ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

9061 SENATE STATE AFFAIRS

SCR

9

ENATE COMMITTEE RE
First Committee of Referral

DATE: 3/8/95 FURTHER:

Date of 5-Day Notice: 3/9/93
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: ______________

State Affairs Committee considered SCR 9

Twenty-seventh annual Girls' State.

and recommends:

[ ] be replaced with _____ CS ____________________(________)
[ ] adopt previous _____ CS ____________________(________)
[ ] attached amendment(s)
[ ] adopt Letter of Intent by ______________ Committee
[ ] further referral to the ______________ Committee

Senate Bill:
[ ] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* _____

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*NR*	*DNP*	*AM*
[illegible]	✓				
[illegible]					
[illegible]	✓				
[illegible]	✓				
CHAIR: [illegible]	✓				

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
LRA	3/10	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

FISCAL NOTE

STATE OF ALASKA	NO.
1995 LEGISLATIVE SESSION	BILL VERSION: SCR 9
	PUBLISH DATE:

Revision Date:		Department Affected:	Legislative Affairs Agency
Title:	Relating to the twenty-seventh annual Girls' State.	BRU:	All
Sponsor:	Senator Torgerson	Component:	All
Requestor:	Senate State Affairs		

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0

REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Karla Schofield, Deputy Director Karla Schofield Phone: 465-3852
Division: Administrative Services Date: 3/10/95

Approved By: Pamela A. Varni, Executive Director Pamela Varni
Agency: Legislative Affairs Agency Date: 3/10/95

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies).

SCR

10

[redacted]ENATE COMMITTEE RE[redacted]
First Committee of Referral

DATE: 3/8/95

FURTHER:

Date of 5-Day Notice: 3/9/95
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: ______

State Affairs Committee considered SCR 10

Twenty-ninth annual Boys' State.

and recommends:

[ ] be replaced with _____ CS ____________ (______)

[ ] adopt previous _____ CS ____________ (______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ____________ Committee

[ ] further referral to the ____________ Committee

Senate Bill:
[ ] same title
[ ] new title
House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* _____

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*NR*	*DNP*	*AM*
[illegible]	✓				
[illegible]	✓				
[illegible]	✓				
CHAIR: [illegible]					

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
LAA	3/10	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

NO.
BILL VERSION: SCR 10
PUBLISH DATE:

Revision Date:
Title: Relating to the twenty-ninth annual Boy's State.
Sponsor: Senator Torgerson
Requestor: Senate State Affairs

Department Affected: Legislative Affairs Agency
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0

REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Karla Schofield, Deputy Director Karla Schofield Phone: 465-3852
Division: Administrative Services Date: 3/10/95

Approved By: Pamela A. Varni, Executive Director Pamela A. Varni
Agency: Legislative Affairs Agency Date: 3/10/95

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies)

SCR

14

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCR 14
1995 LEGISLATIVE SESSION

Revision Date:		Dept. Affected:	Revenue
Title:	An Act authorizing the University of Alaska's plan to enter into long-term obligations to borrow money from AHFC	BRU:	Alaska Housing Finance Corp
		Component:	AHFC Operations
Sponsor:	Kelly, Ellis		
Requester:	(S) STA	COMPONENT SERIAL NO.	110

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: $ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate $1,277,500 assuming a borrowing amount of $36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by:		Phone:	561-190
Division:	Alaska Housing Finance Corporation	Date:	5/1/5
Approved by Commissioner:	Deborah Vogt	Date:	5/1/95
Agency:	Revenue		

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SCR14

Revision Date:
Title: AHFC - INTEREST SUBSIDIZED LOANS FOR THE CONSTRUCTION OF STUDENT HOUSING FACILITIES AT CERTAIN CAMPUSES-U OF A
Sponsor: SENATORS KELLY, TAYLOR, DUNCAN, ELLIS
Requestor:

Department Affected: University of Alaska
BRU:
Component: ALL

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE FD SOURCE						

FUNDING: (Thousands of Dollars)						
1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTIA						
OTHER						
TOTAL FUNDING	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Wendy Matheny, Budget Analyst — Phone 465-3086
Division: Statewide Budget Office — Date 5/2/95

