

SCOMM

62:13

FISCAL NOTE

REQUEST:

Revision Date: April 24, 1989
Title: Oil & gas properties production/
permanent fund
Sponsor: Eliason, Jones, Adams
Requestor: Senate State Affairs

Agency Affected: Department of Revenue
BRU: Oil & Gas Audit Division

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	158,000	181,000	192,000	207,000	207,000

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached page for analysis.

Prepared By: Roger Marks

Division: Dept. of Revenue, Oil & Gas Audit Division

Phone: 277-5627

Date: April 24, 1989

Approved by Commissioner: Hugh Malone

Agency: Department of Revenue

Date: 9/24/89

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Fiscal Analysis of SB 284

This bill modifies the economic limit factor (ELF) formula used in computing the production (severance) tax on oil, and also increases the contribution of proceeds from royalties to the Permanent Fund. This fiscal note addresses the ELF aspect only.

The bill (1) introduces the rate of field production into the exponent of the current ELF formula; (2) repeals the so-called "rounding rule," the provision of current law which states that for any month during the first 10 years of commercial oil production for which the computed ELF of a lease or property exceeds 0.7 the ELF shall be considered to be one; and (3) fixes the production at the economic limit (PEL) at 300 barrels times the number of well days in the month.

This bill's provisions on ELF are identical to those in SCS CS HB 118 (Judiciary) except that this bill has an effective date of July 1, 1989. Both bills lack an explicit date of application, the date on which the legislation first begins applying to oil production. This date of application will determine how much revenue is raised for FY 89 and FY 90.

If the bill applies to oil produced after this date	Revenues Raised for FY 89	Revenues Raised for FY 90
12/31/88	64	171
01/31/89	50	171
02/28/89	37	171
03/31/89	24	171
04/30/89	12	171
05/31/89	0	171
06/30/89	0	158
07/31/89	0	145
08/31/89	0	132

This fiscal note assumes that the date of application is June 30, 1989. The severance tax is paid monthly for the prior month. (For example, the tax for production in April is due in May.) As written, this bill will thus only raise revenues for 11 months in FY 90.

This fiscal note was calculated using the oil price and production assumptions of the Department of Revenue's Spring 1989 Petroleum Production Revenue Forecast mid-case scenario. That forecast was predicated on Alaska North Slope crude prices at the U.S. Gulf of \$14.29 a barrel in FY 89 and \$16.41 a barrel in FY 90.

Additional revenues for future years in millions of dollars are as follows:

1995	194
1996	180
1997	165
1998	157
1999	148
2000	139
2001	129
2002	110
2003	86
2004	69
2005	45
2006	21
2007	4
2008	(3)
2009	0
2010	0



Alaska Permanent Fund Corporation

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M E M O R A N D U M

DATE: April 19, 1989

TO: Senator Dick Eliason

FROM: Jim Kelly *JK*
Research & Liaison Officer

SUBJECT: Analysis of Senate Bill No. 284

Attached are two financial projections and three charts prepared by the Alaska Permanent Fund Corporation at your request.

Financial Projection #1: This is the status quo case as of March 31, 1989. It provides the benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This projection depicts the impact of enactment of Senate Bill No. 284. It is the Corporation's understanding that this bill would increase from 25% to 43% the rate of contribution to the Permanent Fund 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 on or after July 1, 1989, from mineral leases issued on or before December 1, 1979.

In other words, the dedicated revenues which have been flowing to the Permanent Fund at the 25% contribution rate would be increased to the 43% level, and those revenues which have been flowing at the 50% contribution rate would continue unchanged.

Commentary on the Charts: In all cases, the Department of Revenue Spring 1989 low-case forecast is used.

Chart #3 compares the contribution of dedicated revenues to the Permanent Fund each year from 1990 - 2005 under both the status quo and SB 284.

Chart #4 again compares those contributions, but also depicts them in relation to the total amount of state oil revenues projected to be received each year from 1990 - 2005.

Chart #5 compares the cumulative total contributions under the status quo and SB 284 with the cumulative total state oil revenues projected to be received during that same period.

The following analysis concerns itself with certain impacts on the Permanent Fund (all figures except per capita dividends are in millions of dollars):

- 1) How would this proposal affect the growth of Fund principal?

Fund Principal Balance

	Status Quo	Projection #2
June 30, 1989:	9,135	9,135
June 30, 2000:	18,229	19,542
June 30, 2005:	23,390	25,214

- 2) How would it affect the level of Fund net income produced in the future?

