

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6685 SENATE STATE AFFAIRS

189

FISCAL NOTE

REQUEST:

Revision Date: 3-14-89
Title: Repeal or regulations by the legislature.
Sponsor: Cochill
Requestor: Cochill

Agency Affected: Office of the Governor
BRU: Division of Elections
Components: II-Elections
Primary & General Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-0-	-0-	2.2*	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	2.2*	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	2.2*	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	2.2*	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 pages in each Official Election Pamphlet for printing and typesetting, and costs estimated to cover computer programming requirements for vote (Continued)

Prepared by: Linda Edgeworth Phone: 465-4611
Division: Elections Date: _____
Approved by Commissioner: *Linda Edgeworth* Date: 3/14/89
Agency: Division of Elections

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SJR 3

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

Senator John B. (Jack) Coghill

Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

MEMORANDUM

To: Senator Pat Pourchot
Senate State Affairs Committee, Chair; and
Senate State Affairs Committee Members

From: Senator Jack Coghill

Re: Backup for SJR 3; Legislative Repeal of Administrative
Regulations.

Date: March 14, 1989

Intent: The intent of this proposed amendment to the Constitution of the State of Alaska, is to provide a mechanism for the legislature, as representatives of the people from which we derive our legislative authority, to oversee the rule making power granted the executive branch as a result of enacted legislation.

Background: This proposal has been placed on the ballot on three previous occasions. Each time it failed. The following chart is provided for your consideration.

	<u>1980</u>	<u>1982</u>	<u>1984</u>	<u>1986</u>	<u>1988</u>
Yea's	58,808	N/A	91,174	65,176	N/A
Nay's	82,010	N/A	98,856	94,299	N/A
Total Proposition Votes	140,818	N/A	190,030	159,475	N/A
Total Election Vote Cast	162,653	199,358	213,173	182,526	203,433
Total Reg. Voters	258,742	266,224	305,262	292,274	292,441
Proposition Failure %	16.0%	N/A	4.0%	18.2%	N/A
% Voter Turn Out	63%	75%	70%	62%	70%

From this chart it is interesting to note the difference between the total number of votes cast on the proposition and the total number of votes cast in the election. For 1980 this number is 21,835; for 1984 it is 23,147; and for 1986 the difference is 23,143. It appears that each time this ballot measure has been brought up, between 11 percent (1984) and 13 percent (1980 and 1986) of the electorate did not know what they were voting for.

The Administration has always opposed this resolution. This is to be expected.

Attachments

1. Ballot Proposition No. 1, 1980.
2. Ballot Proposition No. 1, 1984.
3. Ballot Proposition No. 2, 1986.
4. Letter from the Department of Law,
to Representative M. Mike Miller, Dated May 8, 1986.

Rational: I have resurrected this issue of legislative oversight of the policy setting ability of the executive branch, because the Constitution established the Legislature as the policy branch of government.

We have seen increasing numbers of administrative regulations promulgated to implement legislative policy, as established in the legislation we pass, that either ignores the legislative directive or goes beyond the limits of what the Legislature intended.

As an example, in 1985 the Legislature passed a bill that allowed "work commitments" on certain oil and gas leases to be extended by the Department of Natural Resources. The bill was half a page long and very direct. The intent as I recall was to retain the nearly 30% royalty rate that would result from production on these lease and to give the lease holder relief from the crashing oil market. The DNR wrote 14 pages of regulations to implement this policy. The result was that the lease holder lost his leases, the state put them up in another lease sale, and the leases were sold at 12 3/4 percent royalty.

Another example is the regulations established by the State Board of Dental Examiners regarding licensure of new dentists by credentials. It is obvious that the intent of the Statute (AS 08.36.234) was to allow the Board to establish criteria where dentists could gain access to Alaska patients based on their track record in other states. The Board simply wrote a regulation prohibiting licensure by credential. And to further exemplify the need for this resolution, the proposal to change this situation, SB 126, is a one word

change, from "may" to "shall". The bill was introduced on 1/18/89 and is still in the first committee of referral. You might think this is a simple policy change, however, in public hearings we have learned that this is substantial. The Board should promulgate regulations that address the intent of the law, and not the purview of the Board.

There are other examples from resource industries, and labor training programs to motor vehicle regulations. The broader issue however, and the complaint I receive most from my constituents, is that it is becoming increasing evident that administrative agencies are using regulations to perpetuate their bureaucratic empires. The problem is that this was never intended by the Constitution.

Recommendation: I recommend you move the SJR 3 from committee, with "do pass" recommendations.

BALLOT PROPOSITION NO. 1

LEGISLATIVE ANNULMENT OF REGULATIONS Constitutional Amendment

(Committee Substitute for House Joint Resolution No. 82 Amended)

SUMMARY

(As it will appear on the November 4, 1980 General Election Ballot)

This proposal would permit the legislature to annul, by adopting a resolution, regulations adopted by state agencies. Annulment of regulations by resolution was authorized by the First State Legislature in 1959; however, in 1980 the Alaska Supreme Court held that the constitution permits the legislature to annul a regulation only by passing a bill, which requires three readings of the bill and a roll call vote which is recorded. The procedures for adopting resolutions are governed by legislative rules and require only the approval of the resolution by voice vote of a majority of both houses. A bill passed by the legislature annulling a regulation could be vetoed by the governor or repealed by referendum. A resolution annulling a regulation could not.

BALLOT FORM:

A vote "FOR" adopts the amendment.

A vote "AGAINST" rejects the amendment.

FOR
AGAINST

VOTE CAST BY MEMBERS OF 11TH STATE LEGISLATURE ON FINAL PASSAGE

Senate	(20 members):	Yeas <u>18</u>	Nays <u>0</u>	Absent or Not Voting <u>2</u>
House	(40 members):	Yeas <u>36</u>	Nays <u>0</u>	Absent or Not Voting <u>4</u>

LEGISLATIVE AFFAIRS AGENCY SUMMARY

(As required by law)

This proposal would add a new section, section 22, to Article II of the state constitution. If adopted, the proposal would authorize the legislature to annul or set aside a regulation which has been adopted by a state department or agency. In order to annul a regulation, the legislature could adopt a concurrent resolution by approval of the resolution by majority vote of the membership of each house of the legislature. The resolution specifies the date on which the annulment of a regulation would take effect.

FULL TEXT OF PROPOSED CONSTITUTIONAL AMENDMENT

SECTION 22. ANNULMENT OF REGULATIONS. The legislature by a concurrent resolution approved by a majority vote of the membership of each house may annul a regulation adopted by a state department or agency. The annulment of the regulation is effective on the date the concurrent resolution is approved by both houses unless the concurrent resolution specifies a different date.

- SEN. COGHILL ATTACHMENT 1. -
3/14/89

STATEMENT IN FAVOR OF BALLOT PROPOSITION NO. 1

The legislature, when it writes a law, cannot foresee all of the possible details involved in carrying it out. The appropriate administrative agency is therefore allowed to write regulations which spell out who does what, when, where, and how. If the agency does no more than this no problem is created.

Unfortunately agency regulations are not always consistent with the intent the legislature had in passing the law. Sometimes an agency will get carried away and put out regulations that cause an unnecessary burden for the citizens. The First State Legislature realized this and provided a simple solution. The legislature could, by a concurrent resolution passed by a majority of each house, annul an administrative regulation. Such a resolution is not subject to the governor's veto.

The Alaska Supreme Court recently held, in a 3-2 decision, that the legislature must use a bill rather than a resolution to annul administrative regulations. But a bill is subject to

the governor's veto. The governor can hardly be expected to approve a bill overruling his subordinates, who put out the regulation in the first place. The present governor has already vetoed one such bill.

The court ruling gives agency regulations equal standing with laws, *even though no single person elected by the voters has approved them.*

Our government is wisely based on dividing power among the three branches: legislative, executive and judicial. The current situation gives entirely too much power to the executive branch. Your approval of this constitutional amendment will restore the better balance under which the state operated from 1961 to 1980.

— Charles H. Parr
Chairman, House Judiciary Committee
Alaska State Legislature

STATEMENT AGAINST BALLOT PROPOSITION NO. 1

This is still another proposal by the legislature to free itself from the checks and balances of our constitution. Under the constitution, the legislature has all the power it needs to make laws and annul administrative regulations. This proposal does not aid the public in any way. What it does is allow the legislature to exercise its power to annul regulations in disregard of the constitutional requirements that each bill have a single subject, that each bill have three readings in each house, and that there be a recorded vote of the ayes and nays on final passage. It would also free the legislature from the executive veto and it would allow it to ignore the prohibition against special and local legislation.

The Alaska Supreme Court has recently ruled that the legislature must abide by the constitution's checks and balances on its power whenever it exercises that power, including when it acts to annul regulations. This amendment is intended to overrule the court's decision and erode the constitution's safeguards. It aids legislators, not the public, and it should be rejected.

— Katherine D. Nordale
Delegate to the Alaska
Constitutional Convention,
1955-1956

BALLOT MEASURE NO. 1

Constitutional Amendment

LEGISLATIVE ANNULMENT OF ADMINISTRATIVE REGULATIONS

(1983 Legislative Resolve No. 15 (SCS HJR 5[Jud]))

SUMMARY

(As it will appear on the November 6, 1984 General Election Ballot)

This amendment of the Alaska Constitution would permit the legislature to annul executive-branch regulations by passing a resolution. The annulment would become effective 30 days after passage by the legislature, unless the resolution sets a different date. The resolution must have three readings in each house on separate days, except that it may be advanced from second to third reading on the same day by a three-fourths vote of the house considering it. The resolution must receive approval of a majority of the membership of each house. The yeas and nays on final passage must be entered in the legislative journals. The resolution is not subject to veto by the governor, and it is not subject to repeal by referendum.

BALLOT FORM:

A vote "FOR" adopts the amendment.

A vote "AGAINST" rejects the amendment.

FOR
AGAINST

VOTES CAST BY MEMBERS OF THE 13TH STATE LEGISLATURE ON FINAL PASSAGE

Senate	(20 members):	Yeas 19	Nays 0	Absent or Not Voting 1
House	(40 members):	Yeas 34	Nays 2	Absent or Not Voting 4

LEGISLATIVE AFFAIRS AGENCY SUMMARY

(As required by law)

This proposal for a constitutional amendment would allow the legislature to annul a regulation adopted by a state department or agency by concurrent resolution. The annulment is effective thirty days after the date the concurrent resolution is approved by both houses unless the resolution specifies a different date. Adoption requires three readings in each house on three separate days except it may be advanced from second to third reading on the same day by concurrence of three-fourths of the membership of the house considering it. Adoption requires approval by a majority vote of the membership of each house. The vote on final passage must be entered into the journal.

FULL TEXT OF PROPOSED CONSTITUTIONAL AMENDMENT

(This amendment would add the following section to article II of the Alaska Constitution.)

SECTION 22. ANNULMENT OF REGULATIONS. The legislature by concurrent resolution may annul a regulation adopted by a state department or agency. The annulment of the regulation is effective thirty days after the date the concurrent resolution is approved by both houses unless the concurrent resolution specifies a different date. The concurrent resolution requires three readings in each house on three separate days, except that it may be advanced from second to third reading on the same day by concurrence of three-fourths of the house considering it, and approval by a majority vote of the membership of each house. The yeas and nays on final passage shall be entered into the journal.

- SEN. COGILL ATTACHMENT 2 -
3/14/84

STATEMENT IN FAVOR OF BALLOT MEASURE NO. 1

Voters who have ever experienced irritation or anger as a result of a problem they have had with state regulations should vote in favor of Ballot Measure No. 1. While many regulations do conform to and support state laws, there are occasionally regulations which are imposed that go beyond the intent of the law and cause undue hardship on our citizens. These regulations often make no sense at all, state agency people are often at a loss to explain the meaning or sense of the regulations, and yet the state agencies involved continue to enforce them, and voters are powerless to change them.

The Alaska Constitution, patterned essentially upon the Constitution of the United States and the experience of the other states, provides a system of checks and balances among the three branches of government, and further entitles the people to their own checks and balances through the voting booth, the initiative process, and final authority over amendments to the constitution. The one major area of government that is currently not directly accessible to the people's checks and balances is the very considerable volume of administrative regulations which are written by the state agencies in the executive branch of government.

These regulations deal with every aspect of government and our lives: fish and game, education, health and social services, traffic, land development, utilities, taxes; the list is endless. And once the regulations go into effect, they have all the force of law. The problem is, that unlike the situation that occurs with laws, the agency people who make and enforce regulations are not subject to voter approval at election time; they are either appointed by the governor or by his commissioners.

While the legislature is often made aware of foolish bureaucratic requirements by unhappy constituents, it is almost powerless to do anything about them. Currently, to annul a regulation, the legislature must pass a new bill which is then subject to veto by the governor. This puts the governor in the powerful position of being able to stop a bill that would overturn a regulation made by his own subordinates.

It was never intended by the framers of our State Constitution that any governmental body except the legislature have the power to make laws. Yet, bad regulations have been written, on occasion by state agencies, which go beyond the letter and intent of the law as passed by the legislature and in effect create law on their own.

This measure would provide a reasonable avenue for annulment of bad regulations. It would allow your elected representatives in the legislature, through a majority vote of both houses, to annul regulations in the same way they pass any legislative bill, except it would not be subject to veto by the governor, who clearly has a biased position in the matter.

The House Joint Resolution which created the ballot measure had bi-partisan sponsorship during the last legislative session, and was passed with near-unanimous support by both houses of the legislature.

—Mike Szymanski,
State Representative

STATEMENT OPPOSING BALLOT MEASURE NO. 1

This proposed amendment to the Alaska Constitution is very similar to the one proposed in 1980 and rejected by the voters 82,010 to 58,808. Although the present version includes some improvements over the 1980 version, it is another attempt by the legislature to concentrate governmental power in its own hands.

Under the current constitution and statutes, the legislature has all the power it needs to make laws and to limit or guide the adoption of administrative regulations. The regulations are adopted to implement statutes. This proposal would enable legislators to use a law-making procedure that is not subject to veto by the governor or repeal by referendum, and that could be used to ignore the prohibition against special and local legislation.

The constitution now provides for a balance of power among the legislative, executive, and judicial branches of the government. This balance requires a blending or sharing, as well as a dividing, of governmental responsibilities. If this constitutional amendment were to be approved by the voters, it would enable the legislature not only to write the laws, as has traditionally been the legislature's function, but it would also enable the legislature to act in place of the courts in deciding whether the executive has lawfully executed the laws when adopting a regulation; and it would empower the legislature to act in place of the executive by nullifying a specific executive-branch decision.