Approved by: MB Marylou Burton, Director
Agency: Statewide Budget Office — Date 4/21/95

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies)

[redacted] ENATE COMMITTEE REI [redacted]
First Committee of Referral

DATE: 4/21/95

FURTHER: CRA
HES
Finance

Date of 5-Day Notice: 5/1 (24 HR)
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: ______________

State Affairs Committee considered SCR 14

Alaska Housing Finance Corporation will make interest-subsidized loans for construction of student housing facilities.

and recommends:

[ ] be replaced with _____ CS ____________________(______)

[ ] adopt previous _____ CS ____________________(______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ________________ Committee

[ ] further referral to the ________________ Committee

Senate Bill:
[ ] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		Loren D. Leman	✓		
		[illegible]	✓		
		~~[illegible]~~			
CHAIR:		[illegible]	✓		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
REV	5/1	✓	
U of A	5/2	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

SCR

22

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

NO.
BILL VERSION: SCR 22
PUBLISH DATE:

Revision Date:
Title: Proposing amendments to the Uniform Rules of the Alaska State Legislature relating to the hours...
Sponsor: Senator Donley
Requestor: Senator Sharp

Department Affected: Legislative Affairs Agency
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Karla Schofield, Deputy Director Karla Schofield   Phone: 465-3852
Division: Administrative Services   Date: 2/20/96

Approved By: Pamela A. Varni, Executive Director Pamela A. Varni
Agency: Legislative Affairs Agency   Date: 2/20/96

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies)

[redacted] .ENATE COMMITTEE REF[redacted]
First Committee of Referral

DATE: 1/9/96 FURTHER:

Date of 5-Day Notice: 2/15/96
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/23/96

The State Affairs Committee considered SENATE CONCURRENT RESOLUTION NO. 22

Proposing amendments to the Uniform Rules of the Alaska State Legislature relating to the hours for convening and adjourning from daily sessions; and providing for an effective date.

and recommends:

[X] be replaced with ______ CS SCR 22 (STA)

[ ] adopt previous ______ CS ____________ (______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ____________ Committee

[ ] further referral to the ____________ Committee

Senate Bill:
[X] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* ______

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
Loren D. Leman	✓				
[illegible]	✓				
[illegible]	✓				
CHAIR: [illegible]	✓				

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

[ ] APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

CS FOR SENATE CONCURRENT RESOLUTION NO. 22(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS DONLEY, Salo

A RESOLUTION

Proposing amendments to the Uniform Rules of the Alaska State Legislature relating to the hours for convening and adjourning from daily sessions; and providing for an effective date.

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

* Section 1. Rule 13 of the Uniform Rules of the Alaska State Legislature is amended to read:

RULE 13. HOUR FOR CONVENING **AND HOUR FOR ADJOURNING**.

(a) Each house shall convene daily, except Sunday, at 10:00 a.m., unless otherwise ordered by a majority vote of the members present. **However, in no case may a house convene a daily session before 8:00 a.m.**

* Sec. 2. Rule 13 of the Uniform Rules of the Alaska State Legislature is amended by adding a new subsection to read:

(b) A house shall adjourn from a daily session by 9:00 p.m., unless otherwise ordered by a majority vote of at least three-fourths of the full membership of that house. If a house is in session at 8:50 p.m., the chief clerk or secretary shall announce the time to the house. This subsection does not apply during a regular session after the one hundred and fifteenth day of that session.

* Sec. 3. The amendments proposed by this resolution take effect immediately.

SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

Memorandum

Date: February 9 1996

To: Senator Bert Sharp
Chairman, Senate State Affairs Committee

From: Senator Dave Donley

Re: **Request for Hearing SCR 22 - Proposing Amendments to the Uniform Rules of the Alaska State Legislature Relating to the Hours for Convening and Adjourning from Daily Floor Sessions**

I request a committee hearing for SCR 22 at your earliest convenience. SCR 22 prohibits either body of the Alaska State Legislature from convening a daily floor session before 8 a.m. SCR 22 also states that each house shall adjourn from daily floor session by 9 p.m., unless otherwise ordered by a vote of at least three-fourths of the full membership of the body. If the daily floor session extends into the evening, the chief clerk or secretary shall announce the time to the house at 8:55 p.m. to ensure prompt adjournment at 9 p.m.