Annual Net Income

	Status Quo	Projection #2
Fiscal 1989:	838	838
Fiscal 2000:	1,634	1,749
Fiscal 2005:	2,100	2,263

- 3) How would it affect total dividend distributions (in millions) and the amounts of annual per capita dividends?

Dividend Distributions

	Status Quo	Projection #2
June 30, 1989:	459	459
June 30, 2000:	772	821
June 30, 2005:	1,001	1,077

Per Capita Dividend Payments

	Status Quo	Projection #2
Calendar 1989:	\$ 840.00	\$ 840.00
Calendar 2000:	1,097.00	1,170.00
Calendar 2005:	1,294.00	1,397.00

- 4) How would it affect inflation-proofing transfers?

Inflation-Proofing Transfers

	Status Quo	Projection #2
June 30, 1989:	358	358
June 30, 2000:	862	928
June 30, 2005:	1,099	1,186

5) How would it affect amounts of dedicated state revenues?

Dedicated State Revenues

	Status Quo	Projection #2
June 30, 1989:	192	192
June 30, 2000:	67	114
June 30, 2005:	18	31

Compared to the status quo, the most noticeable effects of adoption of the changes depicted in this proposal would be as follows:

Fund principal would be \$1.3 billion larger in 2000 and \$1.8 billion larger in 2005.

Net income would be \$115 million larger in 2000 and \$163 million larger in 2005.

The dividend distribution would be \$49 million larger in 2000 and \$76 million larger in 2005.

Per capita dividends would be \$73 larger in 2000 and \$103 larger in 2005.

The inflation-proofing transfer would be \$66 million larger in 2000 and \$87 million larger in 2005.

The dedicated state revenues would be \$47 million larger in 2000 and \$13 million larger in 2005.

For Your Information: These projections are based on a certain set of basic assumptions; the numbers shown on these sheets would change if different assumptions were used. The assumptions used in the preparation of each projection are listed at the bottom of each projection sheet, and explained herein.

It is the Corporation's policy to use conservative assumptions wherever possible. Thus, the Fund's long-term rate of return is projected to average 3% per year after inflation; long-term inflation is projected to average 6% per year; and the assumptions for numbers of future dividend recipients and amounts of future

Senator Dick Eliason
April 21, 1989
Page 4

dedicated State oil revenues are taken from the Department of Revenue's most recent "low case" forecast.

PLEASE NOTE THAT THE CORPORATION NEITHER SUPPORTS NOR OPPOSES ANY PROPOSED CHANGES TO THE CURRENT USE OF FUND EARNINGS, EXCEPT AS THEY MAY RELATE TO THE PROPER EXERCISE OF THE TRUSTEES' FIDUCIARY RESPONSIBILITIES AS REQUIRED UNDER THE PRUDENT INVESTOR RULE.



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS

(in millions)

as of March 31, 1989

PRINCIPAL

INCOME

FY	FY Begin Balance	Appropriations	Dedicated		FY End Balance	Inflation Proofing Shortfall	Distributions				Reserves		FY
			State Revenues*	Inflation Proofing			Net Income	Per Capita Dividends	Inflation Proofing	General Fund	Add (Delete)	FY End Balance	
78			54		54		2				1		78
79	54		84		139		8				7		79
80	139		344		483		32	12			12		80
81	483	900	385		1,769		150	28			28	59	81
82	1,769	800	401		2,969		368	71	\$1,000.00		71	185	82
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	83
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	84
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	85
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	86
87	6,281	1,264	171	148	7,864		1,069	391	\$708.19	148		529	87
88	7,864		418	303	8,585		789	424	\$826.93	303		62	88
89	8,585		192	358	9,135		838	459	\$840.00	358		20	89
90	9,135		172	465	9,772		819	477	\$817.00	465	(123)	489	90
91	9,772		149	595	10,516		974	473	\$794.00	595	(94)	395	91
92	10,516		141	639	11,296		1,035	470	\$774.00	639	(75)	320	92
93	11,296		134	686	12,116		1,101	501	\$809.00	686	(85)	235	93
94	12,116		128	735	12,979		1,170	535	\$850.00	735	(100)	135	94
95	12,979		114	786	13,878		1,241	580	\$904.00	786	(124)	11	95
96	13,878		104	709	14,692	130	1,314	615	\$942.00	709	(11)		96
97	14,692		98	737	15,526	151	1,389	653	\$981.00	737			97
98	15,526		95	777	16,397	161	1,468	691	\$1,019.00	777			98
99	16,397		85	818	17,300	171	1,549	731	\$1,058.00	818			99
0	17,300		67	862	18,229	181	1,634	772	\$1,097.00	862			0
1	18,229		56	906	19,190	191	1,721	815	\$1,136.00	906			1
2	19,190		51	952	20,193	203	1,811	859	\$1,176.00	952			2
3	20,193		17	999	21,209	214	1,904	905	\$1,215.00	999			3
4	21,209		17	1,047	22,274	226	2,000	952	\$1,255.00	1,047			4
5	22,274		18	1,099	23,390	239	2,100	1,001	\$1,294.00	1,099			5
Cumulative Totals: 3,964							29,164	13,218	\$21,990.82	14,453	229		