The annulment is like a repeal. In using this expedited procedure to annul a regulation, the legislature would act only in a negative way. It would not be providing the sort of policy guidance and direction that is appropriate to its law-making function. And it would not be providing the thoughtful analysis necessary to solve a problem. The legislature would be saying to the agency "your decision to adopt that regulation is wrong". But it would not be telling the agency what would be right. This is especially troublesome when dealing with a complex subject. Without any guidance beyond the statute that the executive branch agency was trying to implement in the first place, the agency is left with only the option to guess again. That is neither an efficient nor an appropriate way to run the government.

The Alaska Supreme Court has ruled that the legislature must abide by the Constitution's checks and balances on its power when it exercises that power, including when it acts to annul regulations. The present proposal is intended to overrule the court's decision. As argued four years ago, when the voters rejected the 1980 proposal, this amendment would aid legislators, not the public, and it should be rejected.

—Katherine D. Nordale,
Delegate to the Alaska Constitutional Convention, 1955-1956

BALLOT MEASURE NO. 2

Constitutional Amendment Legislative Annulment of Administrative Regulations (1986 Legislative Resolve No. 60 HCS SJR 40 [Jud] am H)

BALLOT LANGUAGE

(As it will appear on the November 4, 1986, General Election Ballot)

This amendment of the Alaska Constitution would permit the legislature to annul executive branch regulations by passing a resolution that is not subject to veto by the governor or repeal by referendum. The annulment would become effective 30 days after passage by the legislature, unless the resolution sets a different date. The resolution must have three readings in each house on separate days, except that it may be advanced from second to third reading on the same day by a three-fourths vote of the house considering it. The resolution must receive approval of a majority of the membership of each house. The yeas and nays on final passage must be entered in the legislative journals.

A vote "FOR" adopts the amendment. FOR

A vote "AGAINST" rejects the amendment. AGAINST

VOTES CAST BY MEMBERS OF THE 14TH ALASKA LEGISLATURE ON FINAL PASSAGE

House:	Yeas	31
	Nays	4
	Absent or Not Voting	5
Senate:	Yeas	17
	Nays	0
	Absent or Not Voting	3

LEGISLATIVE AFFAIRS AGENCY SUMMARY

(HCS SJR 40 (Jud) am H)

This proposal for a constitutional amendment would allow the legislature to annul a regulation adopted by a state department or agency by its adoption of a concurrent resolution. Under the present provisions of the constitution, the legislature may annul a regulation only by the enactment of a bill that is subject to the veto of the governor; if the governor vetoes the bill, the constitution now requires a two-thirds affirmative vote of the legislature assembled in joint session to override the veto.

If the legislature adopts a concurrent resolution to annul a regulation under the authority proposed here, the annulment would be effective thirty days after the date the concurrent resolution is approved by both houses unless the resolution specified a different date. The concurrent resolution would not be subject to the veto of the governor. Adoption would require three readings in each house on three separate days except that it may be advanced from second to third reading on the same day by the concurrence of three-fourths of the membership of the house considering it. Adoption would require approval by a majority vote of each membership of each house. The vote on final passage must be entered into the journal.

FULL TEXT OF PROPOSED CONSTITUTIONAL AMENDMENT

(This amendment would add the following section to article II of the Alaska Constitution.)

SECTION 22. ANNULMENT OF REGULATIONS. The legislature by concurrent resolution may annul a regulation adopted by a state department or agency. The annulment of the regulation is effective thirty days after the date the concurrent resolution is approved by both houses unless the concurrent resolution specifies a different date. The concurrent resolution requires three readings in each house on three separate days, except that it may be advanced from second to third reading on the same day by concurrence of three-fourths of the house considering it, and approval by a majority vote of the membership of each house. The yeas and nays on final passage shall be entered into the journal.

1986 election

- SEN. COGHILL ATTACHMENT 3 -
3/14/87

BALLOT MEASURE NO. 2

STATEMENT IN SUPPORT OF BALLOT MEASURE NO. 2

The issue is basically simple: should bureaucrats or the Legislature be the ultimate lawmaking authority?

All 60 members of the Legislature (40 House and 20 Senate) are elected by the people. They are all voted into, and out of, office by individual voters. The Alaska Constitution says, "The legislative (i.e., lawmaking) power of the State is vested in a Legislature consisting of a Senate... and a House of Representatives..." The Legislature proposes, considers, and enacts laws, known collectively as the Alaska Statutes (if general and permanent) or as the Session Laws of Alaska (if specific and temporary).

All bureaucrats who promulgate (i.e., enact and enforce) regulations (theoretically, to put laws into effect) are in the Executive Branch, headed by the Governor. Bureaucrats are not voted into office and thus cannot be removed by the people. Instead, bureaucrats are hired by the Governor or by his/her appointees, and thus can only be removed from office by the Governor or by somebody answerable to him/her. However, the regulations promulgated by the bureaucrats, known collectively as the Alaska Administrative Code, have the force of law and affect all of us, sometimes adversely.

What can be done about a law that's bad? It can be repealed by the Legislature or, in some cases, by the people directly via an initiative petition.

What about a regulation that's bad? It can only be repealed by the bureaucrats who promulgated it, up to and including the Governor. If the Legislature tries to repeal a regulation by passing a bill, the Governor will almost certainly (and always has, in the past) veto the bill so that the bad regulation stays in full force and effect.

Now, if the Legislature had the power to repeal regulations by passing a concurrent resolution (instead of a bill), then the resolution could not be vetoed by the Governor. Thus, the Legislature would be able to get rid of bad regulations, which in effect it cannot do now.

Would this give the Legislature too much power? Not hardly. Since the Legislature already has full power to enact laws, why shouldn't it have full power to repeal all laws, including regulations?

Why do Governors and bureaucrats oppose giving the Legislature such regulatory repeal power? Because Governors and their handpicked bureaucrats, which are answerable only to the Governor (and cannot be removed by the people, which can remove Legislators), don't want to lose the power they now have to promulgate and enforce any regulation they want. It's that simple.

If you feel that the Legislature should have the power to repeal regulations via concurrent resolution (not vetoable by the Governor), vote FOR the ballot measure. If you feel that bureaucrats should be the ultimate lawmaking authority, vote otherwise.

I recommend that you vote FOR. Only in this way will we realistically be able to get rid of bad regulations.

Andre Marrou
State Representative

STATEMENT OPPOSING BALLOT MEASURE NO. 2

For the third time in six years, the legislature insists on confronting the voters with a proposed constitutional amendment giving the legislature a short-cut to law-making—another attempt by the legislature to concentrate governmental power in its own hands. The voters rejected a similar proposal in 1980 and the identical proposal in 1984. It should be rejected again.

Under the current constitution and statutes, the legislature has all the power it needs to make laws and to limit or guide the adoption of administrative regulations. Regulations are adopted to implement statutes. They have the force of law. Annulling them changes the law. This proposal would enable legislators to use a law-making procedure that is not subject to veto by the governor or repeal by referendum, and that would be used to ignore the prohibition against special and local legislation.

The constitution now provides for a balance of power between the legislative, executive, and judicial branches of the government. This balance requires a blending or sharing, as well as a dividing, of governmental responsibilities. If this constitutional amendment were to be approved by the voters, it would enable the legislature not only to write the laws, as has traditionally been the legislature's function, but it would also enable the legislature to act in place of the courts in deciding whether the executive has lawfully executed the laws when adopting a regulation, and it would empower the legislature to act in place of the executive by reversing a specific executive-branch decision.

In its intent statement accompanying this proposal, the legislature admitted that the "difficulty in achieving [the two-thirds] majority [to override a veto] in opposition to the governor and the governor's administration has led the legislature to propose this amendment." In other words, the fear that the governor might veto a bill and that not enough legislators would agree to override that veto prompted this short-cut approach to law-making. That fear overlooks the governor's accountability to the voters throughout the state.

The annulment is like a repeal. The legislature would act only in a negative way. It would not be providing the sort of policy guidance and direction that is appropriate to its law-making function. The legislature would be saying to the agency "your decision to adopt that regulation is wrong." But it would not be telling the agency what would be right. This is especially troublesome when dealing with a complex subject. Without any guidance beyond the statute that the executive-branch agency was trying to implement in the first place, the agency is left with only the option to guess again. That is neither an efficient nor appropriate way to run the government.

The Alaska Supreme Court has ruled that the legislature must abide by the constitution's checks and balances or its power, including when it acts to annul regulations. The present proposal is intended to overrule the court's decision. As mentioned when the voters rejected the 1980 and 1984 proposals, this amendment would aid legislators, not the public, and it should be rejected.

Katherine D. Nordale
Delegate to the Alaska
Constitutional Convention, 1955-1956

DEPARTMENT OF LAW

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

OFFICE OF THE ATTORNEY GENERAL

May 8, 1986

Honorable M. Mike Miller
Chairman
House Judiciary Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: SJR 40 (constitutional
amendment on annulment of
regulations)
Our file: 66-3-86-0493

Dear Representative Miller:

I understand that Senate Joint Resolution No. 40, proposing an amendment to the Alaska Constitution, is on your committee's agenda for tomorrow. This letter is to express the Department of Law's opposition to that resolution. If the resolution is passed, that proposed amendment would hit the voters for the third time in six years.

BRIEF STATEMENT

Essentially, the Department of Law's position is that:

1. In 1980, the voters rejected a virtually identical constitutional amendment by a substantial margin -- 82,010 to 58,808. In 1984, they even rejected an improved version (improved in terms of accountability to the public). We should assume that the voters knew what they were doing.
2. The legislature does not need this shortcut method to perform its proper oversight function.
 - (A) The Alaska Administrative Procedure Act includes provisions giving multiple notice to the legislature and enabling legislators to participate in the regulations-adoption process.
 - (B) If an executive-branch agency, in adopting a regulation, goes in a direction that is not supported by the current legislature, the legislature may legislate further -- enact guidelines,

limitations, prohibitions.

3. A concurrent resolution, the vehicle proposed by this resolution to annul administrative regulations, is not covered by the constitutional and other provisions applicable to bills, which provisions tend to assure protection of and accountability to the public.

4. An annulment resolution's bare negative statement does not afford the executive-branch agency responsible for executing the law any guidance in performing its constitutionally mandated duties.

DISCUSSION

The amendment proposed by SJR 40 is virtually identical to the Eleventh Legislature's CSHJR 82 am (1980 Legislative Resolve No. 5). That amendment was rejected by the voters on November 4, 1980 by a vote of 82,010 to 58,808. That is a substantial margin, and we should assume that the voters knew what they were doing. They again rejected the amendment in 1984 -- in the form of the Thirteenth Legislature's SCS HJR 5(Jud) (1983 Legislative Resolve No. 15) -- even though it contained provisions for a deferred effective date, three readings on separate days, and recording in the journal the yeas and nays on final passage. The voters should not be repeatedly subjected to the same ballot issue.

As you know, these proposals for constitutional amendments are intended to reverse the effect of the Alaska Supreme Court's decision in State of Alaska v. A.L.I.V.E. Voluntary, 606 P.2d 769 (1980). The essence of that court decision, which held invalid the statute (AS 44.62.320(a)) that provided for legislative annulment of administrative regulations by concurrent resolution, is that (1) procedurally and substantively valid regulations have the force of law, (2) an "annulment" of a regulation has the effect of changing the law, and (3) when the legislature changes the law, it must do so by following the constitutional procedures for law-making. Since AS 44.62.320(a)'s concurrent resolutions did not follow the procedures for law-making, the court held that that statute was invalid.

As the court pointed out in Plumley v. Hale, 594 P.2d 497, 500 (Alaska 1979), the various constitutional provisions specifying the mechanics of legislating are "designed to engender a responsible legislative process worthy of the public trust." Those provisions are "to ensure deliberation prior to passage, to ensure that the requisite majority of each house affirmatively

votes to enact a bill into law, and to provide a public record of the vote cast by each legislator." Id. Those procedures include, for example

- the single subject rule of art. II, sec. 13;
- the descriptive title rule of art. II, sec. 13;
- the requirement of separate readings on separate days, under art. II, sec. 14;
- the requirement that the ayes and nays on final passage be recorded in the legislative journal, under art. II, sec. 14;
- the provisions on gubernatorial veto, under art. II, secs. 15 and 16; and
- the deferred effective date, under art. II, sec. 18.

Those provisions provide for public accountability, public notice, and an opportunity for the public to prepare for the application of new law. Regulations adopted under the Alaska Administrative Procedure Act take effect only after the required public notice, opportunity for public comment, legal review by the Department of Law, and a deferred effective date. Curiously, the current version of this proposed constitutional amendment omits the improvements contained in 1983 LR 15. Neither the constitutional protections nor the corresponding Administrative Procedure Act protections would be applicable to a concurrent resolution's annulment of an administrative regulation.

The proposed constitutional amendment before you is not a "mere adjustment" or technical correction of the constitution. It proposes a substantial realignment of the constitutionally specified powers. Although the adoption of administrative regulations by an administrative agency is considered a "quasi-legislative function," it is an essential part of the executive branch's execution or implementation of a statute. The proposed amendment, by providing for legislative annulment by means of a concurrent resolution, provides for the legislature to make what can be considered executive-branch decisions -- executing a program created by statute. This concentration of power in the legislative branch -- both enacting the program statute and then participating in executing it -- does not reflect a sound policy in the face of the separation-of-powers doctrine as expressed in the Federalist Papers and other writings. That doctrine, of

course, involves a blending or sharing of powers. The purpose is to avoid an inappropriate concentration of power.

In addition, when the legislature makes a simple negative statement by merely annulling a regulation, it interferes with the executive-branch's execution of the statute and offers nothing in its place. For example, the regulation involved in the A.L.I.V.E. Voluntary case was a Department of Revenue regulation dealing with permits for such things as lotteries. It contained several elements: a dollar limitation, a time limitation, and a provision for the cumulative effect of the value of individual prizes in reaching the dollar limitation. When the legislature annuls a provision such as that, is the agency to interpret the annulment as meaning that the dollar limitation is not appropriate, or that the time period is not appropriate, or that the cumulative effect is not appropriate? If the agency concluded that the legislature must have been primarily concerned about the dollar limitation, and adopted a new regulation specifying a different dollar amount, would it be guessing right?

I do not believe that anyone questions the legislature's right to review the executive-branch's execution of the statutes. Nor does anyone question the legislature's right to enact statutes setting guidelines and imposing limitations or prohibitions. We may disagree as to the merit of a particular guideline or prohibition, but not as to the right of the legislature to enact it (subject, in some circumstances, to the applicability of other constitutional provisions).

The Alaska Administrative Procedure Act (AS 44.62) provides a carefully structured system with many opportunities for legislator involvement in the adoption of administrative regulations. If one of those opportunities was missed, or proved otherwise unavailing in some circumstance, further legislation might be appropriate. Such legislation would, of course, supersede the offending regulation.

