rather be building than sitting on their hammers because there are no general governmental funds

available to build the infrastructure necessary for development. There's another reason why developers can take delight when they pay for infrastructure by special assessments. Such payments are virtually the only way they can vest a right to develop in California despite a change in law which would otherwise make development impossible.

Once properly educated, prospective homeowners will applaud because a large part of housing costs are attributable to infrastructure which can be financed by tax-exempt bonds paid off by one of the TELS end-run schemes. What homeowner wants to pay about 20 percent interest on private borrowings for his house when he could in effect borrow some one-third of the needed amount at some 13 percent?

The end-run schemes have other tax advantages. Some types of special assessment imposts for current services are deductible from the federal personal income tax. The state legislature has even begun to make some charges deductible from the state income tax. Why would home or condominium owners ever want to pay their association fees with after-tax dollars for maintenance of common areas, swimming pools, outdoor lighting, etc., when, with a little imagination, they could use a TELS end-run scheme and deduct the imposts from their federal income tax?

I stand by my earlier observation that the property tax is the best tax from a conservative-efficiency perspective. The non-tax, TELS end-run schemes, are even better from that perspective.

#### Fairness

Pointy-headed liberals are likely to reject these end-runs as regressive, and joining with knee-jerk conservatives, they will oppose many of them on the ground they add to housing costs. But these non-tax imposts may neither be regressive nor be passed on to housing consumers. Some, such as a special assessment on land, have the same economic incidence (jargon for who really pays) as property taxes on land. Land taxes are classically thought to be paid by landowners. The theory of tax capitalization, namely, that increased imposts decrease land values, reinforces the lesson that landowners really pay. If landowners really pay, the imposts are not regressive. That happens because landowners are wealthier on average than non-landowners. So imposts may well be progressive in result although they are benefit-based and are not in theory redistributive of wealth.

#### In Conclusion

Thank you Mr. Jarvis. Thanks, Mr. Gann. Your TELS have stimulated imaginative end-run schemes which may be more efficient and more equitable than what we had before. Good for you, legislatures and courts. Let the open season on TELS loopholing begin.

**What's  
new,  
unique,  
computerized  
and  
the  
ultimate  
tool  
in  
assessing?\***

\*HINT: The Assessor's  
Cost Estimating Manual  
By Boeckh

**Call (414) 271-5544  
to check it out.**



**E. H. BOECKH CO.**

A Division of  
American Appraisal Associates, Inc.

Home Office  
615 E. Michigan St. Suite 400  
Milwaukee, WI 53202

IN REAL ESTATE APPRAISING  
... DON'T LEARN FROM  
MISTAKES

# LEARN FROM THE EXPERTS AT AIREA



For a complete schedule and  
description of AIREA courses,  
contact:

**AMERICAN INSTITUTE OF  
REAL ESTATE APPRAISERS**  
of the National Association of Realtors®  
Dept. AD  
430 N. Michigan Ave.  
Chicago, IL 60611 (312) 440-8140

Learn in Appraisal Institute courses,  
from Institute instructors—working  
professionals who add practical  
knowledge and market-honed skills  
to the theory of real estate  
appraising.

Whether you're entering the  
profession or purchasing the  
services of appraisal professionals,  
you need to understand the  
principles of the valuation process  
... data collection and analysis,  
application of the three approaches  
to value, reaching the reliable  
estimate of property value. AIREA  
instruction is offered in the wide  
range of appraisal specialization.

Theory and practice—with an  
emphasis on professionalism—  
that's the goal of the Appraisal  
Institute, long the leader in  
appraisal education. Through  
lecture and case-study, AIREA  
students are afforded maximum  
opportunity to explore valuation  
techniques and procedures.

During 1982, courses will be given  
in one-week modules in academic  
settings across the country. Select  
the ones that will enhance your  
skills—and register now.

WRITE FOR THE 1982 AIREA  
EDU-CALENDAR. From AIREA, the  
oldest organization of professional  
appraisers and an affiliate of the  
National Association of Realtors®.

## REAL ESTATE APPRAISAL PRINCIPLES

Jan. 31-Feb. 5—Indiana U.  
(Bloomington)

May 9-14—Memphis State U.