ASSUMPTIONS:

4.08% Inflation Rate FY 89
9.21% Rate of Return FY 89

5.00% Inflation Rate FY 90
8.00% Rate of Return FY 90

* SOURCE: Dedicated Revenues and Population Projections From Alaska Department of Revenue Spring 1989 Low-Case Revenue Forecast Except 1989 Estimate of 530,000 Eligible PFD Applicants By DOR Permanent Fund Dividend Division

4/21/89

STATUS QUO

6.00% Inflation Rate FY 91-05
9.00% Rate of Return FY 91-05



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS

(in millions)

as of March 31, 1989

PRINCIPAL

INCOME

FY	FY Begin Balance	Appro- priations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Distributions				Reserves		FY	
							Net Income	Dividends	Per Capita Dividends**	Inflation Proofing	General Fund	Add (Delete)		FY End Balance
78			54		54		2				1			78
79	54		84		139		8				7			79
80	139		344		483		32	12			12			80
81	483	900	385		1,769		150	28			28	59	59	81
82	1,769	800	401		2,969		368	71	\$1,000.00		71	185	244	82
83	2,969	400	421	231	4,021		471	108	\$386.15	231	110	110	354	83
84	4,021	300	366	151	4,838		530	175	\$331.29	151		203	557	84
85	4,838	300	368	235	5,741		658	217	\$404.00	235		206	763	85
86	5,741		323	216	6,281		1,021	303	\$556.26	216		501	1,264	86
87	6,281	1,264	171	148	7,864		1,069	391	\$708.19	148		529	529	87
88	7,864		418	303	8,585		789	424	\$826.93	303		62	591	88
89	8,585		192	358	9,135		838	459	\$840.00	358		20	611	89
90	9,135		290	471	9,896		824	477	\$818.00	471		(124)	487	90
91	9,896		252	609	10,758		991	475	\$798.00	609		(93)	394	91
92	10,758		238	660	11,655		1,062	476	\$783.00	660		(73)	321	92
93	11,655		227	713	12,594		1,139	510	\$824.00	713		(83)	237	93
94	12,594		217	769	13,580		1,220	550	\$873.00	769		(99)	139	94
95	13,580		193	826	14,600		1,302	600	\$936.00	826		(124)	14	95
96	14,600		177	758	15,534	128	1,386	641	\$983.00	758		(14)		96
97	15,534		165	787	16,486	155	1,472	684	\$1,030.00	787				97
98	16,486		160	833	17,478	166	1,561	729	\$1,077.00	833				98
99	17,478		143	880	18,501	178	1,654	774	\$1,123.00	880				99
0	18,501		114	928	19,542	189	1,749	821	\$1,170.00	928				0
1	19,542		96	977	20,614	202	1,846	870	\$1,216.00	977				1
2	20,614		88	1,027	21,730	215	1,947	920	\$1,261.00	1,027				2
3	21,730		29	1,079	22,837	227	2,049	971	\$1,307.00	1,079				3
4	22,837		30	1,130	23,997	242	2,154	1,023	\$1,352.00	1,130				4
5	23,997		31	1,186	25,214	256	2,263	1,077	\$1,397.00	1,186				5
Cumulative Totals: 3,964							30,553	13,786	\$22,000.82	15,275	229			

ASSUMPTIONS:

4.08% Inflation Rate FY 89
9.21% Rate of Return FY 89

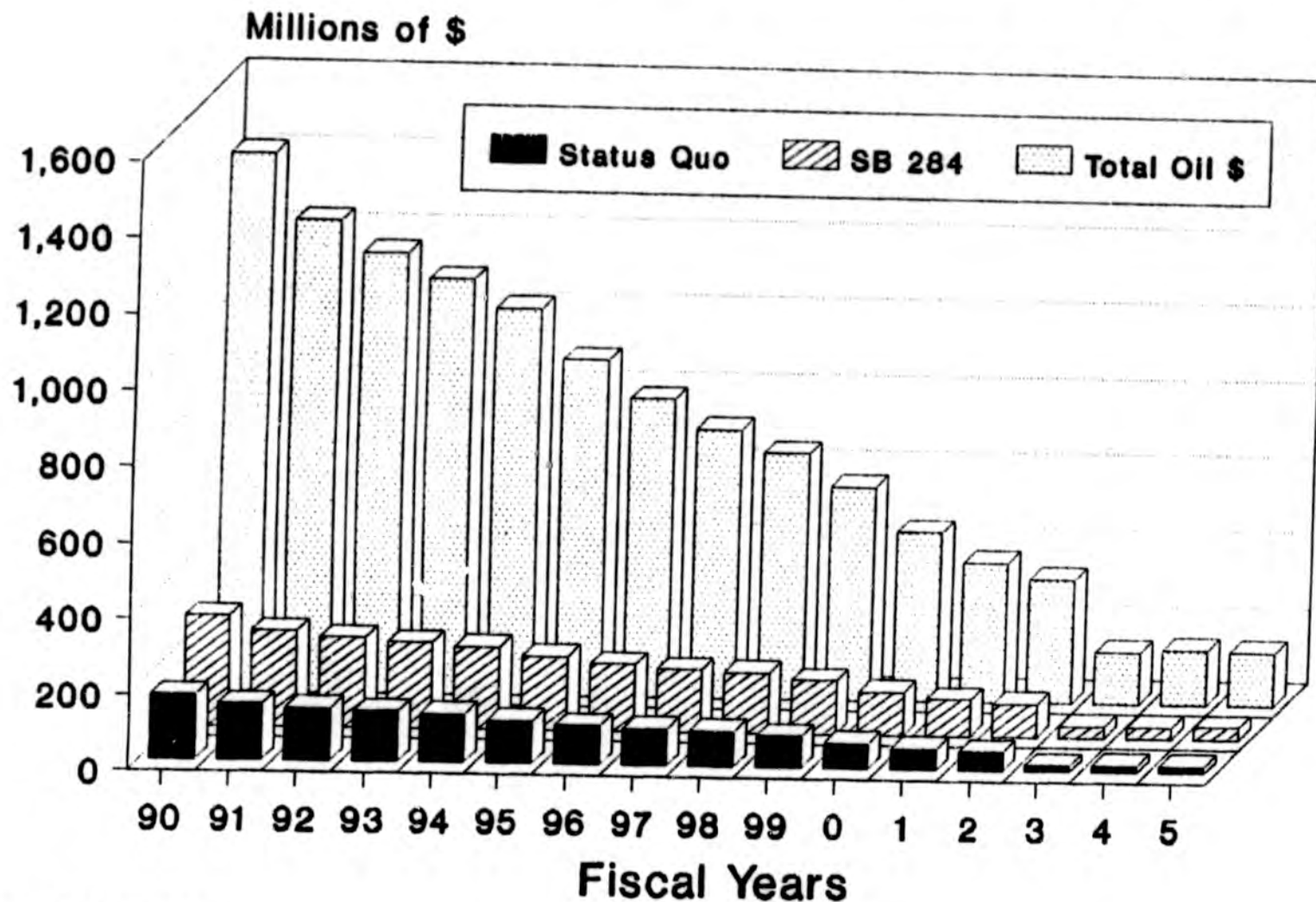
5.00% Inflation Rate FY 90
8.00% Rate of Return FY 90

4/21/89
SENATE BILL NO. 284

6.00% Inflation Rate FY 91-05
9.00% Rate of Return FY 91-05

* SOURCE: Dedicated Revenues and Population Projections From Alaska Department of Revenue Spring 1989 Low-Case Revenue Forecast Except 1989 Estimate of 530,000 Eligible PFD Applicants By DOR Permanent Fund Dividend Division