In Immigration and Naturalization Service v. Chadha, 462 U.S. 919, 77 L.Ed.2d 317, 103 S.Ct. 2764 (1983), affirming Chadha v. Immigration and Naturalization Service, 634 F.2d 408 (9th Cir. 1980), the United States Supreme Court held invalid what has become known as the "legislative veto." The U.S. Supreme Court's decision is consistent with our state supreme court's decision in A.L.I.V.E. Voluntary. Your committee might also find helpful the discussion in the official commentary to the 1981 Revised Model State Administrative Procedure Act, promulgated by the National Conference of Commissioners on Uniform State laws; see, especially, the art. III introductory comments

Hon. M. Mike Miller
House Judiciary Committee

May 8, 1986
Page 5

which discuss the legislative/executive/public interrelationship regarding administrative regulations.

In a nutshell, the problem is that once the legislature passes a statute creating a program or function it is then up to the executive to execute that statute and up to the court system to determine whether the executive has exceeded its authority or otherwise violated the law. This proposed amendment would alter that balance by injecting the legislature into the execution stage of the system.

As the voters have done twice before, your committee should reject this proposed constitutional amendment.

Thank you for this opportunity to comment. I would be happy to discuss the matter further with you at your convenience.

Yours truly,

HAROLD M. BROWN
ATTORNEY GENERAL

By:



Arthur H. Peterson
Assistant Attorney General

AHP:md

cc: Hon. Paul Fischer
Alaska State Senate

Jim Ayers, Director
Legislative Relations
Governor's Office

State Constitution

Art. II

Passage of Bills

SECTION 14. The legislature shall establish the procedure for enactment of bills into law. No bill may become law unless it has passed three readings in each house on three separate days, except that any bill may be advanced from second to third reading on the same day by concurrence of three-fourths of the house considering it. No bill may become law without an affirmative vote of a majority of the membership of each house. The yeas and nays on final passage shall be entered in the journal.

Veto

SECTION 15. The governor may veto bills passed by the legislature. He may, by veto, strike or reduce items in appropriation bills. He shall return any vetoed bill, with a statement of his objections, to the house of origin.

Action Upon Veto

SECTION 16. Upon receipt of a veto message during a regular session of the legislature, the legislature shall meet immediately in joint session and reconsider passage of the vetoed bill or item. Bills to raise revenue and appropriation bills or items, although vetoed, become law by affirmative vote of three-fourths of the membership of the legislature. Other vetoed bills become law by affirmative vote of two-thirds of the membership of the legislature. Bills vetoed after adjournment of the first regular session of the legislature shall be reconsidered by the legislature sitting as one body no later than the fifth day of the next regular or special session of that legislature. Bills vetoed after adjournment of the second regular session shall be reconsidered by the legislature sitting as one body no later than the fifth day of a special session of that legislature, if one is called. The vote on reconsideration of a vetoed bill shall be entered on the journals of both houses.

Uniform Rule 49

RESOLUTIONS

RULE 49. RESOLUTIONS. (a) The only type of instrument other than a bill or citation authorized under these Uniform Rules is a resolution. The types and uses of resolutions are as follows:

(1) A simple resolution is a formalized motion passed by one house only and bearing the heading "House Resolution" or "Senate Resolution". It may be used to express the will, wish, view, opinion, sympathy, or request of the house adopting it. The simple resolution shall be used to establish a special committee. It does not require committee referral, three readings, or a roll call vote. Approval of a simple resolution requires a majority vote of the full membership of the house.

(2) A special resolution headed "House Special Resolution" or "Senate Special Resolution" is used only for the purpose of expelling a member under provisions of Sec. 12, Art. II, of the State Constitution. The special resolution requires a referral to the Rules Committee, three readings, and a two-thirds vote of the full membership of the house for approval.

(3) A concurrent resolution is similar to the simple resolution but reflects the will, wish, view or decision of both houses speaking concurrently. It is used particularly to handle the internal business of the legislature, e.g., adjournment of the legislature, suspension and amendment of the Uniform Rules, requesting action of executive agencies and interim committees, and fixing the time and place for joint assemblies. This resolution is also used for establishing joint committees. This resolution does not require committee referral, three readings, or anything other than approval of a majority vote of the full membership of each house unless otherwise required by the rules.

(4) A special concurrent resolution is employed to consider disapproval of an executive order of the governor laid before the legislature under provisions of Sec. 23, Art. III, of the State Constitution. This resolution must be considered by a joint committee and may be adopted by a majority vote of the full membership of the legislature in joint session without recourse to three readings.

(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.

Concurrent

Joint

Senator John B. (Jack) Coghill

Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862



MEMORANDUM

To: Senator Pat Pourchot
Senate State Affairs Committee, Chair

From: Senator Jack Coghill

Re: SJR 3; Legislative Repeal of Administrative Regulations

Date: February 6, 1989

I am requesting that you schedule SJR 3 for public hearing at the earliest possible time, in State Affairs Committee.

The resolution is very straight forward and I am interested in seeing if there is as much support for this amendment to our constitution state wide, as I found in my district.

The intent of this amendment is to add a legislative check on the executive branches rule making authority.

For instance, if the interim committee on Administrative Regulation Review were to have a case brought before them by the public, which exemplified regulations promulgated by an administrative department that did not reflect the intent of the law, this amendment would give the legislature the ability to repeal the regulations. Presently, the legislature is powerless to change regulations without repealing the law.

This is not a new concept, and I have attached pages from the 1986 Official Election Pamphlet in this regard.

The prompt consideration of this measure by the committee would be appreciated.

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot, Chairman
RE: March 15 Committee Hearing
DATE: March 14, 1989

On Wednesday, March 15 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SJR 3, Proposing an amendment to the Constitution of the State of Alaska relating to repeal of regulations by the legislature

SJR 3 would place before the voters at the next general election a Constitutional amendment allowing legislative repeal of regulations by concurrent resolution. Adoption of the concurrent resolution would require three readings on three different days and approval by a majority vote of the membership of each house, as do bills. However, concurrent resolutions are not subject to the governor's veto.

In 1980 the supreme court found unconstitutional a statutory provision that allowed legislative annulment of regulations by resolution. The court ruled that annulling a regulation has the effect of changing law and that laws can be changed only by enactment of a bill that is subject to the governor's veto, as prescribed in Article II, Sections 14-16 of the Constitution.

A proposal similar to SJR 3 was defeated by the voters in 1980, 1984, and 1986.

SB 108, An Act relating to public finance, including lease financing

SB 108 would require that all lease-financings for public buildings be handled by the Alaska State Building Authority. This would remove the ability of municipalities and private developers to undertake the lease-purchase of state projects. Projects authorized by law before July 1, 1984 would be specifically exempt from this requirement, providing a type of "grandfather clause" for the Anchorage court facility.

Committee Memo
March 15, 1989

SB 108 would also require legislative approval of lease-purchase agreements entered into by the legislature and the court system if the costs exceed \$1 million annually (this provision currently applies to the executive branch and the university).

The Department of Revenue has proposed an amendment (attached) that would authorize ASBA to dispose of land, equipment, or public buildings to other government entities for less than fair market value. This would allow ASHA-funded projects for which the bonds have been paid off to be transferred into state ownership.

SB 154, An Act relating to equipment lease-financing and authorizing a master equipment lease-financing project.

SB 154 would authorize the Alaska State Building Authority to finance and acquire equipment for lease to the state. The bill would serve as the legislative approval required under AS 18.55.100 for ASBA to finance and acquire up to \$40 million worth of equipment, and the legislative approval required under AS 36.30.080 for the Department of Administration to enter into a lease-financing agreement with ASBA for the equipment. (AS 18.55.100 requires legislative approval before ASBA can proceed with any project; AS 36.30.080 requires legislative approval of leases whose rent exceeds \$1 million annually).

Individual lease-purchases from all state agencies would be consolidated into one or more "master leases". The advantage would be a reduction in interest cost. According to DOA, the average interest rate on state equipment leases as of July 1, 1987 was 13.86%. Interest on a master lease is expected to be 6-7%.

The refinancing of outstanding state equipment leases is estimated to require issuance of \$10 million in financing obligations with annual rent of \$2.85 million. The financing of new equipment purchases in FY 90 would require issuance of up to \$30 million in financing obligations with annual rent of \$8.75 million.

SJR 3 LEGISLATIVE REPEAL OF REGULATIONS

TO TESTIFY

SENATOR COGHILL, SPONSOR (BRUCE GERAGHTY)

ART PETERSON, A.G.'S OFFICE

F.Y.I.

UNIFORM RULE 49(A)(C) SAYS CONCURRENT RESOLUTION DOES NOT NEED:
 COMMITTEE REFERRAL
 THREE READINGS
 OR ANYTHING OTHER THAN MAJORITY VOTE
SJR 3 SPECIFICALLY REQUIRES 3 READINGS; NO MENTION OF COMMITTEE
REFERRAL.

THE FIRST PROPOSED AMENDMENT (1980) REQUIRED ONLY A MAJORITY
VOTE, AND BECAME EFFECTIVE ON DATE OF PASSAGE. SJR 3 CALLS FOR
30-DAY DELAYED EFFECTIVE DATE.

THE SUPREME COURT CASE WAS STATE OF ALASKA v A.L.I.V.E. VOLUNTARY
DEPT. LAW WILL TESTIFY AGAINST, AS ALWAYS.

SR3POOP2.TXT
3/17/89

SJR 3 REPEAL OF REGULATIONS BY THE LEGISLATURE

TO TESTIFY

SENATOR COGHILL, SPONSOR (BRUCE GERAGHTY)

ART PETERSON, A.G. WILL NOT ATTEND

F.Y.I.

PAGE 1, LINE 16 WE CHANGED FROM "ADOPTION" TO "PASSAGE" -- ART PETERSON PROPOSED AND DICK BRADLEY AGREED.

BILL SAYS REPEAL EFFECTIVE 30 DAYS AFTER PASSAGE OF RESOLUTION. PASSAGE ONLY OCCURS ONCE BOTH HOUSES HAVE ACTED, SO NO NEED TO STATE SUCH IN THE BILL.

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Falks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling

P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: March 17 Committee Meeting

DATE: March 17, 1989

Today at 1:30 p.m. in the Beltz Room the following bills will be back before the State Affairs Committee:

SJR 3, Proposing an amendment to the Constitution of the State of Alaska relating to repeal of regulations by the legislature

A draft committee substitute providing for repeal of regulations by joint resolution rather than concurrent resolution is attached. Because Uniform Rule 49 requires that a joint resolution receive three readings and that its vote be recorded in the journal, these requirements have been deleted from SJR 3.

SJR 5, Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska permanent fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund, the expenditure limit, and the budget stabilization fund

SJR 5 would constitutionally dedicate permanent fund earnings (50% dividends, 30% inflation proofing, 20% budget stabilization fund), establish an appropriation limit, provide for deposit of revenues in excess of the appropriation limit (50% permanent fund, 50% budget stabilization fund), and allow for expenditure of up to 25% of the budget stabilization fund in years in which revenues are less than the appropriation limit.

A draft committee substitute which deletes the \$1.4 billion appropriation limit specified in the original bill is attached. Instead, annual appropriations would be limited to the level of appropriations made in the preceding year with an adjustment for inflation. Revenues within the spending limit that were not appropriated would be deposited in the Permanent Fund.

Committee Memo
March 17, 1989

SJR 30, Relating to location of a job corps center within the
Matanuska-Susitna Borough

When SJR 30 was before the committee, questions arose regarding the state's financial obligation if Alaska should be chosen as the site for a job corps center. The state's application to the federal government indicated that we would contribute \$1 million to capital costs of the center. The funding question will be addressed by the bill sponsor at today's meeting.

SB 170, An Act relating to state procurement

A draft committee substitute, which incorporates the following two provisions discussed by the committee, is attached:

- 1 Authorization of the Alaska Railroad Corporation to adopt procurement procedures based on the competitive principles of the state procurement code but adapted to the special needs of the corporation
- 2 Exemption from the procurement code for guest speakers or performers for an educational or cultural activity

Six additional amendments are also attached:

- 1 Application of the Alaska business license
- 2 Abuse of the Alaska bidders' preference by firms that carry on limited business enterprises exclusively for the purpose of taking advantage of the preference
- 3 Increase of the dollar threshold for open competitive bidding
- 4 Exemption for purchases made outside the U.S. for use outside the U.S., and for contracts for hearing officers
- 5 Penalty for frivolous protest of a contract award
- 6 Definition of "state money"

It is my hope that we could move all of these bills out of committee today.

SJR 3

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS,
CHAIR

ETHICS COMMITTEE,
CHAIR



ANCHORAGE
P.O. BOX 104836
ANCHORAGE, AK 99510
(W) (907) 561-7623
(H) (907) 338-2425

JUNEAU
P.O. BOX V
STATE CAPITOL
JUNEAU, AK 99811
(907) 465-3112

Senator Pat Pourchot

March 14, 1989

Mr. H. Blanas
P.O. Box 92397
Anchorage, Alaska 99509

Dear Mr. Blanas:

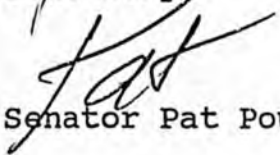
Thank you for your letter of March 7 expressing your support for legislation by Representative Boucher involving the elimination of administrative rules and regulations.

Apparently, you have been working with Representative Boucher on this idea for legislation. When I contacted his office, I was informed that this legislation was not yet introduced. He is awaiting to hear from you regarding your comments on the draft bill which was sent to you for review.

I will keep your comments in mind and look forward to reviewing the bill once it is introduced in the House.

There is a measure in the Senate, SJR 3, which relates to repealing regulations. A hearing is scheduled in the Senate State Affairs Committee, which I chair, on Wednesday. For your review, I have enclosed a copy of the resolution.

Sincerely,


Senator Pat Pourchot

Enclosure

RECEIVED MAR 9 1989

P.O. Box 92397
Anchorage, Alaska 99505
March 7, 1989.

Dear Senator Pouchot,

Rep. Boucher has introduced a bill which I believe needs to be passed. The necessity to cut the State budget, due to the uncertainty of revenue from unstable oil prices, cannot be achieved without first eliminating a good number of administrative rules and regulations now in effect, which have caused bureaucracy to mushroom.

While there may be others, the Administrative rules and regulations with which I have experience are AS 44.77 et. seq. and 2 AAC 25.010 et. seq. These particular rules originated for a.) non-competitive purchase of materials, and b.) extension of services beyond contract requirements of sole source (non-competitive) contracts, which were very common in early Statehood, but are seldom used today.

Through the years legislation has created other procedures which have made the Administrative process obsolete, for example settlement by Judicial decision or by binding, impartial arbitration.

Despite the laws vesting constitutional powers to the courts and/or arbitration; laws such as AS 44.77 et. seq. and 2 AAC 25.010 et. seq. remain on the books and take precedence in construction disputes (claims for materials furnished and/or services rendered to the State as directed.)