Setting reasonable hours legislative sessions may convene and must adjourn will dramatically improve the public process. Public perception of the legislative process wanes when floor debate takes place during late night or early morning sessions. Adjourning session by 9 p.m. will also ensure that lawmakers obtain at least adequate rest, which is crucial to effective leadership in the legislative process. Legislators who are exhausted from long hours in a stressful environment can not be as attentive as necessary toward important details. Serious mistakes can and have been made because of this and it is not necessary.

Currently, Uniform Rule 13 only requires that each house shall convene daily, except Sunday, at 10 a.m., unless otherwise ordered by a majority vote of the members present. There are presently no restrictions on the hour of adjournment.

Other states such as New York, Colorado, and Kentucky have restrictions limiting the hours of daily session, as well as the time the daily floor session may convene and must adjourn.

If you have further questions, please contact Karen Brand of my staff at 3892. Prior requests for hearing: 1/10 and 1/30/96.

DD/kb

January-May: STATE CAPITOL • JUNEAU, AK • 99801-1182 • (907) 465-3892 • FAX: (907) 465-6595
June-December: 716 W. 4TH AVE. • STE. 430 • ANCHORAGE, AK • 99501 • (907) 258-8181 • FAX: (907) 258-1648

MEMBER: Senate Finance Committee • Senate State Affairs Committee

NARFE
National Association of Retired Federal Employees
CHAPTER 1779

Karen Brand c/o
Senator Dave Donley
Juneau, Alaska

Re: Senate Concurrent Resolution #22
Section: 1--Rule 13 / 2--Amended

Dear Senator Donley;
The Executive Board of 1779 Chapter of the "National Association of Retired Federal Employees" (NARFE), with a total membership of over 550 members, have discussed the above resolution and wish to bring to your attention our desires concerning this resolution.
As we understand it, the resolution calls for the cutting back of the floor sessions to be in session between the hours of 8 AM and 9 PM. That no sessions would be allowed to take place between the hours of 9 PM and 8 AM and that 3/4ths of the membership would be needed to operate between these late night hours.
We respectfully request your continued interest in getting this resolution passed.

Sincerely,

Lynn S. Langfield
3201 Sherrie Street,
Anchorage, AK. 99504
1(907)333-7951
Executive Board Member (NARFE)

OLDER PERSONS ACTION GROUP, Inc.

325 E. 3rd. Ave., #300
Anchorage, AK 99501-2606
(907) 276-1059 (Toll free 800-478-1059)
FAX (907) 278-6724

FAX

February 22, 1996

Senator Dave Donley
FAX 465-6595

Dear Senator Donley,

I support SCR 22 proposing Amendments to the Uniform Rules relating to the hours of convening and adjourning from the daily floor sessions.

With a reasonable work schedule legislators to be ready each day to deal with the public process rather than being stressed out from excessively long sessions on critical issues. Critical issues are usually dealt with more rationally after a good night's sleep. Serious mistakes can and have been made because of forced issues during extended sessions of the legislature.

I lend my support to your proposal.

Sincerely,

Will Elder
Executive director

February 21, 1996

Senator Dave Donley
STATE CAPITOL
Juneau, AK 99801-1182

Dear Senator:

As president of the Central Alaska Retired Teachers' Association (CARTA), an organization of nearly 100 members, I am writing in support of **Senate Concurrent Resolution No. 22**.

Setting reasonable hours for legislative sessions will improve the public process by making meetings more open to attendance by all interested parties and it will improve the effectiveness of the legislative leadership by leaving time for adequate rest.

Sincerely,

Lola J. Reed

Lola J. Reed, President
CARTA
279-3006

SCR

23

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/7/96

FURTHER: has no fiscal

Date of 5-Day Notice: 2/1/96
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/9/96

The State Affairs Committee considered SCR 23

Relating to long range financial planning.