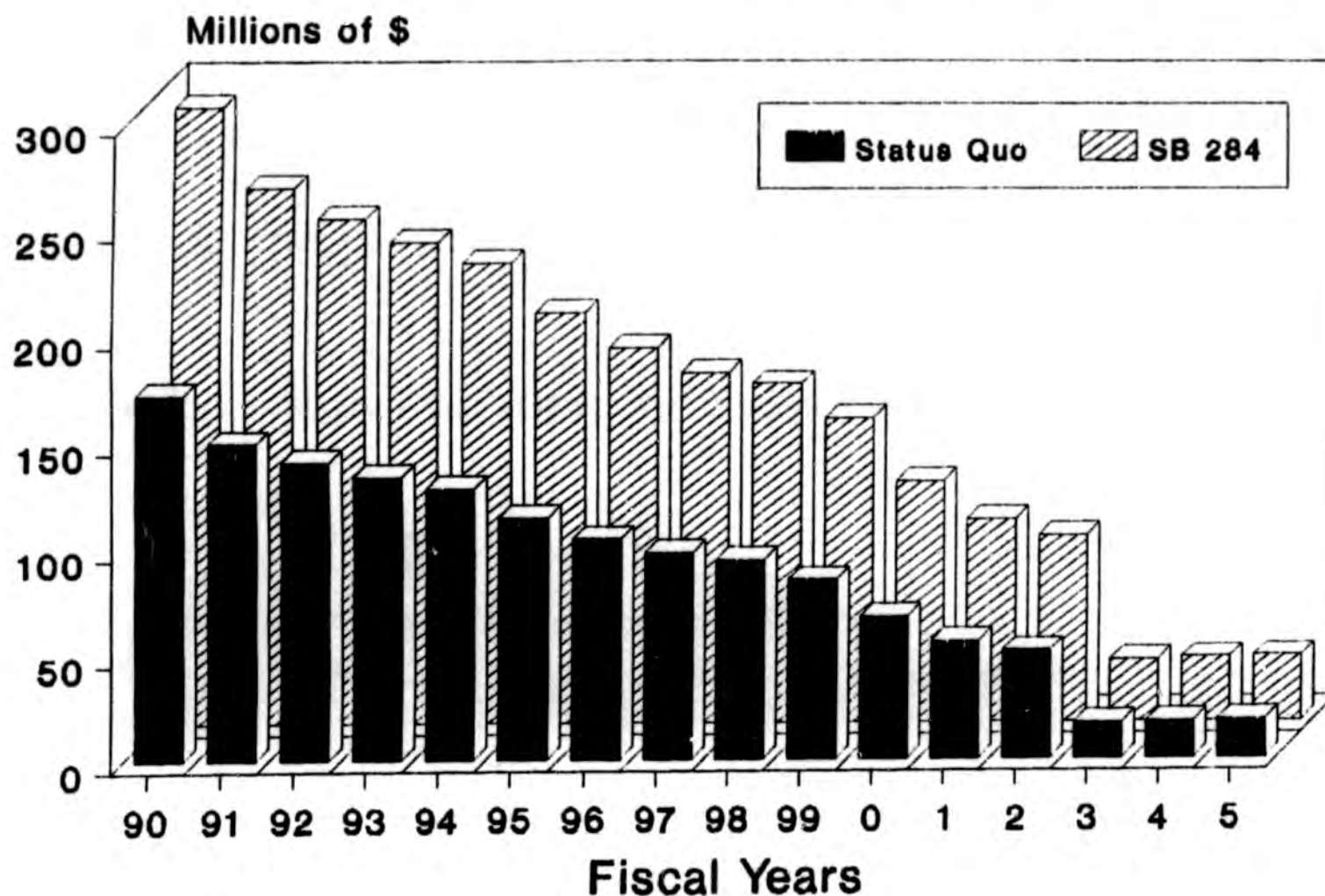
DEDICATED OIL REVENUES TO FUND COMPARED TO TOTAL STATE OIL \$



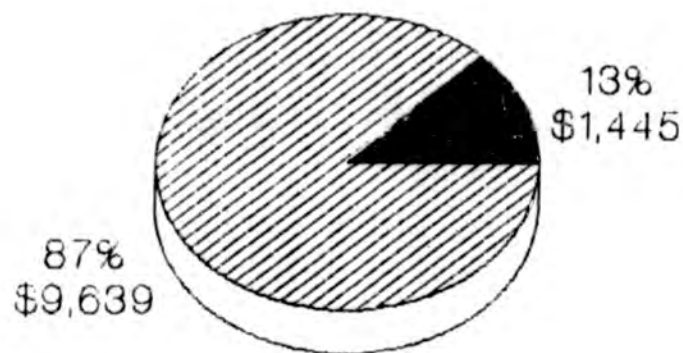
Source: APFC 4/21/89

DEDICATED OIL REVENUES TO FUND

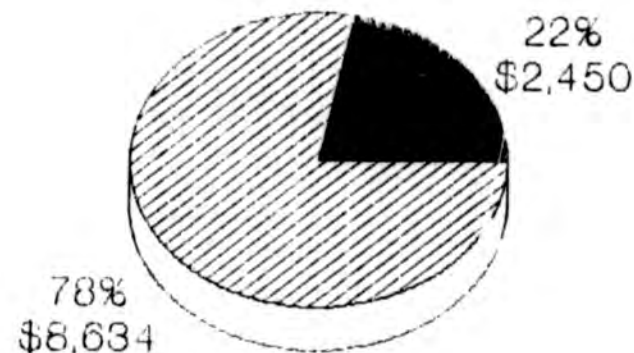
A Comparison of Status Quo and SB 284



**DEDICATED OIL REVENUES TO FUND
AS A % OF TOTAL STATE OIL \$
1990 - 2005
(in millions)**



Status Quo



SB 284

Total State Oil Revenues 1990-2005: \$11.1 Billion

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

April 24, 1989

SUBJECT: Sectional summary of SB 284
TO: Senator Dick Eliason
FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Section 1. Currently 25 percent of mineral related income from leases issued on or before December 1, 1979 goes to the principal of the permanent fund. This section changes that so, if payment is received on or after July 1, 1989, 43 percent goes to the principal of the permanent fund.

Section 2. Alters the economic limit factor used for calculating taxes on oil production.

Section 3. Deletes material currently in subsection (d) relating to establishing this production rate as a presumption that is rebuttable by the taxpayer at a formal hearing.

Section 4. Deletes additional material from the current economic limit factor statute.

Section 5. Establishes an effective date tied to the fiscal year.

TBC:kb
wkk4/041

Alaska State Legislature

Senate Advisory Council



PO Box V
State Capitol
Juneau, Alaska 99811
Phone (907) 465-3114

MEMORANDUM

TO: Senator Dick Eliason
Alaska State Senate

FROM: Sheila F. Helgath, PhD
Legislative Analyst

DATE: April 18, 1989

SUBJECT: Contributions to Permanent Fund and General Fund as a Result of
SB 284; Research Request #89-100049