Expedient solutions by arbitration or court action must not be bogged down through bureaucratic manipulation of the administrative process.

In reality, to reduce the State budget it is necessary to expunge archaic and inefficient statutes such as those listed above, which cost the State more in personnel and endless procedures than a decision of the court or that of an impartial arbitrator. The elimination of administrative process would surely be met with strong opposition from the Attorney General's Office and other State bureaucracy, those who profit most from the process.

H. Blaine

H. Blaine

Sincerely yours,

Your return the time to complete these facts and all
from them, as being to have the state money
and at the same time serve your fellow citizens by assisting
faster and more effective settlement of expenses of their
dealings with the State.

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 20, 1989

Jason M. Rampton, D.M.D.
9711 Takli Circle
Eagle River, Alaska 99577

Dear Jason:

Thank you for contacting me to express your support for SJR 3, which would amend the state constitution to allow legislative repeal of regulations.

I am happy to report that the Senate State Affairs Committee, which I chair, approved SJR 3 on March 17. The resolution now goes to the Judiciary Committee for their consideration. I supported the bill in State Affairs Committee and intend to vote for it when it reaches the Senate floor. With 15 of the 20 senators as co-sponsors, I am confident SJR 3 will receive Senate approval. If approved by the House as well, the constitutional amendment would appear before the voters at the 1990 general election.

Jason, my experience is that regulations are not always consistent with the intent of the law. I absolutely agree that the addition of this provision to the constitution is essential to ensure that policy continues to be set by the legislative branch and properly implemented by the executive branch. Thanks for your support.

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

PP/ss

RECEIVED MAR 13 1989

9711 Takli Circle
Eagle River, AK 99577
March 7, 1989

Senator Pat Pourchot
Box V
Juneau, AK 99811

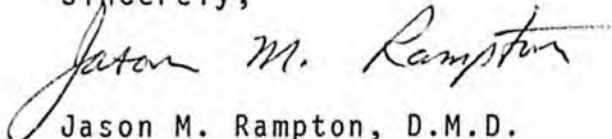
Dear Senator Pourchot:

I am writing this letter in support of a proposed amendment to our State Constitution (see attachment). It would give the legislature the ability to repeal administrative regulation.

My concern is over the issue of licensure by credentials for dentists. Several years ago legislation was passed allowing qualified dentists to be licensed thru the credentials process. But the State Board of Dental Examiners almost immediately adopted an emergency regulation which short-circuited this legislation. As a result many extremely highly qualified dentists have been denied dental licenses in the state. This is protectionism in the highest degree. The State Board of Dental Examiners has adopted a regulation which clearly violates the intent of the law.

I feel it is extremely important that this amendment be added to our Constitution as soon as possible.

Sincerely,



Jason M. Rampton, D.M.D.

S J R

5

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER *SJR 5*

SPONSOR *Faiks*

BILL TITLE *Constitutional amendments re Permanent Fund/
Budget Stabilization Fund*

DATE REFERRED *1/9/89*

HEARING SCHEDULED *3-3-89*

FISCAL NOTE PREPARED

SPONSOR CONTACTED *Cheryl 4523*

INTERESTED PARTIES CONTACTED

- ✓ *Linda Edgeworth, Elections 4611*
- ✓ *Shari Kochman, You 3500*
- will call* *DOR, Cliff Groh 2301*
- ✓ *Perm Fund, Jim Kelly 2047*

*Jack OMB
Funnell or
Kretheder will have
Bob Evans call back to Pat
Mary Talloran
3568*

Irvin Jones

OTHER *See also SB 79 file*

FISCAL NOTE

REQUEST:

Revision Date: 3-1-89
Title: Provisions relating to the
Alaska Permanent Fund
Sponsor: Faiks
Requestor: Faiks

Agency Affected: Office of the Governor
BRU: Division of Elections
Components: I Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-0-	-0-	2.2*	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	2.2*	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	2.2*	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	2.2*	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer program-ing requirements for vote (Continued)

Prepared by: Linda Edgeworth Phone: 465-4611
Division: Elections Date: _____

Approved by Commissioner: *[Signature]* Date: 3/1/89
Agency: Division of Elections

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSJR 5

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE _____
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

FURTHER

JUD
FIN

DATE TURNED INTO OFFICE 3-17-89

2/2/89

Mr. President:

STATE AFFAIRS

Committee considered

SSSJR 5

Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska permanent fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund, etc and recommended:

replace with CS SJR 5 (St Aff) same title
[] attached amendment(s) and [] new title

[] _____

[] _____ letter of intent adopted

[] do pass

[] do not pass

[] no recommendation

individual recommendations

[] further referral to _____

FISCAL NOTE(S) attached [] zero
[] appropriation no FN attached

fiscal impact
[] Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Jan Smith
Paul Adams

Tim Kelly - No Rec

Pat Fournier no rec
Chairman signature and recommendation

[] Committee backup attached

SSSJR 5 Constitutional amendment: 50/30/20, appropriation limit, and budget stabilization fund (FAIKS)

Suspends Constitutional prohibition against dedicated funds to allow dedication of PF earnings:

50%	dividends
30%	inflation proofing
20%	budget stabilization fund

Suspends Constitutional appropriation limit. Establishes a 1996 limit of \$1.4 billion; legislature to establish by law limits for preceding years. Revenues in excess of limit:

50%	deposit in PF
50%	budget stabilization fund

Allows for expenditure of up to 25% of budget stabilization fund in any year in which revenues are less than expenditure limit. (FY 92 51.8, FY 93 106.0, FY 94 162.5, etc.)

NOTE: We have on file the following runs:

Status Quo	(mid-case per Budget Summit)
40-30-30	(dividends-inflation-budget stabilization fund)
50-25-25	
50-30-20	(SSSJR 5 - largest impact is on inflation proofing which is halved; PFDs continue to grow but at a smaller rate after the first few years; ensures a reserve, which disappears under the status quo)

SJR 18 Constitutional amendment: use of income (HALFORD)

Income shall be appropriated:

for dividends as provided by law
to the principal of the PF
administrative costs of the PF
other purposes if approved by voters

SB 69 Advisory vote: use of earnings reserve (FISCHER)

Distribute balance in earnings reserve account:

25%	special dividend (\$150m, \$256 apiece)
25%	to principal of PF (\$150m)
50%	general fund (\$300m)

SB 79 Annual reductions in state budget levels (FAIKS)

Reduce:

6.5%	FY 90	(by 144.8 -- from 2228.1 to 2083.3)
6.5%	FY 91	(by 135.4 -- from 2083.3 to 1947.9)

Intent is that SJR 5 would receive voter approval in November 1990, and the 6.5% annual reductions would continue through 1996 to get us to the \$1.4 billion level.

SS SJR 5 AMENDMENTS TO THE CONSTITUTION RELATING TO THE
PERMANENT FUND, THE EXPENDITURE LIMIT, AND A BUDGET
STABILIZATION FUND

NOTIFIED

SENATOR FAIKS, SPONSOR (CHERYL)

MARY HALLORAN, O.M.B.

JIM KELLY, PERMANENT FUND

LINDA EDGEWORTH, ELECTIONS

IRVIN JONES, DEPT. REVENUES (IF QUESTIONS ON DIVIDENDS)

F.Y.I.

ESTABLISHES BASIC SERVICES BUDGET LEVEL OF \$1.4 MILLION FOR FY
96. FAIKS' MEMO EXPLAINS RATIONALE (BASED ON OTHER STATES WITH
AN ADJUSTMENT FOR ALASKA'S COST OF LIVING) -- THE AMOUNT IS IN
TODAY'S DOLLARS. SHOULD IT BE INFLATION ADJUSTED FOR 6 YEARS
FROM NOW?

CONCEPT IS TO ALLOW EARNINGS RESERVE TO BE SPENT ON GENERAL
BUDGET NEEDS -- IT'S CALLED "BUDGET STABILIZATION" AND THE AMOUNT
THAT CAN BE SPENT EACH YEAR IS LIMITED, BUT SOME WILL BE SPENT TO
BALANCE THE BUDGET EACH YEAR AT LEAST THROUGH 1996.

PER FAIKS, WHEN CONSTITUTIONAL STUFF IS AUTOMATICALLY REPEALED IN
1996, THE BUDGET STABILIZATION FUND WILL BE AVAILABLE FOR
WHATEVER. THE BALANCE WILL BE OVER \$1 BILLION. WHAT'S THE POINT
OF ANOTHER SAVINGS ACCOUNT? WILL IT BE AS POLITICALLY HARD TO
SPEND AS THE EARNINGS RESERVE ACCOUNT IS NOW?

IT APPEARS THAT EVEN WITH BUDGET REDUCTIONS (FAIKS PROPOSED 6.5%
PER YEAR) AND THE BUDGET STABILIZATION FUND OUR BUDGET WILL NOT
BALANCE.

EFFECTS PER PERMANENT FUND CORP. VS STATUS QUO:

REDUCED RATE OF GROWTH IN FUND PRINCIPAL (IN 1996, 13,064
MILLION VS. 14,962 MILLION).

IN TURN, LESS INCOME (IN 1996, 1,225 MILLION VS. 1,335
MILLION) AND SMALLER INFLATION-PROOFING TRANSFERS (IN
1996, 368 MILLION VS. 720 MILLION).

DIVIDENDS WOULD BE LARGER FOR FIRST 3 YEARS AND THEREAFTER
WOULD ALWAYS BE SMALLER (IN 1996, \$938.08 VS. \$951.40)

SJR 5 AMENDMENTS TO THE CONSTITUTION RELATING TO THE
PERMANENT FUND, EXPENDITURE LIMIT, AND BUDGET
STABILIZATION FUND

NOTIFIED

SENATOR FAIKS, SPONSOR (CHERYL)

MARY HALLORAN/JACK FARGNOLI, O.M.B.

F.Y.I.

COMMITTEE SUBSTITUTE:

DELETE \$1.4 BILLION APPROPRIATION LIMIT; INSTEAD, LIMIT IS
PRIOR YEAR'S LEVEL ADJUSTED FOR INFLATION

EXPENDITURE LIMIT CAN BE OVERRIDDEN WITH 2/3 VOTE OF EACH
HOUSE (ORIGINAL PROPOSAL WAS 3/4)

REVENUES WITHIN EXPENDITURE LIMIT THAT AREN'T
APPROPRIATED GO TO THE PERMANENT FUND

O.M.B. CONCERNED ABOUT LANGUAGE IN SECTION 1: "TRUST" AND
"PRUDENT INVESTOR RULE". PER JIM KELLY, DAVE ROSE REQUESTED THIS
LANGUAGE -- PERMANENT FUND BOARD HASN'T TAKEN A POSITION ON IT.

SB 79 WAS FAIKS' COMPANION BILL THAT SET IN STATUTE ANNUAL BUDGET
REDUCTIONS. C.S. MAKES IT MOOT.

Alaska State Legislature

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

**Distribution of Permanent Fund Earnings
and
Expenditure Reduction Plan**

TIMEFRAME

FY 90 and FY 91	Implementation through statute change
November, 1990	General Election for Constitutional Amendment
July 1, 1991	Effective Date for Constitutional Provisions
June 30, 1996	Constitutional Amendment sunsets

Distribution of Permanent Fund Earnings

-- Provides for distribution of Permanent Fund Earnings:
50% to Dividends
30% to Redeposit in Principal of the Fund for inflation proofing
20% to Budget Stabilization Fund

Basic Services Budget Level

-- Establishes a Basic Services Budget level of \$1.4 billion which will be achieved by FY 96.

Expenditure Reduction Plan

-- Statute specifies there will be a 6.5% reduction in unrestricted general fund expenditures in FY 90 and FY 91. Upon voter approval of **Constitutional amendment**, the Legislature would establish percent reductions which will be necessary to achieve the Basic Services Budget level of \$1.4 billion. The target reductions will become the Expenditure Limit for that fiscal year.

- Expenditure Limit can be exceeded by:
 - 3/4 vote of each House
 - Voter approval
 - Appropriations to meet a state natural disaster
- Revenues which exceed the Expenditure Limit, shall be distributed:
 - 50% to Permanent Fund
 - 50% to Budget Stabilization Fund

Budget Stabilization Fund

-- Establishes the Budget Stabilization Fund which will consist of revenues in excess of Expenditure Limit. When revenues are less than the Expenditure Limit's ceiling, up to 25% of the Budget Stabilization Fund can be used.

Sunset Provision

All provisions of the Constitutional amendment would sunset at the end of Fiscal Year 1996. Voters would then have the opportunity to determine disposition of the balance in the Budget Stabilization Fund.

The Result

If FY 89 is the base year, and if there is a 6.5% reduction each fiscal year from FY 90 through FY 96, by the end of FY 96, the *balance in the Budget Stabilization Fund would be over \$1 billion*. By FY 96, the state's *budget would coincide with the level of projected revenues*. And because of the sunset provision, Alaskans would have the opportunity to determine how the Budget Stabilization Fund is spent, such as forward funding of education or nearly the state's entire budget.

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

"ERP" and "50-30-20"

Sponsor Substitute for Senate Joint Resolution 5 is a Constitutional amendment which will amend Alaska's constitution to provide for the distribution of Permanent Fund earnings and establish a means of reducing the state's expenditures.

SS SJR 5 will:

- Provide a mechanism to allow Alaskans to have a role in deciding the use of Permanent Fund earnings;
- Establish an Expenditure Limit to be achieved through an Expenditure Reduction Plan (ERP) by which the state can begin to reduce state spending so that by FY 96, the state will achieve a level of spending which, based on projected state revenues, could be supported;
- Establish the Budget Stabilization Fund which will consist of 20% of each year's Permanent Fund earnings and 50% of revenues exceeding that which can be spent under the Expenditure Limit. The other 50% in excess revenues will be deposited in the Permanent Fund;
- Sunset in 1996 so Alaskans can decide if the amendment's provisions should continue and give Alaskans the opportunity to decide what to do with the balance in the Budget Stabilization Fund when it sunsets. Based on projected earnings and revenues, the Fund would grow to over \$2 billion.

Why ERP?

Revenue projections show a dramatic decline for future years. In five years, projected revenues show a 39% drop when compared to the current year's level of spending. In ten years, revenues show a projected drop of 47%.

Alaska's per capita spending of \$7,407 is nearly five times the national average. It is 2 1/2 times that of its nearest rival, the state of Wyoming. The number of state and municipal employees is 770 per 10,000 in population; this compares to the national average of 492 per 10,000.

In the last three fiscal years, appropriations for the operating and capital budgets have exceeded projected revenues by over \$1.5 billion. One time funds have been used to artificially prop up the state's level of spending. With these one-time sources nearly exhausted, it is now necessary to take steps to implement an Expenditure Reduction Plan in order to attain a level of spending which has a relationship to state projected revenues.