Ø/FN

Should have given more time for public hearing

and recommends:

[X] be replaced with ____ CS SCR 23 (STA)

[ ] adopt previous ____ CS ______________ (______)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ______________ Committee

[ ] further referral to the ______________ Committee

Senate Bill:
[X] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
[signature]	✓	[signature]	X	Should have been more time for public hearing	
[signature]		[signature]	X		
[signature]	✓	Should have had better notice of public hearing to allow public testimony on committee substitute.			
CHAIR: [signature]	✓	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
Senate State Affairs Comm.	2/8/96	0	

JTC + SB

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

[ ] APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

CS FOR SENATE CONCURRENT RESOLUTION NO. 23(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

A RESOLUTION

Relating to long range financial planning.

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

WHEREAS the members of the Long Range Financial Planning Commission (LRFPC) were jointly appointed by the governor and the legislature and conducted hearings across the state, raising the awareness of and educating Alaskans about the fiscal gap; and

WHEREAS the state has spent more than it has collected in revenue during six of the past nine fiscal years; and

WHEREAS the state's fiscal year 1996 fiscal gap between revenue and expenditures is estimated to be $433,000,000; and

WHEREAS petroleum revenue currently accounts for about 80 percent of unrestricted general funds and Alaska's petroleum production is projected to decline by one-third during the next 10 years; and

WHEREAS the fiscal gap is projected to grow steadily if the state does not effectively address revenue and expenditures; and

WHEREAS, without changes in projected revenue and expenditures, current reserves in the constitutional budget reserve fund may be depleted by fiscal year 2000; and

WHEREAS, in various fiscal policy forums around the state, the conclusion has been that no single fiscal tool is sufficient to address the fiscal gap, and that several tools must be used in combination to bring about state economic stability; and

WHEREAS the members of the Long Range Financial Planning Commission (LRFPC) were charged with developing 3-, 5-, and 10-year financial plans for balancing revenue and expenditures; and

WHEREAS the permanent fund is a cornerstone of the state's economic future that will continue to grow as well as provide reliable dividends to the general public; and

WHEREAS the financial plan adopted by the legislature should contain a combination of spending reductions and new revenue resulting from an expanded economy that will close the fiscal gap by fiscal year 2001; and

WHEREAS the combination of fiscal policies adopted by the legislature should put the state on firm fiscal ground and strike a balance between current needs and protection of the permanent fund for future generations;

BE IT RESOLVED that the Nineteenth Alaska State Legislature will prepare a fiscal plan to close the fiscal gap; and be it

FURTHER RESOLVED that the legislature, as part of the plan to ensure maximum earnings from the permanent fund, will deposit $1,100,000,000 to the fund's principal; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature will first reduce the size and scope of state government to decrease the gap between recurring revenue and recurring expenditures; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature will make significant spending reductions through means such as: welfare reform, entitlement reform, privatization of state services, and the institution of a Tier 3 state pension, wage, and benefit package; and be it

FURTHER RESOLVED that the legislature pledges to work with all parties to implement a long range financial plan that meets the needs and desires of the Alaskan people; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature urges all Alaskans to learn about Alaska's fiscal situation and to support actions necessary to close the fiscal gap; and be it

FURTHER RESOLVED that the legislature thanks all members of the Long Range

Financial Planning Commission for their hard work and efforts to address the state's fiscal future and assist the legislature in addressing the economic challenges we face as a state.

COPIES of this resolution shall be sent to the Honorable Tony Knowles, Governor of Alaska; and to the members of the Long Range Financial Planning Commission.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSCR 23(STA)

Revision Date:
Title: Long Range Fin. Planning

Sponsor: Rules by req. of Long Range
Requester: Fin. Planning Commission

Dept. Affected:
BRU:
Component:

COMPONENT SERIAL NO.