Attached are three tables which show the additional amount of money the Permanent Fund and General Fund would receive if ELF were changed under SB 284 and the rate of royalty contributions were changed. The royalty rates has been calculated at 43%, 44%, and 45%.

If you have further questions please call.

attachments:

Table 1. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 43% and ELF Under SB 284

(Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 43% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	398	167	4
1991	181	230	411	395	165	16
1992	192	228	420	393	164	28
1993	207	229	436	394	165	42
1994	207	221	428	380	159	48
1995	194	204	398	351	147	47
1996	180	190	370	327	137	43
1997	165	179	344	308	129	36
1998	157	172	329	296	124	33
1999	148	157	305	270	113	35
2000	139	144	283	247	103	36
TOTAL	1,941	2,185	4,126	3,759	1,574	367

Source: Alaska Department of Revenue Forecasts for Spring 1989
Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

Table 2. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 44% and ELF Under SB 284

(Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 44% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	407	176	-5
1991	181	230	411	404	174	7
1992	192	228	420	402	173	19
1993	207	229	436	403	174	33
1994	207	221	428	389	168	39
1995	194	204	398	359	155	39
1996	180	190	370	335	145	35
1997	165	179	344	316	136	29
1998	157	172	329	302	131	26
1999	148	157	305	276	119	29
2000	139	144	283	253	109	30
TOTAL	1,941	2,185	4,126	3,846	1,661	280

Source: Alaska Department of Revenue Forecasts for Spring 1989
Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

Table 3. The Effect of Changing the Portion of Royalty Contributions to the Permanent Fund Now Set at a 25 Percent Contribution Rate to 45% and ELF Under SB 284

(Millions Dollars/1)