May 16-21—U. of Portland

May 16-21—U. of Central Fla.  
(Orlando)

June 13-18—U. of Colorado  
(Boulder)

June 13-18—U. of San Diego

June 20-25—Ohio State U.  
(Columbus)

July 18-23—U. of N.C.(Chapel Hill)

July 25-30—St. John Fisher  
College(Rochester, NY)

Aug. 8-13—Dartmouth College  
(Hanover, NH)

Sept. 12-17—Indiana U.  
(Bloomington)

Also offered by the Appraisal  
Institute are these courses in  
appraising . . .

BASIC VALUATION  
PROCEDURES

RESIDENTIAL VALUATION  
CAPITALIZATION THEORY &  
TECHNIQUES, PARTS 1, 2, 3

CASE STUDIES IN REAL ESTATE  
VALUATION

VALUATION ANALYSIS & REPORT  
WRITING

RURAL VALUATION

LITIGATION VALUATION

INTRODUCTION TO REAL  
ESTATE INVESTMENT ANALYSIS

INDUSTRIAL VALUATION

STANDARDS OF PROFESSIONAL  
PRACTICE



# Turning Point in the Real Estate Industry\*

By M. Leanne Lachman  
President, Real Estate  
Research Corporation

We are at a turning point in real estate, and the '80s are going to be different from the '70s. Dramatic changes have occurred in the industry since interest rates went up in December, 1979. Real estate finance has been totally restructured—for *nonresidential* construction and investment. Residential markets, which account for the bulk of assessment parcels, are almost stagnant now. But big changes are coming, and the next few years are going to see radical adjustments on the part of American households.

All of the changes that I'm going to cover affect assessment officers directly. They affect the prices being paid for properties, and therefore your valuations. They affect new construction, and therefore the speed with which your tax base grows from that source. And they affect the attitudes of taxpayers and the directions from which appeals and public protests will come. The good news is that residential appreciation is no longer intense. In fact, prices are stable—or even declining in major markets. So the homeowner pressure over increased valuations is subsiding. The bad news is that residential tax bases will not be expanding—just when local governments are being cut off from federal funding and are really being squeezed for higher local revenue generation.

We are coming to view the late '70s as the perfect time in real estate. Values were rising. Demand was strong for all land uses. Construction volumes were high. And mortgages were

readily available at fixed rates. Then the prime rate soared to 20% in December, 1979. After six months of shock, the real estate industry set about changing its ways. In the last 12 months, we have seen a phenome-

---

*"We will see the beginning of some dislocation within the real estate industry in 1982."*

---

nal and nearly total restructuring of real estate finance for investment properties. We are now seeing cash, or equity, financing instead of debt. Joint ventures between developers and investors are a way of life, as is the equity financing—which is coming from pension funds, foreign investors, private limited partnerships, public syndications, and insurance companies. (Increasingly, though, the insurance companies are asset managers and intermediaries—not the actual sources of funds.)

Adjusting to joint ventures has been difficult for developers, who have not been used to sharing their rewards. However, most developers have adapted in the last year. Now they are appreciating the staying power of their deep-pocket partners. (As overbuilding emerges in a number of markets over the next 12 months, the deep pockets will be even more important.)

Real Estate Research Corporation

(RERC) prepares an annual report for the First National Bank of Chicago titled *Emerging Trends in Real Estate*.\*\* We cover a lot of information in each year's report, and it is presumptuous to summarize trends in an industry as huge and diversified as real estate in a short article. But I'll provide a lightning overview.

For each *Emerging Trends* report, RERC conducts about 75 hour-long, face-to-face interviews with key actors in the industry—investors, developers, lenders, and trade association representatives. This year, we were startled by the optimism of the group—until we realized that they were reflecting the calm that follows the storm. They are relieved that the restructuring of the commercial real estate environment has taken place. It is still difficult to make deals pencil out, but money is available through joint venture partners, and the requirements of the partners are understandable.