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL						

Estimate of any current year (FY96) cost: $ -0-

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Ann Ringstad
Division:
Phone: 465-4522
Date: 2/8/96

Approved by Commissioner: Senator Sharp
Agency: Chair, State Affairs Committee
Date: 2/8/96

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A/ File LRSC

OUNALASHKA
CORPORATION

January 31, 1996

Senator Bert Sharp
Alaska State Legislature
State Capital, Room 514
Juneau, AK 99801-1182

Dear Mr. Sharp:

My recommendations for solving Alaska Fiscal Gap

1. Cap the permanent fund at $500 million per year

2. Use the balance of the permanent fund income for two things only (1) inflation proofing (decide on the method that makes sense in terms of protecting the principal of the fund) (2) fund K-12 education only. Recognizing that this does not, at the present level of earnings, cover all the costs of this program. It will however, grow and it protects those funds from being used for other frivolous things in the State budget and it will guarantee funding for the best investment we can make- the youth of Alaskans.

3. Make the following cuts per the financial planning commissions report in scenario #1

   A. Privatization $54,217,400.00
   B. Competitive contracting opportunities $11,799,700.00
   C. Consolidate/Eliminate programs $19,296,800.00
   D. Employee salary/Benefit reforms and streamlining programs $96,150,800.00

   Total savings = $181,464,700.00

4. In scenario #4 reduce general government by $111,034,000.00

5. Statewide lottery generating $10,000,000.00 in revenue

A Real Estate and Development Company
(907) 581-1276 FAX (907) 581-1496
P.O. Box 149 Unalaska, AK 99685

6. Raise existing taxes as listed in your report totaling $176.3 million

I believe we come very close to solving the problem (a) without any new taxes (b) keeping the integrity of the permanent fund (c) and without taxing resources and resource development which further exasperate the lack of development (d) and any short fall could come from the potential additional economic development revenues. Also note that this plan does not take away grants benefiting individuals and local government and to non profit organizations which are very important to the citizens of this state in all areas.

This sounds like a very simple solution, but I am sure very difficult politically, but the Governor needs to take the lead and make it happen for the future of Alaskans.

Sincerely,

Rick Davis

Richard L. Davis Jr.
Chief Executive Officer

RD/lr

cc: file

LONG RANGE FINANCIAL PLAN
(October 1995)

OVERVIEW

House/Senate State Affairs Committee Mtg.
February 8, 1996

LONG RANGE FINANCIAL PLANNING COMMISSION
FINAL REPORT DATED OCTOBER, 1995

PRESENTATION TO THE JOINT HOUSE/SENATE STATE AFFAIRS COMMITTEE

THURSDAY, FEBRUARY 8, 1996

1. THE LONG RANGE FINANCIAL PLANNING COMMISSION REPORT DATED OCTOBER, 1995

2. Minority Report - Long Range Financial Planning Commission

LEGISLATION: (by request of the Long Range Financial Planning Commission)

3. **SCR 23** - Relating to Long Range Financial Planning (Also see HCR 23)

4. **SJR 33** - Amendments to the Constitution relating to the Budget Reserve Fund (Also see HJR 56)

5. **SJR 34** - Amendment to the Constitution relating to the Permanent Fund (Also see HJR 55)

6. **SB 233** - Municipal Property Tax Exemption for Certain Residents (Also see HB 444)

7. **SB 234** - Increase Tobacco Taxes (Also see HB 442)

8. **SB 235** - Increase Alcohol Taxes (Also see HB 441)

9. **SB 236** - Increase Motor Fuel Taxes (Also see HB 443)