Basic Services Budget

SS SJR 5 establishes a Basic Services Budget level of \$1.4 billion to be achieved by FY 96.

The amount is based on the following:

If the State of Alaska spent the U. S. per capita amount of \$1,550.08, plus 16% for cost-of-living differences, the state's 1986 expenditures would have been \$944,485,920 (these numbers are from the 1988-1989 "The Book of the States"). If the State of Alaska had spent the U.S. per capita average of state and local governments combined, Alaska's total 1986 expenditure would have been \$1,553,338,500. Add 16% cost-of-living adjustment and Alaska would have spent \$1,801,872,660.

Although state government in Alaska accounts for a higher proportion of total combined state and local government spending than any other state, it does not carry the entire state-local expenditure burden. In 1986 the state was responsible for 68.5%.

Adjusting the \$1.8 billion by 68.5%, a "Basic Services Budget" for Alaska in 1986 would have been \$1,234,282,772. In today's dollars, assuming a 10% increase in the costs of government since 1986, a "Basic Services Budget level" would be \$1,357,711,049. This is the basis for the \$1.4 billion ERP target.

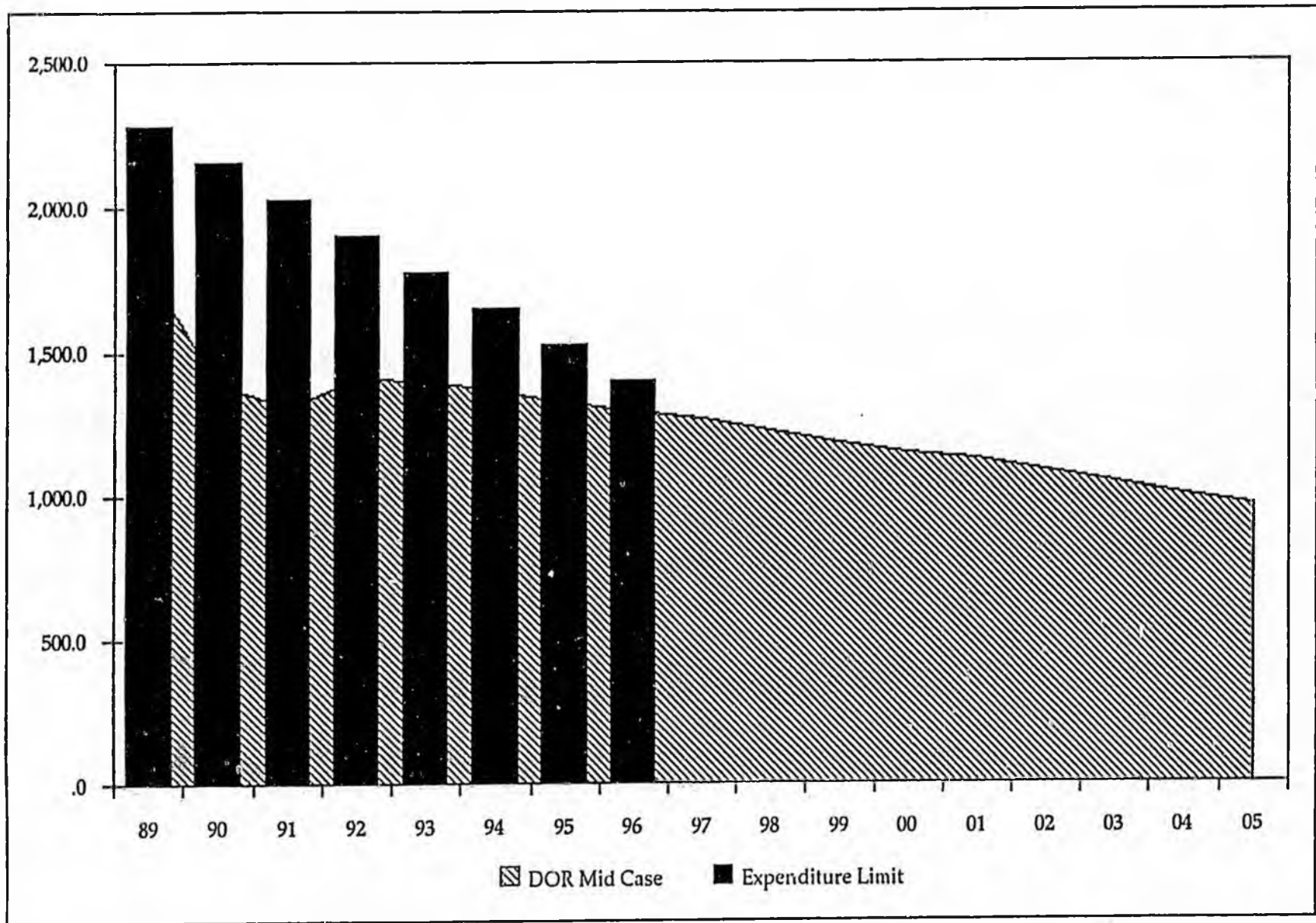
How ERP Would Work

The Constitutional amendment would go before voters in November, 1990. If approved, FY 92 would be the first fiscal year to which its provisions would apply. In conjunction with SS SJR 5, I have also introduced Senate Bill 79, also pending in your committee. This legislation requires a 6.5% reduction in spending for FY 90 and 91 from the current year's level of spending.

The Result

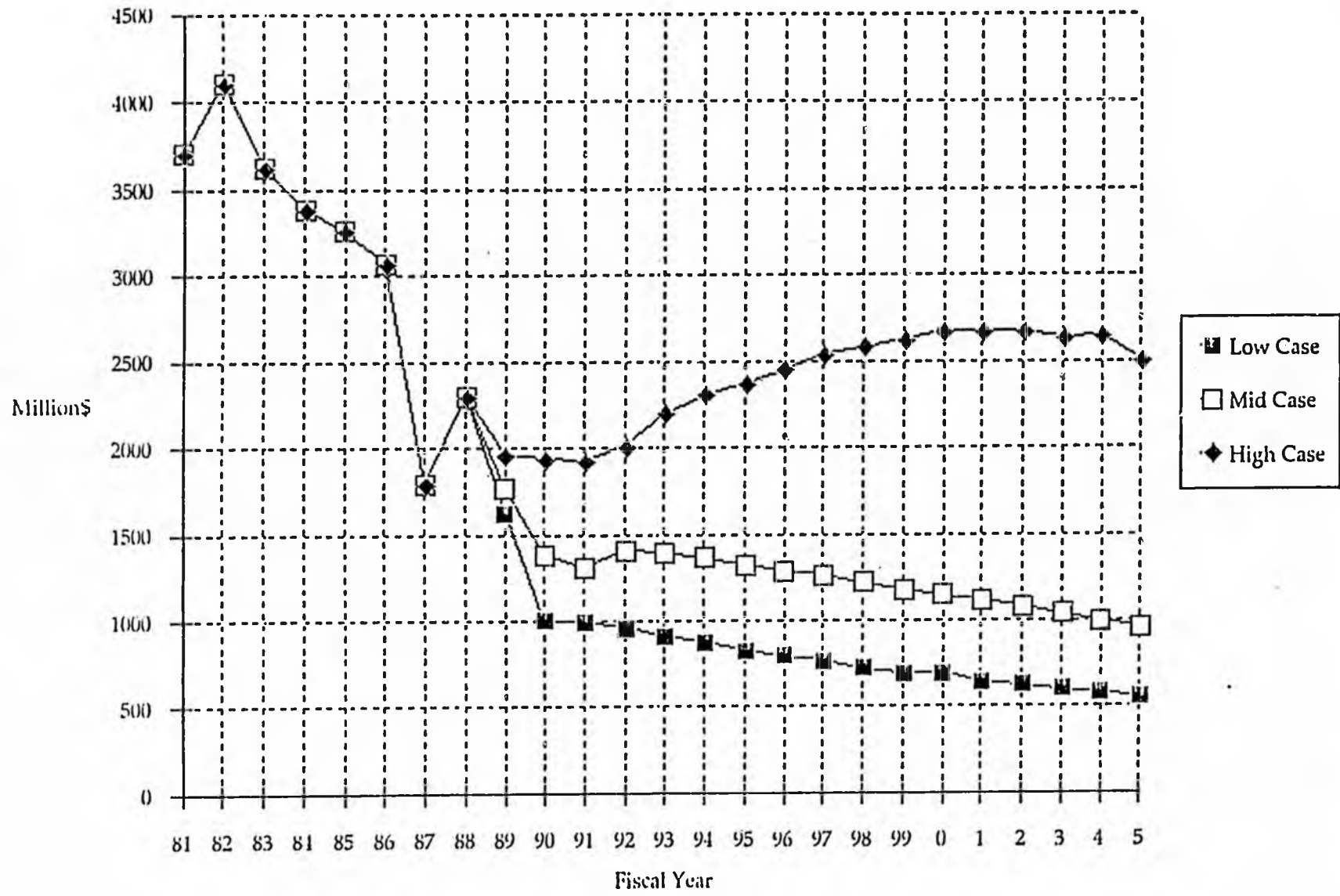
If FY 89 is the base year and 20% of 1989 Permanent Fund earnings are deposited in a Budget Stabilization Fund or reserve account, and if there is a 6.5% reduction in expenditures each fiscal year from FY 90 through FY 96, the balance in the Budget Stabilization Fund when it sunsets on June 30, 1996 would be \$1,051,500,000. This amount would be nearly enough to forward fund the state's entire budget or forward fund certain elements such as education and the University.

Revenues v. Expenditure Limit



Senator Jan Faiks - December, 1988

Revenues - Unrestricted General Funds



FY 81 - FY 88 based on actuals

Alaska State Legislature

JUDICIARY
CHAIRMAN
907-465-4523



JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

Sectional Analysis

**Sponsor Substitute
Senate Joint Resolution 5**

Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska Permanent Fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund; the expenditure limit, and the budget stabilization fund; and suspending the operation of provisions relating to dedicated funds, the Alaska permanent fund, and the appropriation limit

Section 1.

Amends the Alaska Permanent Fund section of the Constitution by adding:

"The fund is established as a trust on behalf of all the presidents of the State and its principal shall be invested in accordance with the prudent investor rule"

This is the current philosophy of the Fund's investments as established in statute. By amending the Constitution, it ensures that the Fund's investment policies will always be guided by this approach.

Section 2.

Amends the Constitution by adding the following new sections:

OUT OF SESSION

Section 29. DEDICATED FUNDS.

- (a) Suspends current constitutional provisions from July 1, 1991 - June 30, 1996.
- (b) Allows dedication of funds to the Permanent Fund, dedication of its earnings, and dedication to the Budget Stabilization Fund.

Section 30. ALASKA PERMANENT FUND.

- (a) Suspends current constitutional provisions from July 1, 1991 - June 30, 1996.
- (b) This section is the same as the current constitutional provision regarding the percentage of royalties going into the Permanent Fund except that it deletes the following sentence: "All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law". It also adds the new language regarding prudent investor rule as specified in Section 1.
- (c) Provides that the income from the Permanent Fund shall be distributed as follows:
- (1) 50% to be used for dividends;
 - (2) 30% to be added back into the principal
 - (3) 20% to the Budget Stabilization Fund

Section 31. EXPENDITURE LIMIT.

- (a) Suspends the current Constitutional Appropriation Limit from July 1, 1991 through June 30, 1996
- (b) Establishes an Expenditure Limit requiring that by FY 96, state appropriations will be \$1.4 billion. Beginning with the FY 92 budget, the Legislature is required by law to establish the Expenditure Limit for each fiscal year so that the FY 96 budget level can be achieved.

Excluded from the Expenditure Limit are:

- Appropriations to the Permanent Fund and dividends;
- Appropriations to the Budget Stabilization Fund;
- Appropriations to meet a natural disaster
- Revenue bond proceeds

- Money received from a non-State sources in trust

(c) The Expenditure Limit can be exceeded by a three-fourths vote of each House or by voter approval. If expenditures taken to the voters are for capital projects, voters shall be informed of the projects' operating and maintenance costs.

(d) 50% of the revenues above the Expenditure Limit and which are not appropriated shall be deposited in the Permanent Fund and the remaining 50% deposited in the Budget Stabilization Fund.

Section 32. BUDGET STABILIZATION FUND.

(a) Section applies July 1, 1991 through June 30, 1996

(b) Provides for deposit of Permanent Fund earnings and 50% of revenues not available for appropriation into the Budget Stabilization Fund. Permits additional appropriations to the fund.

(c) The Fund shall be invested and its earnings retained.

(d) If revenues in a fiscal year are less than the level of appropriation permitted under the Expenditure Limit for that year, up to 25% of the balance of the Budget Stabilization Fund can be used, not to exceed that year's Expenditure Limit.

(e) Provides for additional appropriations above the Expenditure Limit to meet a state disaster declared by the Governor.

Section 33. REPEAL.

Repeals all but Section 1 on July 1, 1996.

Section 3.

Provides that these amendments shall be placed before the voters at the next general election.



Alaska Permanent Fund Corporation

P.O. Box 4-1000 Juneau, Alaska 99802-4100

(907) 465-2047 Telecopy (907) 586-2057

M E M O R A N D U M

DATE: February 2, 1989

TO: Senator Jan Faiks
Chair, Senate Judiciary Committee

FROM: Jim Kelly *JK*
Research & Liaison Officer

SUBJECT: Analysis of Variations of SJR 5

Attached are seven financial projections prepared by the Alaska Permanent Fund Corporation at your request.

Financial Projection #1: This is the status quo case as of December 31, 1988 - but using the Mid Case Department of Revenue population and revenue forecasts, including the revenue consensus numbers agreed upon by the Budget Summit for fiscal years 1989-90. It provides the Mid Case benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This projection depicts the Mid Case impacts of passage of SJR 5, but with one change from the proposed legislation: capital gains would be treated no differently than any other net income. Otherwise, it makes this change to the status quo for fiscal years 1992 - 1996: (1) on June 30 of each year, all net income would be distributed 40% to dividends, 30% to principal to help offset inflation, and 30% to the Budget Stabilization Fund.

You will notice there is a column added to depict the total cumulative fiscal year-end balance of the Budget Stabilization Fund, and another to depict 25% of that balance. It is the Corporation's understanding that the latter column reflects the amounts available for appropriation when revenues are less than the "expenditure limit" level allowed under SJR 5

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would cause a reduced rate of growth in Fund principal. The smaller principal would, in turn, produce less income and smaller inflation-proofing transfers. The distributions to the Budget Stabilization Fund, of course, would be larger.

The dividend distributions and per capita dividends would continue to grow larger under the proposed changes, although at a reduced level compared to the status quo. For example in FY 92, the first year in which the proposed changes would be implemented, per capita dividends would be reduced from \$770.21 under the status quo to \$679.14.