There is little current hope that interest rates will come down much, but people have learned how to work with high rates by looking to more equity and less debt financing. The interviewees envision a drop of 2 to 3 points in long-term rates and a reduction of 3 to 5 percentage points in short-term rates.

RERC's respondents identified clear signs of overbuilding, but hastened to point out that cycles are normal in real estate. We are reaching the end of a commercial building cycle—and that always means some overbuilding—but they didn't find this alarm-

\* Ms. Lachman's article is essentially the keynote speech that she delivered in Louisville at the 47th International Conference on Assessment Administration.

\*\* Copies of the 1982 report can be ordered by sending \$5.00 per copy to Real Estate Research Corporation, 72 W. Adams Street, Chicago, Illinois 60603.

ing. Although this sanguine attitude ignores the individual developers and lenders who are hurt by slow lease-ups or high vacancy rates at the end of a cycle, I think it takes account of the staying power that is behind so much new construction today. The institutional joint venture partners are strong and can withstand modest and even negative income streams. They may not like them—and I think some are going to be quite taken aback—but they are unlikely to panic and will not have to liquidate. So there is no danger of a 1974-75 real estate "bust."

### Office Space

The overbuilding is going to be the most extreme in the office market. Right now, supply and demand are in reasonably good balance, with vacancy rates very low. Six to twelve months down the road, however, the markets will not be so tight because new buildings will be opening.

The volumes of office space coming on stream over the next two years in a number of cities are truly staggering. For example, 10.5 million square feet will be completed in Manhattan in late 1981 and 1982, and at least another 20 million are in various planning stages. Manhattan was slow to begin office building after the last slump, and there is enormous pent-up demand. However, other markets that lack the depth of New York are experiencing incredible construction. Up to 10 million square feet are in the pipelines of Washington, D.C., Dallas, Houston, Chicago, Denver, San Francisco, and Los Angeles. Smaller but equally impressive booms will affect such markets as Atlanta, Miami, Phoenix, Boston, Pittsburgh, Seattle, Portland, San Diego, San Antonio, Austin, Charlotte, and Minneapolis-St. Paul.

As these examples demonstrate, many office markets will be showing signs of weakness by late 1982 and early 1983.

Because new projects are still being announced in many of the large markets—and often at better locations than buildings already coming out of the ground—the eventual space overhang could take several years to absorb. Occupancy rates will drop—in some cases sharply—but rent levels will probably not decline. One reason is the institutional ownership—and therefore the staying power of the owners. As mentioned before, this type of investor stability was not present in the downturn of 1974-75.

### Shopping Centers and Stores

Retailing is in terrific flux—because of changing demographics, population redistribution, expansion and contrac-

tion of chains, selective but serious overbuilding, and less enthusiastic investor attitudes than we are seeing about office, hotel, and industrial properties.

The retail industry is trying to come to grips with fluctuating and increasingly stratified consumer markets. The mass markets of the '50s and early '60s have disappeared. Far fewer than 50% of the households in the U.S. contain children, and the proportion is dropping steadily. The profile of total households now includes significant numbers of single persons of all ages, adult couples with one or two incomes, single-parent families, traditional one-wage-earner families, two-income and even three-income families, and a wide range of combinations of adults and families. This diverse assortment, with its attendant consumer preferences, is further segmented by broad differences in buying power. It is easy to see why retailers are confused.

The most identifiable market split is between households with high dis-

---

*"We are coming to view the late '70s as the perfect time in real estate."*

---

cretionary incomes (generally, adult households) and the lower-income purchaser group, which is heavily skewed toward child-oriented households. Responding to current demographics, retailers at both the high and low ends are expanding aggressively and encroaching on middle-market competitors. Witness the proliferation of K-Marts, catalog stores, Ventures, and Targets and the moves into many new metropolitan areas of such high-end specialty stores as Lord and Taylor, Neiman-Marcus, Saks, and Brooks Brothers. The retailers hurt most by these expansions have been the middle-of-the-road people, especially traditional department stores.

There is still potential for regional shopping center development, but it is far more selective than at any time in recent memory. A number of America's largest metropolitan areas are at or near saturation.