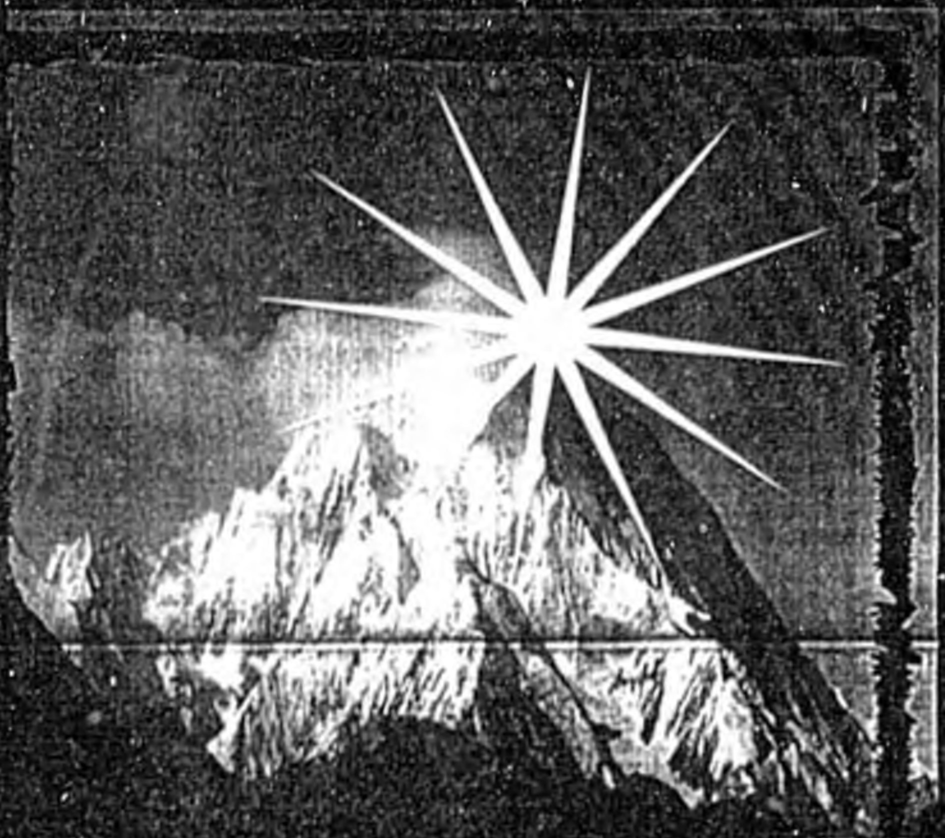
10. **SB 237** - Increase Motor Vehicle Registration Fees (Also see HB 445)

11. **SB 210** - Increase Tobacco Taxes (By Senator Ellis)

12. Correspondence received by the State Affairs Committee regarding the Long Range Financial Planning Commission Plan

An Endowment For Alaska's Future

The State Long Range Financial Planning Commission Report



The Long Range Financial Planning Commission
716 West Fourth Ave., Ste. 470
Anchorage, Alaska 99501

State Long Range Financial Planning Commission Report
EXECUTIVE SUMMARY

Alaska's fiscal gap is real and growing

The State is spending $524 million more than it will take in during the current fiscal year. That gap will grow to $1.3 billion per year in today's dollars by 2005 if we make no changes to the State's spending and revenue policies.

The Long Range Financial Planning Commission was appointed jointly by the Legislature and Governor in March 1995 to recommend ways to close the gap and put Alaska on firm financial ground. This report details our plan and our recommendations.

What does the plan do? It:

- Makes the Permanent Fund the cornerstone of Alaska's fiscal future
- Closes the fiscal gap by the year 2000
- Ensures growth of the Permanent Fund to offset declining oil and gas revenues
- Stabilizes and diversifies revenues
- Controls State general fund spending
- Maintains a reserve to dampen the effect of oil price swings
- Decreases our dependence on volatile oil revenues

This is a plan for ourselves and our grandchildren. It requires all Alaskans to share in the solution. No action to close the fiscal gap is the greatest threat to Alaska's financial future.

The Commission was asked to recommend a plan for three, five and ten years. To be sure that plans for these time frames did not create a reoccurring fiscal gap after that, the Commission also looked at the likely effects of its plan over a fifteen year period.

The first three years

The key elements of the three year plan are to:

Cut spending

- Cut current State general fund spending by $100 million — $60 million in 1996, $30 million in 1997, and $10 million in 1998 — a reduction of $300 million in today's dollars.
- Reduce per capita State general fund spending from $4,020 to $3,692 in four years — a reduction to $3,255 in today's dollars.