Financial Projection #2A: This projection is identical to #2 above, except it assumes the changes would continue through the year 2005.

Financial Projection #3: This is identical to #2 above, except it would distribute net income 50% to dividends, 25% to inflation-proofing, and 25% to the Budget Stabilization Fund.

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would also cause a reduced rate of growth in Fund principal. (The reduction in #3 is greater than in #2 because of the lower inflation-proofing transfers.) The smaller principal would, in turn, produce less income and smaller distributions to the Budget Stabilization Fund than #2.

The dividend distributions and per capita dividends would be larger than the status quo for the first three years of the new program, and thereafter would always be smaller than the status quo. For example in FY 92, the first year in which the proposed changes would be implemented, per capita dividends would be increased from \$770.21 under the status quo to \$856.04.

For your information, according to the status quo dividend formula, dividends are projected to equal the following percentages of annual net income:

* 56% in FY 89	45% in FY 93
* 58% in FY 90	46% in FY 94
* 48% in FY 91	46% in FY 95
* 45% in FY 92	47% in FY 96

The high rates in 89 and 90 are due to the impact of the billion dollar-plus earnings years of 86 and 87 on the five-year "averaging" computation in the current formula.

Financial Projection #3A: This projection is identical to #3 above, except it assumes the changes would continue through the year 2005.

Financial Projection #4: This is identical to #2 above, except it would distribute net income 50% to dividends, 30% to inflation-proofing, and 20% to the Budget Stabilization Fund.

Summary Analysis of Impact: Compared to the Mid Case status quo, adoption of the above changes would have the same effect on the

growth in Fund principal, the production of net income and the amounts of future inflation-proofing transfers as #2. The distributions to the Budget Stabilization Fund would be the smallest of any of the scenarios, except, of course, the status quo.

Like #3, the dividend distributions and per capita dividends would be larger than the status quo for the first three years of the new program, and thereafter would always be smaller than the status quo.

Financial Projection #4A: This projection is identical to #4 above, except it assumes the changes would continue through the year 2005.

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #2

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	13,064	(1,898)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,225	(110)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	490	(131)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	743.79	(207.61)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	368	(352)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	368	368

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #3

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	12,769	(2,193)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,204	(131)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	602	(19)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	920.95	(30.45)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	301	(419)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	301	301

COMPARISON OF MID-CASE STATUS QUO AND PROJECTION #4

1. How would the proposed changes affect the growth of Fund principal?

	Status Quo	Changes	Difference
June 30, 1989:	9,120	9,120	-0-
June 30, 1996:	14,962	13,064	(1,898)

2. How would they affect the level of Fund net income produced in the future?

	Status Quo	Changes	Difference
Fiscal 1989:	818	818	-0-
Fiscal 1996:	1,335	1,225	(110)

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

Dividend Distributions

	Status Quo	Changes	Difference
June 30, 1989:	457	457	-0-
June 30, 1996:	621	613	(8)

Per Capita Dividend Payments

	Status Quo	Changes	Difference
Calendar 1989:	\$800.60	\$800.60	-0-
Calendar 1996:	951.40	938.08	(13.32)

4. How would they affect inflation-proofing transfers?

	Status Quo	Changes	Difference
June 30, 1989:	351	351	-0-
June 30, 1996:	720	368	(352)

5. How would they affect amounts available for distribution to the Budget Stabilization Fund?

	Status Quo	Changes	Difference
June 30, 1989:	-0-	-0-	-0-
June 30, 1996:	-0-	245	245

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 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 December 31, 1983

FY	PRINCIPAL					INCOME					FY		
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Dividends	Per Capita Dividends**	Inflation Proofing		General Fund	Add (Delete)
78			54		54		2				1		75
79	54		84		139		8				7		75
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		184	351	9,120		818	457	\$800.60	351		10	89
90	9,120		190	466	9,776		818	475	\$813.18	466	(122)	480	90
91	9,776		161	596	10,533		974	471	\$790.21	596	(93)	387	91
92	10,533		169	642	11,344		1,037	468	\$770.58	642	(74)	313	92
93	11,344		172	691	12,206		1,107	499	\$806.59	691	(83)	230	93
94	12,206		170	743	13,119		1,180	537	\$852.75	743	(100)	130	94
95	13,119		164	797	14,080		1,256	583	\$909.77	797	(124)	6	95
96	14,080		162	720	14,962	134	1,335	621	\$951.40	720	(6)		96
97	14,962		161	757	15,879	151	1,418	661	\$994.22	757			97
98	15,879		158	801	16,838	161	1,504	703	\$1,037.94	801			98
99	16,838		152	848	17,837	172	1,594	746	\$1,081.98	848			99
0	17,837		147	896	18,881	183	1,688	792	\$1,126.77	896			0
1	18,881		143	947	19,971	194	1,786	839	\$1,172.48	947			1
2	19,971		134	1,000	21,105	206	1,888	888	\$1,218.83	1,000			2
3	21,105		128	1,055	22,288	219	1,995	940	\$1,265.99	1,055			3
4	22,288		120	1,112	23,520	232	2,106	994	\$1,310.84	1,112			4
5	23,520		111	1,172	24,803	246	2,222	1,050	\$1,359.43	1,172			5

Cumulative Totals:	3,964		5,960	14,879	24,803	1,898	29,824	13,452	\$21,476.38	14,879	229		
=====													

ASSUMPTIONS:

4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988

2/1/89

STATUS QUO EXCEPT
MID CASE REVENUE FORECAST
(WITH BUDGET SUMMIT REVENUE CONSENSUS NUMBERS FOR FY 89-90)

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

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund	25% of Budget Stabilization Fund	
78			54		54		2			1						78
79	54		84		139		8			7						79
80	139		344		483		32	12		12						80
81	483	900	395		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	\$396.15	231	110	110	354			83
84	4,021	300	366	151	4,838		530	175	\$331.29	151	203	203	557			84
85	4,838	300	368	235	5,741		658	217	\$404.00	235	206	206	763			85
86	5,741		323	216	6,261		1,021	303	\$556.26	216	501	1,264	86			86
87	6,261	1,264	171	148	7,864		1,069	391	\$708.19	148	529	529	87			87
88	7,864		418	303	8,585		789	424	\$826.93	303	62	591	88			88
89	8,585		184	351	9,120		818	457	\$800.60	351	10	601	89			89
90	9,120		190	466	9,776		818	475	\$813.18	466	(122)	480	90			90
91	9,776		161	596	10,533		974	471	\$790.21	596	(93)	387	91			91
92	10,533		169	311	11,013	331	1,037	415	\$679.14	311		387	92	311	78	92
93	11,013		172	325	11,509	346	1,082	433	\$695.70	325	311	387	93	636	159	93
94	11,509		170	339	12,018	362	1,129	452	\$711.95	339	339	387	94	975	244	94
95	12,018		164	353	12,535	378	1,177	471	\$728.06	353	353	387	95	1,328	332	95
96	12,535		162	368	13,064	394	1,225	490	\$743.79	368	368	387	96	1,695	424	96
97	13,064		161	794	14,018		1,275	618	\$927.72	794		(137)	250	1,695	424	97
98	14,018		158	851	15,026		1,352	647	\$952.00	851		(145)	105	1,695	424	98
99	15,026		152	911	16,089		1,433	573	\$822.37	911		(51)	54	1,695	424	99
0	16,089		147	971	17,208	3	1,528	611	\$861.11	971		(54)	0	1,695	424	0
1	17,208		143	977	18,328	64	1,628	651	\$901.06	977			1	1,695	424	1
2	18,328		134	1,040	19,502	68	1,734	693	\$941.81	1,040			2	1,695	424	2
3	19,502		128	1,106	20,735	71	1,844	738	\$983.67	1,106			3	1,695	424	3
4	20,735		120	1,176	22,031	75	1,960	784	\$1,023.37	1,176			4	1,695	424	4
5	22,031		111	1,249	23,391	80	2,082	833	\$1,066.85	1,249			5	1,695	424	5
Cumulative Totals:		3,964	5,960	13,467	23,391	2,172	28,194	11,540	\$18,655.41	13,467	229	1,695		1,695	424	

ASSUMPTIONS:

2/2/89
FROM FY 92-96, ALL NET INCOME DISTRIBUTED
40% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 30% TO BUDGET STABILIZATION FUND

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

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
78			54		54		2				1			78			78
79	54		84		139		8				7			79			79
80	139		344		483		32	12			12			80			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		194	351	9,120		818	457	\$800.60	351			10	601			89
90	9,120		190	466	9,776		818	475	\$813.18	466			(122)	480			90
91	9,776		161	596	10,533		974	471	\$790.21	596			(93)	387			91
92	10,533		169	311	11,013	331	1,037	415	\$679.14	311	311			387	311	78	92
93	11,013		172	325	11,509	346	1,082	433	\$695.70	325	325			387	636	159	93
94	11,509		170	339	12,018	362	1,129	452	\$711.95	339	339			387	975	244	94
95	12,018		164	353	12,535	378	1,177	471	\$728.06	353	353			387	1,328	332	95
96	12,535		162	368	13,064	394	1,225	490	\$743.79	368	368			387	2,095	424	96
97	13,064		161	383	13,607	411	1,275	510	\$759.22	383	383			387	2,078	519	97
98	13,607		158	398	14,163	428	1,326	531	\$774.46	398	398			387	2,476	619	98
99	14,163		152	414	14,728	445	1,378	551	\$789.34	414	414			387	2,859	722	99
0	14,728		147	429	15,305	463	1,431	573	\$804.05	429	429			387	3,319	830	0
1	15,305		143	446	15,893	481	1,486	594	\$818.26	446	446			387	3,764	941	1
2	15,893		134	462	16,490	499	1,541	616	\$832.08	462	462			387	4,226	1,057	2
3	16,490		128	479	17,096	518	1,596	639	\$845.52	479	479			387	4,705	1,176	3
4	17,096		120	496	17,712	537	1,653	661	\$855.39	496	496			387	5,201	1,300	4
5	17,712		111	513	18,336	556	1,711	684	\$866.98	513	513			387	5,715	1,429	5
Cumulative Totals:	3,964		5,960	8,412	18,336	6,151	26,756	10,751	\$17,520.74	8,412	229	5,715		5,715		1,429	

ASSUMPTIONS:

4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

2/2/89

AFTER FY 91, ALL NET INCOME DISTRIBUTED
40% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 30% TO BUDGET STABILIZATION FUND

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

** SOURCE: Population Projections From
Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME							Reserves		FY End Balance		FY
	FY Begin Balance	Appropriations	Dedicated State Revenues*		Inflation Proofing Shortfall	FY End Balance	Net Income	Distributions			Budget Stabilization Fund	FY End Balance	FY	Budget Stabilization Fund	25% of Budget Stabilization Fund		
			Inflation Proofing	FY End Balance				Per Capita Dividends**	Inflation Proofing	General Fund							
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				29	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		184	351	9,120	818	457	\$800.60	351			10	601				89
90	9,120		190	466	9,776	818	475	\$813.18	466			(122)	480				90
91	9,776		161	596	10,533	974	471	\$790.21	596			(93)	387				91
92	10,533		169	259	10,961	383	1,037	\$856.04	259		259		387	259	65		92
93	10,961		172	269	11,402	399	1,078	\$872.92	269		269		387	529	132		93
94	11,402		170	200	11,852	415	1,119	\$889.43	280		280		387	809	202		94
95	11,852		164	290	12,306	431	1,161	\$905.57	290		290		386	1,099	275		95
96	12,306		162	301	12,769	447	1,204	\$920.95	301		301		386	1,400	350		96
97	12,769		161	776	13,705		1,247	\$914.64	776			(138)	248	1,400	350		97
98	13,705		158	832	14,695		1,322	\$935.18	832			(145)	103	1,400	350		98
99	14,695		152	891	15,737		1,402	\$803.45	891			(50)	53	1,400	350		99
0	15,737		147	950	16,835	3	1,495	\$841.50	956			(53)	0	1,400	350	0	0
1	16,835		143	956	17,933	63	1,593	\$880.65	956				1	1,400	350	1	1
2	17,933		134	1,018	19,385	66	1,696	\$920.78	1,018				2	1,400	350	2	2
3	19,085		128	1,083	20,295	70	1,805	\$961.62	1,083				3	1,400	350	3	3
4	20,295		120	1,151	21,567	74	1,918	\$1,000.63	1,151				4	1,400	350	4	4
5	21,567		111	1,223	22,900	78	2,038	\$1,043.26	1,223				5	1,400	350	5	5

Cumulative Totals:	3,964		5,960	12,976	22,900	2,427	27,823	11,955	\$19,363.44	\$2,976	229	1,400		1,400	350		

ASSUMPTIONS: 4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89
2/2/69

FROM FY 92-96, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 25% TO INFLATION-PROOFING,
AND 25% TO BUDGET STABILIZATION FUND

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

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME					Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
78			54		54		2			1			78		78	
79	54		84		139		8			7			79		79	
80	139		344		483		32	12		12			80		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		659	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	501		88	
89	8,585		184	351	9,120		818	457	\$800.60	351		10	601		89	
90	9,120		190	466	9,776		818	475	\$813.18	466		(122)	480		90	
91	9,776		161	596	10,533		974	471	\$790.21	596		(93)	387		91	
92	10,533		169	259	10,961	383	1,037	519	\$856.04	259	259		387	259	65	92
93	10,961		172	269	11,402	399	1,078	539	\$872.92	269	269		387	529	132	93
94	11,402		170	280	11,852	415	1,119	560	\$889.43	280	280		387	809	202	94
95	11,852		164	290	12,306	431	1,161	581	\$905.57	290	290		386	1,099	275	95
96	12,306		162	301	12,769	447	1,204	602	\$920.95	301	301		386	1,400	350	96
97	12,769		161	312	13,241	464	1,247	624	\$936.13	312	312		386	1,712	428	97
98	13,241		158	323	13,722	481	1,292	646	\$950.93	323	323		386	2,035	509	98
99	13,722		152	334	14,208	498	1,337	668	\$965.17	334	334		386	2,359	592	99
0	14,208		147	346	14,701	516	1,382	691	\$978.90	346	346		386	2,714	679	0
1	14,701		143	357	15,201	534	1,429	714	\$992.11	357	357		386	3,071	768	1
2	15,201		134	369	15,703	551	1,475	738	\$1,004.63	369	369		386	3,440	860	2
3	15,703		128	381	16,211	569	1,522	761	\$1,016.61	381	381		386	3,821	955	3
4	16,211		120	393	16,724	587	1,570	785	\$1,024.75	393	393		386	4,213	1,053	4
5	16,724		111	404	17,239	606	1,618	809	\$1,034.91	404	404		386	4,618	1,154	5
Cumulative Totals:		3,964	5,960	7,315	17,239	6,880	26,178	12,367	\$19,965.86	7,315	229	4,618		4,618	1,154	