Opportunities for new construction exist in closer-in and older suburban markets that were bypassed in earlier waves of development. We are also seeing expansion of strong and successful existing centers where adjacent land is available. In addition, there is significant opportunity for retenanting and overall upgrading of

well-located older regional centers. When Sears closed at Country Club Plaza in Kansas City, for example, it was replaced with a wide range of specialty shops to create an entirely new ambience.

A fourth area of opportunity is downtown retailing, though these projects generally require public subsidy and multiuse development because of high land values. Over 85% of this year's interviewees were positive about central business districts and were convinced that the decline trend of the last 15 to 20 years had ended.

No matter what the location is, new regional shopping centers of the '80s will tend to be smaller than in recent years, more heterogeneous in terms of tenant mix, and focused more on restaurant and entertainment space. They may also integrate more adjacent uses than in the past—for example, office, hotel, free-standing convenience retail, or even housing developments. We'll see a lot more mixed-use projects.

### Hotel Expansion

Hotel inventories have also increased dramatically. Because of the extremely high construction costs in major cities, new hotels are of necessity in the luxury class. So there has been a proliferation of high-end rooms at higher- and higher-end rates. RERC's index of Luxury Hotels has risen at well over twice the rate of inflation since 1975. For single rooms in luxury hotels, the rate increase from 1975 to 1981 was 128%, or 21.3% annually.

In comparison with other types of hotels, rate increases in luxury hotels were 80% higher than the increases at airport and CBD hotels generally. Better performance of up-end properties has produced a "rush to elegance" among many of the large, middle-tier chains. Rodeway now has its Summit Hotels, Ramada introduced Renaissance facilities, and Quality Inns come in three levels, with Quality Royale at the top.

As in the cases of offices, there are clear signs of hotel overbuilding, most visibly in Boston, New York and Houston. Because of the high replacement costs of hotels, the sales prices are also high. Hence, investment returns are narrowing, and this trend is expected to continue through 1982. For hotels, as for office buildings, we now have a sellers' market for existing facilities. Investor demand is exceeding the supply of investment-grade real estate, and high prices are being paid. Capitalization rates have been dropping, and half of our interviewees believe they will go even lower in 1982. (That half tended to be people who planned to sell. I disagree

with them and think we will start to see cap rates rising again. Already, the flow of pension fund monies into real estate is slowing down.)

### Industrial Development

Developers of industrial properties can gauge their markets more accurately and respond faster to both upturns and downturns than their counterparts in other commercial land uses. Hence, industrial supply and demand stay in closer balance.

Two significant trends in investment-grade industrial development have emerged in the last few years. The first is downsizing of industrial parks. As in all types of land development, heavy infrastructure and carrying costs make large-scale and long-term projects unattractive. The exceptions are: (1) land holdings that have been owned for a long time and have a low enough basis to make incremental new development profitable; and (2) very high-end developments featuring lakes, extensive open space, architectural controls, etc. Examples would include McCormick Properties' development in suburban Baltimore, Oakmead in Sunnyvale near San Jose, and Rauenhorst's Opus 2 Park in Minnetonka, Minnesota.

The second trend is a reduction in speculative industrial development. Because rents have not kept up with inflation in most markets, developers have focused on a build-to-suit approach. Many speculative builders switched to "business park" development, which features small offices attached to small distribution facilities, incubator space for firms with products of high enough value to justify the rents, and repair and service outlets. Predictably, speculative developers attracted to the high potential rents have built too enthusiastically, and business park vacancy rates are high in such dynamic markets as Dallas, Houston, Denver, Tucson, and Los Angeles.

Although industrial space is not as glamorous as downtown office buildings or regional shopping centers, it can produce a steady and attractive return. Consequently, it has become an appealing vehicle for institutional investors attracted by net leases with prime tenants. So here, too, a national investment market is operating.

### Residential Prospects

Housing is going to get increasing attention in 1982. Residential finance has not been sorted out yet, and housing starts are dropping monthly. Vacancy rates are extremely low in the major markets; first-time buyers are frozen out; corporations can't transfer employees; the high-end market that has supported much of the market-rate construction is thinning

out; and the subsidy programs that have supported much of the below-market-rate construction are being cut back. A gloomy picture, but not a hopeless one.