Fiscal Year	ELF SB 284 (A)	PF @ 25% Current Contribution (B)	PF Royalty + ELF (A+B) (C)	Contribution to PF @ 45% (See Footnote/2) (D)	Amount of PF Contribution due to SB 284 (E)	Contribution to General Fund (C-D) (F)
1990	171	232	403	417	185	-14
1991	181	230	411	413	184	-3
1992	192	228	420	411	183	9
1993	207	229	436	413	183	24
1994	207	221	428	398	177	30
1995	194	204	398	367	163	31
1996	180	190	370	342	152	28
1997	165	179	344	323	143	22
1998	157	172	329	309	137	20
1999	148	157	305	283	126	22
2000	139	144	283	259	115	24
TOTAL	1,941	2,185	4,126	3,934	1,748	193

Source: Alaska Department of Revenue Forecasts for Spring 1989
Prepared by Senate Advisory Council April 18, 1989

/1 Rounding may cause some numbers not to total exactly.

/2 These amounts represent only that portion of the royalty contribution to the Permanent Fund that is currently contributed at a rate of 25%. The royalty rate for other contributions is 50%.

Column on far right shows what the royalty contribution rate would have to be to have the additional contribution actually equal what ELF - revisions would generate each year.

Note that SB284 proposes 43% which is approximately what is required to match the FY90 ELF at the mid-case scenario. In most years 43% will be low and some ELF revenues would likely go to General Fund.

	addit tax from HB 118	perm fund contr	royalties	percent
low case				
1990	124	166	650	44.62
1991	117	144	563	46.36
1992	131	135	530	50.19
1993	135	129	506	52.17
1994	132	123	484	52.69
1995	120	110	430	53.49
1996	112	100	392	54.08
1997	107	94	366	54.92
1998	104	91	354	55.08
1999	98	81	317	56.47
2000	86	64	249	60.24
2001	75	52	209	60.77
2002	68	48	192	60.42
2003	0	0	0	0
2004	0	0	0	0
2005	0	0	0	0
2006	0	0	0	0
2007	0	0	0	0
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0

	addit A tax from HB 118	perm fund B contr	C royalties current LAW	percent
midcase				
1990	171	242	948	43.57
1991	101	241	940	44.89
1992	192	241	939	46.11
1993	207	244	947	47.62
1994	207	236	914	48.47
1995	194	218	844	48.82
1996	180	207	795	48.68
1997	165	200	758	48.15
1998	157	192	728	47.94
1999	148	177	669	48.58
2000	139	162	612	49.18
2001	129	145	564	48.58
2002	110	135	509	48.12
2003	86	119	449	45.64
2004	69	107	406	43.35
2005	45	90	343	39.35
2006	21	83	318	32.70
2007	4	78	298	27.51
2008	-3	73	281	24.91
2009	0	51	174	29.31
2010	0	97	300	32.33

	addit tax from HB 118	perm fund contr	royalties	percent
high case				
1990	215	321	1251	42.85
1991	243	341	1330	43.91
1992	263	359	1386	44.88
1993	275	393	1490	44.83
1994	272	417	1573	43.80
1995	254	420	1578	42.71
1996	236	426	1595	41.50
1997	214	433	1615	40.06
1998	170	474	1742	36.97
1999	165	467	1685	37.51
2000	153	464	1663	37.10
2001	153	453	1615	37.52
2002	175	454	1613	39.00
2003	167	443	1570	38.85
2004	158	446	1580	38.23
2005	149	439	1551	37.91
2006	139	461	1635	36.70
2007	126	454	1610	36.02
2008	94	448	1591	34.07
2009	60	437	1565	31.74
2010	11	413	1513	28.32

Figures by Dept. of
Revenue using
Spring forecast

Section 6 - Public Purpose.

No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose.

Section 7 - Dedicated Funds.

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in Section 15 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. [Amendment approved November 2, 1976 - Effective February 21, 1977]

Section 8 - State Debt.

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective. [Amendment approved November 2, 1982 - Effective December 24, 1982]

Section 9 - Local Debts.

No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

Section 10 - Interim Borrowing.

The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

Section 11 - Exceptions.

The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

Section 12 - Budget.

The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

Section 13 - Expenditures.

No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

Section 14 - Legislative Post-Audit.

The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

Section 15 - Alaska Permanent Fund.

At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law. [Amendment approved November 2, 1976 - Effective February 21, 1977]