ASSUMPTIONS: 4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89

2/2/89

AFTER FY 91, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 25% TO INFLATION-PROOFING,
AND 25% TO BUDGET STABILIZATION FUND

5.00% Inflation Rate FY 90
0.00% Rate of Return FY 90

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

117
50-30-20

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
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	1,764	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		184	351	9,120			818	457	\$800.60	351		10	601			89
90	9,120		190	466	9,776			818	475	\$813.18	466		(122)	480			90
91	9,776		161	596	10,533			974	471	\$790.21	596		(93)	387			91
92	10,533		169	311	11,013	331		1,037	519	\$856.04	311	207		387	207	52	92
93	11,013		172	325	11,509	346		1,082	541	\$876.95	325	217		387	424	106	93
94	11,509		170	339	12,018	362		1,129	565	\$897.82	339	226		387	650	162	94
95	12,018		164	353	12,535	378		1,177	588	\$918.17	353	235		387	885	221	95
96	12,535		162	368	13,064	394		1,225	613	\$938.08	368	245		387	1,130	283	96
97	13,064		161	794	14,018			1,275	618	\$927.72	794		(137)	250	1,130	283	97
98	14,018		158	851	15,026			1,352	647	\$952.00	851		(145)	105	1,130	283	98
99	15,026		152	911	16,089			1,433	573	\$822.22	911		(51)	54	1,130	283	99
0	16,089		147	971	17,207	3		1,528	611	\$861.11	971		(54)	0	1,130	283	0
1	17,207		143	977	18,327	64		1,628	651	\$901.05	977			1	1,130	283	1
2	18,327		134	1,040	19,501	68		1,734	693	\$941.81	1,040			2	1,130	283	2
3	19,501		128	1,106	20,735	71		1,844	738	\$983.53	1,106			3	1,130	283	3
4	20,735		120	1,176	22,031	75		1,960	784	\$1,023.37	1,176			4	1,130	283	4
5	22,031		111	1,249	23,391	80		2,081	833	\$1,066.85	1,249			5	1,130	283	5
Cumulative Totals:		3,964	5,960	13,466	23,391	2,173		28,194	12,105	\$19,583.54	13,466	229	1,130		1,130	283	

ASSUMPTIONS: 4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89

2/2/89

FROM FY 92-96, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 20% TO BUDGET STABILIZATION FUND

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

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

ALASKA PERMANENT FUND CORPORATION

Financial Projections
(in millions)

as of December 31, 1988

FY	PRINCIPAL					INCOME						Reserves		FY End Balance		FY	
	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall	Net Income	Per Capita Dividends	Per Capita Dividends**	Inflation Proofing	General Fund	Budget Stabilization Fund	Add (Delete)	FY End Balance	Budget Stabilization Fund		25% of Budget Stabilization Fund
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	\$926.93	303			62	591			88
89	8,585		184	351	9,120		818	457	\$800.60	351			10	601			89
90	9,120		190	466	9,776		818	475	\$813.18	466			(122)	480			90
91	9,776		161	596	10,533		974	471	\$790.21	596			(93)	387			91
92	10,533		169	311	11,013	331	1,037	519	\$856.04	311		207		387	207	52	92
93	11,013		172	325	11,509	346	1,082	541	\$876.95	325		217		387	424	106	93
94	11,509		170	339	12,018	362	1,129	565	\$897.82	339		226		387	650	162	94
95	12,018		164	353	12,535	378	1,177	588	\$918.17	353		235		387	885	221	95
96	12,535		162	368	13,064	394	1,225	613	\$938.08	368		245		387	1,130	283	96
97	13,064		161	383	13,607	411	1,275	638	\$957.78	383		255		387	1,385	346	97
98	13,607		158	398	14,163	428	1,326	663	\$977.23	398		265		387	1,650	413	98
99	14,163		152	414	14,728	445	1,378	689	\$996.40	414		276		387	1,926	482	99
0	14,728		147	429	15,305	463	1,431	716	\$1,015.02	429		286		387	2,212	553	0
1	15,305		143	446	15,893	481	1,486	743	\$1,033.37	446		297		387	2,509	627	1
2	15,893		134	462	16,490	499	1,541	770	\$1,051.11	462		308		386	2,818	704	2
3	16,490		128	479	17,096	518	1,596	798	\$1,068.24	479		319		386	3,137	784	3
4	17,096		120	496	17,712	537	1,653	827	\$1,081.88	496		331		386	3,467	867	4
5	17,712		111	513	18,336	556	1,711	855	\$1,097.57	513		342		386	3,810	952	5
Cumulative Totals:		3,964	5,960	8,412	18,336	6,151	26,756	12,656	\$20,382.47	8,412	229	3,810			3,810	952	

ASSUMPTIONS: 4.00% Inflation Rate FY 89
9.01% Rate of Return FY 89

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

* SOURCE: Alaska Department of Revenue
Revenue Mid Case Forecast - November 1988
(With Budget Summit Revenue Consensus Numbers for FY 89-90)

2/2/89
AFTER FY 91, ALL NET INCOME DISTRIBUTED
50% TO DIVIDENDS, 30% TO INFLATION-PROOFING,
AND 20% TO BUDGET STABILIZATION FUND

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

** SOURCE: Population Projections From
Revenue Mid Case Forecast - November 1988

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling

P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: March 17 Committee Meeting

DATE: March 17, 1989

Today at 1:30 p.m. in the Beltz Room the following bills will be back before the State Affairs Committee:

SJR 3, Proposing an amendment to the Constitution of the State of Alaska relating to repeal of regulations by the legislature

A draft committee substitute providing for repeal of regulations by joint resolution rather than concurrent resolution is attached. Because Uniform Rule 49 requires that a joint resolution receive three readings and that its vote be recorded in the journal, these requirements have been deleted from SJR 3.

SJR 5, Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska permanent fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund, the expenditure limit, and the budget stabilization fund

SJR 5 would constitutionally dedicate permanent fund earnings (50% dividends, 30% inflation proofing, 20% budget stabilization fund), establish an appropriation limit, provide for deposit of revenues in excess of the appropriation limit (50% permanent fund, 50% budget stabilization fund), and allow for expenditure of up to 25% of the budget stabilization fund in years in which revenues are less than the appropriation limit.

A draft committee substitute which deletes the \$1.4 billion appropriation limit specified in the original bill is attached. Instead, annual appropriations would be limited to the level of appropriations made in the preceding year with an adjustment for inflation. Revenues within the spending limit that were not appropriated would be deposited in the Permanent Fund.

Committee Memo
March 17, 1989

SJR 30, Relating to location of a job corps center within the
Matanuska-Susitna Borough

When SJR 30 was before the committee, questions arose regarding the state's financial obligation if Alaska should be chosen as the site for a job corps center. The state's application to the federal government indicated that we would contribute \$1 million to capital costs of the center. The funding question will be addressed by the bill sponsor at today's meeting.

SB 170, An Act relating to state procurement

A draft committee substitute, which incorporates the following two provisions discussed by the committee, is attached:

- 1 Authorization of the Alaska Railroad Corporation to adopt procurement procedures based on the competitive principles of the state procurement code but adapted to the special needs of the corporation
- 2 Exemption from the procurement code for guest speakers or performers for an educational or cultural activity

Six additional amendments are also attached:

- 1 Application of the Alaska business license
- 2 Abuse of the Alaska bidders' preference by firms that carry on limited business enterprises exclusively for the purpose of taking advantage of the preference
- 3 Increase of the dollar threshold for open competitive bidding
- 4 Exemption for purchases made outside the U.S. for use outside the U.S., and for contracts for hearing officers
- 5 Penalty for frivolous protest of a contract award
- 6 Definition of "state money"

It is my hope that we could move all of these bills out of committee today.

Permanent Fund Earnings and Balance - SJR 5 Scenarios

SSSJR5



	PF Year End Balance			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	11,344.0	11,013.0	10,961.0	11,013.0
93	12,206.0	11,509.0	11,402.0	11,509.0
94	13,119.0	12,018.0	11,852.0	12,018.0
95	14,080.0	12,535.0	12,306.0	12,535.0
96	14,962.0	13,064.0	12,769.0	13,064.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

	Net Income			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	1,037.0	1,037.0	1,037.0	1,037.0
93	1,107.0	1,082.0	1,078.0	1,082.0
94	1,180.0	1,129.0	1,119.0	1,129.0
95	1,256.0	1,177.0	1,161.0	1,177.0
96	1,335.0	1,225.0	1,204.0	1,225.0

Based on mid-case projections by Department of Revenue - Senator Jan Faiks 2/3/89

Permanent Fund Earnings and Balance - SJR 5 Scenarios

	Dividends			
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	468.0	415.0	519.0	519.0
93	499.0	433.0	539.0	541.0
94	537.0	452.0	560.0	565.0
95	583.0	471.0	581.0	588.0
96	621.0	490.0	602.0	613.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

FY	Per Capita Distribution			
	Status Quo	40-30-30	50-25-25	50-30-20
92	770.58	679.14	856.04	\$856.04
93	806.59	695.70	872.92	\$876.95
94	852.75	711.95	889.43	\$897.82
95	909.77	728.06	905.57	\$918.17
96	951.40	743.79	920.95	\$938.08

Permanent Fund Earnings and Balance - SJR 5 Scenarios

FY	Inflation Proofing			
	Status Quo	40-30-30	50-25-25	50-30-20
92	642.0	311.0	259.0	311.0
93	691.0	325.0	269.0	325.0
94	743.0	339.0	280.0	339.0
95	797.0	353.0	290.0	353.0
96	720.0	368.0	301.0	368.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

Earnings Reserve/Budget Stabilization Fund				
FY	Status Quo	40-30-30	50-25-25	50-30-20
92	313.0	311.0	259.0	207.0
93	230.0	325.0	269.0	217.0
94	130.0	339.0	280.0	226.0
95	6.0	353.0	290.0	235.0
96	.0	368.0	301.0	245.0

Permanent Fund Earnings and Balance - SJR 5 Scenarios

Budget Stab Fund Accumulated Balance*							
FY	Status Quo	40-30-30	25%	50-25-25	25%	50-30-20	25%
92		311.0	77.8	259.0	64.8	207.0	51.8
93		636.0	159.0	529.0	132.3	424.0	106.0
94		975.0	243.8	809.0	202.3	650.0	162.5
95		1,328.0	332.0	1,099.0	274.8	885.0	221.3
96		1,695.0	423.8	1,400.0	350.0	1,130.0	282.5
*Not reflected is Fund's interest earnings, "extra" revenues above Expenditure Limit							

Based on mid-case projections by Department of Revenue - Senator Jan Faiks 2/3/89

Alaska State Constitution

Art IX, Sec 15

nor shall the public credit be used, except for a public purpose.

§ 7. The proceeds of any state tax or other revenue shall not be dedicated to any special purpose as provided in section 15 of this article, except as required by the federal government in connection with federal programs. This shall not prohibit the continuance of any special purposes existing upon the adoption of this section by the people.

(This section was approved by the voters of Alaska on November 2, 1976 and became effective February 21, 1977. The language inserted was provided in section 15 of this article.)

§ 8. No state debt shall be contracted for the purpose of repelling invasion, defending the State in connection with natural disasters, or redeeming indebtedness existing at the time this constitution was adopted.

§ 9. No state debt shall be contracted by any political subdivision of the State, unless authorized by law and approved by a majority vote of those qualified voters of the subdivision on the question.

§ 10. The State and its political subdivisions shall not be liable for the payment of money to meet appropriations for the operation of the collection of taxes for that year, but all debt so contracted shall be repaid before the end of the next fiscal year.

§ 11. The restrictions on contracting debt incurred through the operation of a public enterprise or

Budget

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. 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.

Expenditures

SECTION 13. 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.

Legislative
Post-Audit

SECTION 14. 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.

Alaska
Permanent
Fund

SECTION 15. 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.

(The addition of this section was approved by the voters of the state November 2, 1976 and became effective February 21, 1977.)

Revisor's notes. — Reorganized in amendment repealed former paragraphs 1988 to delete repealed paragraphs (1) and (4) — (7).
 Effect of amendments. — The 1984

Chapter 13. Alaska Permanent Fund.

Section	Section
10. Alaska permanent fund	120. Investment responsibilities of the board
20. Findings	140. Income
30. Purpose	145. Disposition of income
40. Alaska Permanent Fund Corporation	150. Corporation budget
50. Composition and qualifications of board of trustees	160. Audits
60. Term of office	170. Reports and publications
70. Removal and vacancies	180. Tax exemption
80. Quorum	190. Political activities
90. Compensation of board members	200. Public access to information
100. Corporation staff	205. Regulations
110. Conflicts of interest	210. Definitions

Sec. 37.13.010. Alaska permanent fund. (a) Under art. IX, § 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 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 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 mone; 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 this chapter. (§ 5 ch 18 SLA 1980)

Legislative history reports. — For House Journal, Joint Supplement No. 7, the Free Conference Committee Report on April 2, 1980. ch. 18, SLA 1980 (FCSSB 161), see 1980

Revenues into fund

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 revenue from mineral resource. 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 this chapter 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 18 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 this chapter. (§ 5 ch 18 SLA 1980)

Sec. 37.13.050. Composition and qualifications of board of trustees. (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists of six members appointed by the governor. Two of the members must be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Four members shall be appointed by the governor from the public and may not hold any other state or federal office, position or employment, either elective or appointive, except as a member of the armed forces of either the United States or of this state.

(b) The four public members of the board must have recognized competence and wide experience in finance, investments, or other business management-related fields.

(c) The board shall annually elect a chairman from among its members. (§ 5 ch 18 SLA 1980; am § 1 ch 81 SLA 1982)

cedures or remedies available for collection of taxes under this title to recover the payment of a permanent fund dividend that was improperly made. A notice of an improperly paid dividend must be sent to the individual within 10 years after the improper payment. If notice is not sent within the 10-year period, proceedings may not be commenced in court for recovery of the improper payment.

"(c) If the commissioner determines that a permanent fund dividend should not have been credited to an individual's an-

nuity account, the commissioner may, after notice and opportunity for hearing, direct the commissioner of administration to debit the individual's annuity account for the amount wrongly credited. If the credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debt must be made within three years."

Effect of amendments. — The 1988 amendment, effective January 1, 1989, added subsection (c).

Sec. 43.23.045. Dividend fund. (a) The dividend fund is established as a separate fund in the state treasury. The dividend fund shall be administered by the commissioner and shall be invested by the commissioner in the same manner as provided in AS 37.10.070.