As market saturation forces a slowdown in nonresidential construction, investor and developer attention is going to turn back to residential. We will see some action again in 1982. First of all, we will see construction of new apartment buildings, and we will see some reconsideration of rental housing by institutional investors. Apartment rents have started to move up in the last 12 to 18 months, and this trend will continue and may well accelerate.

The second housing action will be development of a new national financing structure for home mortgages. That structure may well be in place

---

*"There is little current hope that interest rates will come down much, but people have learned how to work with high rates by looking to more equity and less debt financing."*

---

by late 1982. It will probably consist of mortgage-backed securities issued by everyone from Merrill Lynch to Sears and from major banks to major homebuilders. We will see mortgage-backed securities that are both taxable and tax-exempt (for pension funds). The mortgages will have renegotiable rates. Loan origination and servicing will be done by savings and loans and banks, but they will not be the major money sources.

The new financing structure will not help the problem of buyer affordability, which is the third area where we will see action. The action will be a dramatic drop in the sizes of new units, and therefore a lowering of the total price. The average new home in the United States had 1,740 square feet in 1980, down ever so slightly from 1,760 square feet in 1979. By the late '80s, the average figure for new units could be as low as 1,200 square feet—or 550 square feet smaller than today.

The only way we are going to make houses affordable is to drastically reduce their size. Imagine postwar Levittown houses, but turn them into attached townhouses so that you can get even more on an acre. Dramatic downsizing is doing to be a bitter pill for Americans to swallow, even though households are becoming steadily smaller and can easily fit into

less space. We have been able to afford to be profligate with space. No longer.

Four years ago, we used to define a dream house as "one that cost twice as much as you ever dreamed it could." Today, a dream house is "one that costs twice as much as you could ever afford." RERC is not predicting prompt consumer acceptance of the downsizing concept, but it will be the way of the future. In the interim, we will see more doubling and tripling up in both ownership and rental housing, young people returning home or leaving home later, and increased emphasis on renting rather than owning. (We should keep in mind that variable mortgage rates seriously erode a key incentive for home ownership: the appeal of capturing the appreciation in the unit. Now the lender gets that appreciation first—at least up to the level of inflation. The interest rate increase neutralizes much of the investment attraction of ownership housing. As this is recognized by more and more households, they will weigh the rental alternative more seriously. RERC predicts that the proportion of households owning their units will actually drop between now and 1990—for the first time in 50 years.)

Margaret Mead used to say, although change is difficult, the only way to correct it is with more change. That is what is going to have to happen in housing. In the interim, we will see stable home values—and even declines if the below-market financing being taken back by individual sellers is taken into account. At the same time, though, we will see rents going up and value increases for rental properties.

On balance, real estate will not be as golden in 1982 and 1983 as it has been over the last five years. Except in housing, supply and demand are in rough equilibrium nationwide, but there are definite signs of overbuilding, which will become even clearer in 1982. Office markets will be affected most, followed by hotels, retail and speculative industrial.

The high flow of funds to nonresidential real estate has created an overheated and highly competitive market for the limited supply of investment-grade commercial properties. By the end of 1982, when rising vacancy rates are recognized as the harbingers of lower yields, the bidding war is likely to slow down. We will see the beginning of some dislocation within the real estate industry in 1982. However, this downturn will serve as a hiatus after several years of sustained boom and will tend to bring both space markets and risk-reward ratios into healthier balance.

# Assessment Practices And Techniques In The 1980s

By Richard R. Almy

In broad terms, the assessment function involves the discovery, description, and valuation of property; the keeping of records linking properties to their respective owners; and the placing of assessed values and owners' names on assessment rolls. Under the best of circumstances, this would be a large and difficult task.

Assessing, however, takes place in an economic and political environment in which assessors, like taxes, are regarded as necessary evils. No matter how hard we may try, property assessment is inextricably intertwined with the political and fiscal affairs of local and state governments. If assessments are out-of-date and inequitable, not only do taxpayers object but fiscal management also is adversely affected. Bringing assessments up-to-date and removing inequities also can prove unpopular. Too often, property tax rate-setting bodies fail to offset large increases in assessed values with decreases in tax rates, thereby causing large, unvoted increases in property tax levies. Major shifts in the share of property taxes borne by homeowners, farmers, business, and industry that follow infrequent reassessments also cause an outcry.

## The Legacy of the 1960s and 1970s

The types of problems just described were experienced by literally thousands of assessment jurisdictions during the 1960s and 1970s. At the risk of some oversimplification, most assessors entered the decade of the 1960s with Depression-era assessment systems that relied on manual applications of the cost approach. In many areas real estate markets were booming, and assessors simply were unable to keep pace with changing real estate values. As a result, actual assessment levels lagged far below legal assessment levels, and inequities in assessments abounded.

In the late 1960s computers capable of efficiently storing and processing the masses of data found in assessment record systems became available to local governments. Assessors eagerly embraced the new technology, and several hundred implemented sophisticated computer-assisted appraisal

and assessment systems. With these systems it became possible for assessors to keep pace with rapidly changing market values. It turned out that this capability contributed significantly to the two problems mentioned earlier: large, unvoted increases in property taxes and significant shifts in the composition of the property tax base, with single-family residential property bearing a larger portion. These problems came to a dramatic head in June, 1978, when the voters of California approved Proposition 13.

The course of events in the 1960s and 1970s will have a profound effect on assessing in the 1980s for two and probably three main reasons. First, the so-called taxpayers' revolt reflects a swing away from "liberal, free-spending" government. The obvious implication for assessors—most of whom never realized that they were in an era of easy money—is that they will be competing for a piece of a smaller pie when they make their budget requests. At the same time, they can expect to be involved in the administration of additional property tax relief and incentive measures, each of which will have some administrative cost.

Second, there is a widespread awareness of the possibilities for equitable assessments. For several years the (U.S.) Advisory Commission on Intergovernmental Relations (ACIR) has conducted public opinion polls on what is the worst or least fair tax. For years the property tax was regarded as the worst tax. Now it ranks above the federal income tax.<sup>1</sup> One interpretation of this development is that the public has greater expectations regarding equitable assessments, responsive property tax officials and bearable tax burdens. Taxpayer organizations ranging from groups of "grey guerrillas," the Ralph Nader-sponsored Tax Reform Research Group, and the League of Women Voters, to chambers of commerce now are quite sophisticated in their approaches to calling attention to assessment inequities, advising individuals on how to appeal their assessments, and proposing programs for improving assessment systems that are capable of

producing equitable assessments. Journalists, particularly those of the national press, have made similar strides. Courts appear to have noticed these developments and have been less tolerant of pervasive patterns of the assessment inequities that result from outmoded assessment systems and infrequent reappraisals. Legislatures also have acted in response to court decisions and in recognition of the fact that a legislative program to improve assessment practices can deal simultaneously with related tax policy issues and can be undertaken on a more realistic timetable. In short, assessment jurisdictions that rely on outmoded assessment systems and that do not have a program of frequent reassessments can anticipate their practices being challenged.

A third reason is inflation. Inflation was a dominant factor in the field of property taxation in the 1960s and 1970s. It was the chief stimulus for improvements in assessment administration. It also was the underlying cause of the taxpayers' revolt.<sup>2</sup> The change in the composition of the tax base can be traced to the differential effects of inflation on residential and business properties. Inflation also fueled much of the increase in public spending and at the same time put the pinch on taxpayers' pocketbooks. Most economic forecasts indicate that high levels of inflation will be with us for the next several years.

Thus, assessing officers—to borrow Robert Strauss's phrase about the reasons for Jimmy Carter's defeat at the polls—are facing a "confluence of events" as they enter the decade of the 1980s. Carrying the confluence analogy a bit further, the currents are so strong that there is no going back. We must respond and adapt.

## Assessing in the 1980s.

Responses and adaptations will come in the following areas: accountability; appraisal methods; data collection methods; automation; implementation of social and economic policies; and appeals.

### Accountability

A clear implication of recent events is that assessors will be held more ac-