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 50 percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

(c) *[Repealed, § 24 ch 99 SLA 1985.]*

(d) Unless specified otherwise in an appropriation act, the unexpended and unobligated balance of an appropriation to implement this chapter lapses into the dividend fund on June 30 of the fiscal year for which the appropriation was made and shall be used in determining the amount of and paying the subsequent year's dividend as provided in AS 43.23.025(1)(B). (§ 1 ch 102 SLA 1982; am § 24 ch 99 SLA 1985; am § 3 ch 57 SLA 1987)

Effect of amendments. — The 1985 amendment repealed subsection (c).

The 1987 amendment, added subsection (d).

NOTES TO DECISIONS

Stated in Alaska Oil Co. v. Alaska, 45 Bankr. 358 (D. Alaska 1985).

Sec. 43.23.055. Duties of the department. The department shall

(1) annually pay permanent fund dividends from the dividend fund;
(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend; the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by October 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following that year;

(3) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for an individual

dividends

n. Do-
ust be
h the

Sec. 37.13.130. Gains and losses. [Repealed, § 13 ch 81 SLA 1982.]

or the
terest
xcept
than

Sec. 37.13.140. Income. Net income of the corporation shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals 21 percent of the net income of the corporation for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the corporation for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145. (§ 5 ch 18 SLA 1980; am § 8 ch 81 SLA 1982; am § 1 ch 28 SLA 1986)

ssary
ation.
ed to
nent.
state
ie in-

Effect of amendments. — The 1986 amendment in the first sentence substituted "shall" for "must" and in the second sentence substituted "21 percent of the

net income" for "the average net income" and "earnings reserve" for "undistributed income."

nate

inflation proofing

Sec. 37.13.145. Disposition of income. At the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by the change in the calendar year average United States consumer price index for all urban consumers shall be transferred from net income as defined in AS 37.13.140, excluding income on the earnings reserve account in the Alaska permanent fund, to the principal of the Alaska permanent fund for reinvestment. The balance of the income available for distribution under AS 37.13.140 shall be transferred to the earnings reserve account in the Alaska permanent fund. Money in the earnings reserve account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the earnings reserve account shall be treated as an addition to that account. (§ 9 ch 81 SLA 1982; am § 2 ch 28 SLA 1986)

this

are
et at
al of
(1),
al of
ated
ated
e at
ard
ued
18
(86)

Cross references. — For transfer of certain income earned by the Alaska permanent fund prior to July 1, 1982, to the undistributed income account, see § 15, ch. 81, SLA 1982.

erage United States consumer price index for all urban consumers" for "a nationally recognized index," in the second sentence substituted "income available for distribution under" for "net income as defined in," and substituted "earnings reserve" for "undistributed income" throughout the section.

sub-
ich"
and
by a
ket"
i in-

Effect of amendments. — The 1986 amendment in the first sentence substituted "the change in the calendar year av-

Sec. 37.13.150. Corporation budget. The revenue generated by the corporation's investments must be identified as the source of the operating budget of the corporation in the state's operating budget under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's annual operating budget does not lapse at the end of the fiscal year but shall be treated as income under AS 37.13.140. (§ 5 ch 18 SLA 1980; am § 10 ch 81 SLA 1982)

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot, Chairman
RE: March 3 Committee Meeting
DATE: March 2, 1989

On Friday, March 3 at 2:00 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SJR 30, Relating to location of a job corps center within the Matanuska-Susitna Borough

SJR 30 calls for the establishment of a Job Corps center within the Mat-Su Borough. Congress has appropriated funds for the development of six new centers throughout the country and the U.S. Department of Labor is accepting applications from the states. Alaska's application, submitted in December 1988, proposes use of the Goose Bay Correctional Center in Wasilla or Colony High School in Palmer.

The Job Corps program was established by the federal government in 1964 to provide intensive educational and vocational training to economically disadvantaged youth. Alaska does not have a Job Corps center and Alaskans who participate must go out of state.

THE FOLLOWING BILLS PROPOSE VARIOUS USES OF THE PERMANENT FUND EARNINGS RESERVE AND ADDRESS THE SIZE OF THE STATE'S BUDGET. IT IS NOT MY INTENT TO MOVE THESE BILLS TODAY.

SSSJR 5, Proposing amendments to the Constitution of the State of Alaska amending provisions relating to the Alaska permanent fund; establishing temporary provisions relating to dedicated funds, the Alaska permanent fund, the expenditure limit, and the budget stabilization fund; and suspending the operation of provisions relating to dedicated funds, the Alaska permanent fund, and the appropriation limit

SSSJR 5 would constitutionally dedicate permanent fund earnings:
50% dividends
30% inflation proofing
20% budget stabilization fund

March 3, 1989

Page 2

It would constitutionally establish a 1996 appropriation limit of \$1.4 billion. Limits for the preceding years would be established by law. Revenues in excess of the limit would be deposited as follows:

50% permanent fund

50% budget stabilization fund

Up to 25% of the budget stabilization fund could be spent in any year in which revenues were less than the expenditure limit.

The constitutional provisions would be repealed July 1, 1996.

SB 79, An Act relating to reductions in state budget levels for certain fiscal years

SB 79 is a companion bill to SSSJR 5 which calls for a 1996 appropriation limit of \$1.4 billion. SB 79 heads the state in that direction by calling for a 6.5% reduction in the state's budget in FY 90 and again in FY 91. It is assumed that this scheme will be continued once the appropriation limit is approved by the voters in November 1990.

A 6.5% reduction in FY 90 would be a reduction of \$144.8 million (from \$2228.1 million to \$2083.3 million).

SJR 18, Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund

SJR 18 would amend the Constitution to specify that income of the permanent fund be appropriated for dividends, to the fund principal, for administrative costs of the fund, and for other purposes that the voters approve.

SB 69, An Act providing for an advisory vote on the use of the earnings reserve account

SB 69 would provide for an advisory vote on distributing the balance in the earnings reserve account of the permanent fund as follows:

50% to the general fund

25% to the principal of the permanent fund

25% for a special dividend

The Budget

FY 92 FY 93 FY 94 FY 95 FY 96

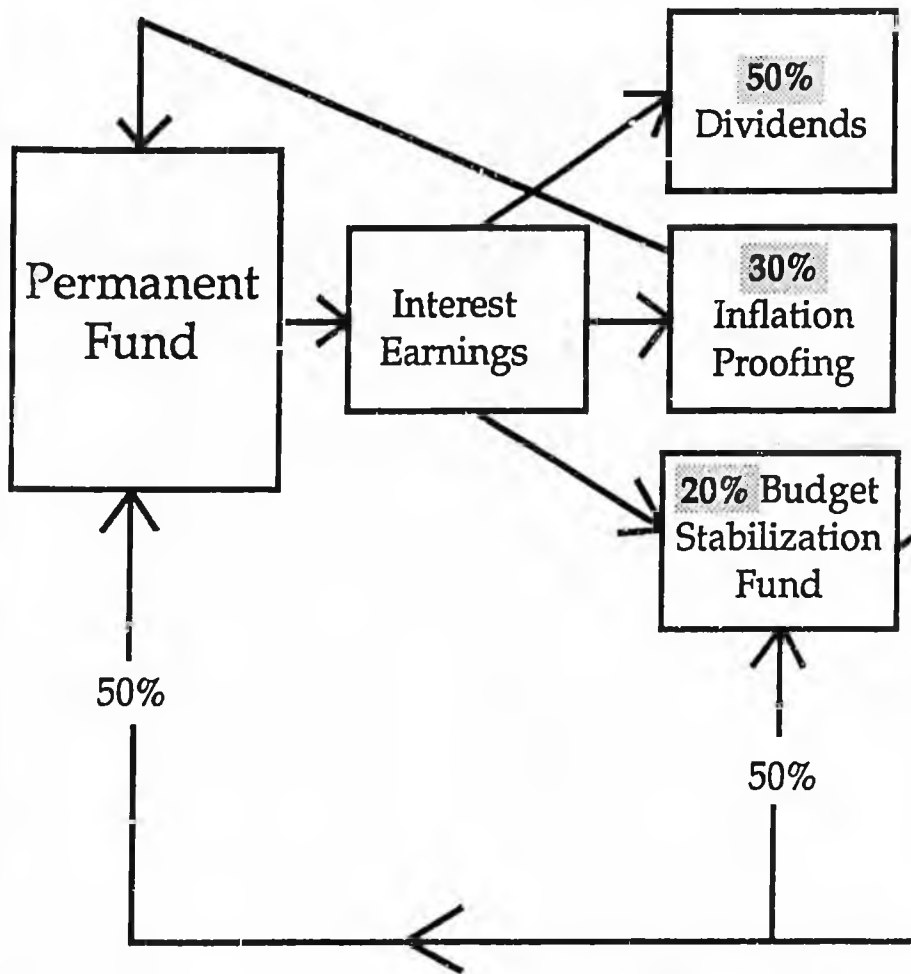
GOAL

1/91 Legislature Establishes

Expenditure Limit	1821.2	1702.8	1592.1	1488.6	1391.9
--------------------------	--------	--------	--------	--------	--------

\$1.4 Billion
6/31/96

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



Projected Revenues (mid-case)	1405.5	1395.8	1366.8	1323.4	1292.6
May Use 25% BSF Up to Expenditure Limit	56.3	115.0	176.2	165.2	99.3
Total Revenues Available	1461.8	1510.8	1543.0	1488.6	1391.9

Surplus revenues above expenditure limit

How "50-30-20" and "ERP" Work -- SSSJR 5

How ERP Works

FY	Expenditure Limit 1/	Revenues (mid case)	PF Income	BSF annual deposit (20% PF earnings)	Interest 8.5%	20% earnings + interest	Carryforward BSF balance	25% Available for Budget	Remaining BSF Balance	BSF + Rev	BSF+Rev vs. Exp Limit 2/
89	2,228.1										
90	2,083.3	1,574.0									
91	1,947.9	1,308.8									
92	1,821.2	1,405.5	1,037.0	207.4	17.6	225.0	225.0	56.3	168.7	1,461.8	-359.4
93	1,702.8	1,395.8	1,082.0	216.4	18.4	234.8	459.8	115.0	344.9	1,510.8	-192.0
94	1,592.1	1,366.8	1,129.0	225.8	19.2	245.0	704.8	176.2	528.6	1,543.0	-49.1
95	1,488.6	1,323.4	1,177.0	235.4	20.0	255.4	960.2	240.1	795.0	1,563.5	74.9
96	1,391.9	1,292.6	1,225.0	245.0	20.8	265.8	1,226.1	306.5	1,126.8	1,599.1	207.2

1/ Based on a 6.5% reduction from FY 89 authorized starting with FY 90 budget

2/ In FY 95 and FY 96, an amount up to the Expenditure Limit could be appropriated from the BSF. These amounts are reflected in the "Remaining BSF Balance" amount for these fiscal years

Original sponsors: Faiks, Jones,
Eliason, et al.

Changes in CS
page 3, lines 14-16
page 3, line 19
page 3, lines 25-29

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 5 ~~STAFF~~

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

*Superseded
See P. 3*

5 Proposing amendments to the Constitution
6 of the State of Alaska amending provi-
7 sions relating to the Alaska permanent
8 fund; establishing temporary provisions
9 relating to dedicated funds, the Alaska
10 permanent fund, the expenditure limit,
11 and the budget stabilization fund; and
12 suspending the operation of provisions
13 relating to dedicated funds, the Alaska
14 permanent fund, and the appropriation
15 limit.

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

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

19 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per
20 cent of all mineral lease rentals, royalties, royalty sale proceeds,
21 federal mineral revenue sharing payments and bonuses received by the
22 State shall be placed in a permanent fund. The fund is established as
23 a trust on behalf of all the residents of the State and its principal
24 shall be invested in accordance with the prudent investor rule in (,
25 THE PRINCIPAL OF WHICH SHALL BE USED ONLY FOR THOSE) income-producing
26 investments specifically designated by law as eligible for permanent
27 fund investments. All income from the permanent fund shall be depos-
28 ited in the general fund unless otherwise provided by law.

29 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended

1 by adding new sections to read:

2 SECTION 29. DEDICATED FUNDS. (a) The operation of Section 7 of
3 Article IX is suspended from July 1, 1991, through June 30, 1996, and
4 this section applies in lieu of Section 7 of Article IX.

5 (b) The proceeds of any state tax or license shall not be dedi-
6 cated to any special purpose, except as provided in Sections 30 and 32
7 of this article or when required by the federal government for state
8 participation in federal programs. This provision shall not prohibit
9 the continuance of any dedication for special purposes existing upon
10 the date of ratification of Section 7 of Article IX by the people of
11 Alaska.

12 SECTION 30. ALASKA PERMANENT FUND. (a) The operation of Sec-
13 tion 15 of Article IX is suspended from July 1, 1991, through June 30,
14 1996, and this section applies in lieu of Section 15 of Article IX.

15 (b) At least twenty-five percent of all mineral lease rentals,
16 royalties, royalty sale proceeds, federal mineral revenue sharing
17 payments and bonuses received by the State shall be placed in a perma-
18 nent fund. The fund is established as a trust on behalf of all the
19 residents of the State and its principal shall be invested in accor-
20 dance with the prudent investor rule in income-producing investments
21 specifically designated by law as eligible for permanent fund invest-
22 ments.

23 (c) The income of the permanent fund shall be distributed as
24 follows:

25 (1) fifty percent to be used for dividends for State resi-
26 dents as provided by law;

27 (2) thirty percent to be added to the principal of the
28 permanent fund to help offset the effect of inflation and increase the
29 principal; and

(3) twenty percent to the budget stabilization fund established under Section 32 of this article.

SECTION 31. EXPENDITURE LIMIT. (a) The operation of Section 16 of Article IX is suspended from July 1, 1991, through June 30, 1996, and this section applies in lieu of Section 16 of Article IX.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget stabilization fund, appropriations by the legislature to meet a State natural disaster declared by the governor as prescribed by law, appropriations of revenue bond proceeds, 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 may not exceed [a basic services budget level of \$1.4 billion; legislature to establish annual limits by law] adjusted, as prescribed by law, for the change in population and inflation since the beginning of the preceding fiscal year.

(c) During a fiscal year the legislature may exceed the expenditure limit under (b) of this section if each bill that exceeds the limit is passed by affirmative vote of two-thirds ^[3/4] of the membership of each house of the legislature or, notwithstanding Sections 1 and 14 of Article II and Article XI, is approved by the voters as prescribed by law. The voters shall, for each bill for appropriations for capital projects, be informed as provided by law of the cost of operations and maintenance of each capital project.

~~(d) The money received by the State during a fiscal year that is subject to the expenditure limit under (b) of this section, that does not exceed that limit, and that is not appropriated under (b) or (c) of this section shall be deposited in the principal of the permanent fund.~~

ADDED