Increase Revenues

- Increase tobacco taxes by $1 per pack ($43 million).
- Increase alcohol taxes by 10 cents per drink ($20 million).
- Increase motor fuel tax from the 1961 level of 8 cents/gallon to 22 cents/gallon and increase marine fuel tax by 5 cents/gallon ($44 million).
- Increase user fees by at least $5 million per year, double motor vehicle license fees, and eliminating motor vehicle license fee exemptions ($32 million).
- Establish a new tax to generate at least $20 million from tourists and increase taxes on fisheries and other resources by $30 million.

Use the Permanent Fund as an endowment

- Establish the Permanent Fund as an endowment to partially replace declining oil revenues.
- The endowment will pay up to 4 percent of the Fund's five year average market value to the general fund for dividends and State services.
- Constitutionally protect Permanent Fund principal by building long term inflation proofing into the endowment plan.
- The endowment payout and increased Permanent Fund contribution require voter approval of a constitutional amendment in 1996.

Boost the earning power of the Permanent Fund

- Build Permanent Fund principal by (a) making additional special deposits to fund principal, (b) [illegible] deposits to the Permanent Fund and (c) retaining additional earnings in the Permanent Fund.
- Deposit $400 million from the Constitutional Budget Reserve into the Permanent Fund this year.
- Close out the Permanent Fund Earnings Reserve once the endowment is in place, by depositing it into the Permanent Fund (approximately $1.2 billion).
- Increase to 50 percent the minimum contribution to the Permanent Fund from certain oil, gas and mineral lease revenues.
- Retain earnings in excess of the 4 percent annual payout in the fund. Since the projected rate of return to the fund is 4.79 percent after inflation, the Fund should retain earnings above inflation proofing of at least 0.75 percent annually.

Cap the Permanent Fund Dividend pool

- Reduce the total amount spent for the dividend program from $565 million this year by $50 million a year for each of the next three years.
- Individual dividends will be about $900 next year, $800 in 1997, and $700 in 1998.

Clarify the purpose of the State's reserves

- Maintain the CBR at $1.5 billion to cushion against oil revenue volatility. Clarify its use and repayment in a constitutional amendment.

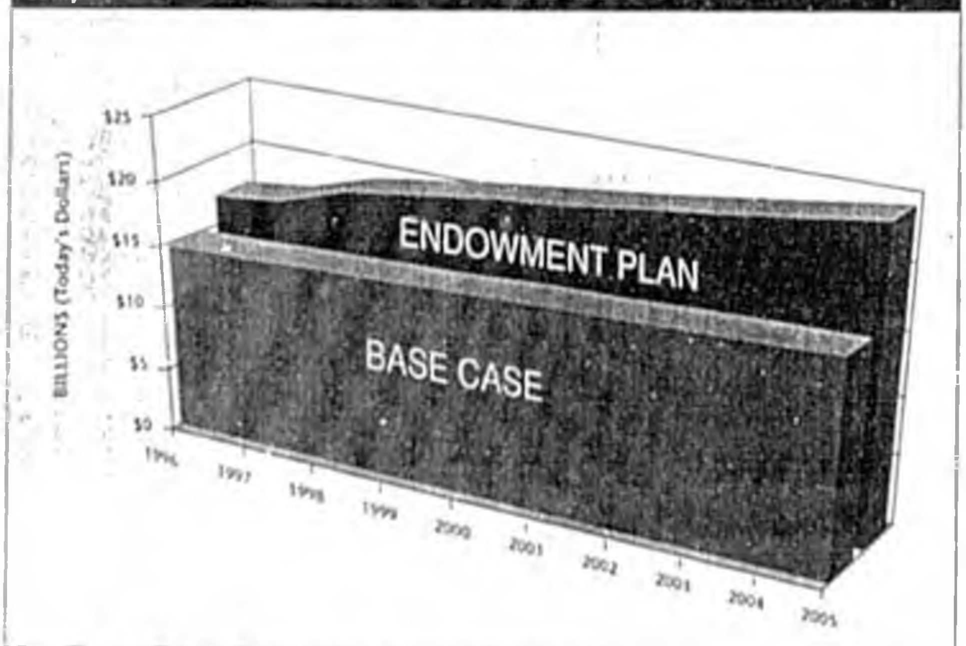
Reform the budget process

- Scrutinize all State spending, not just State general funds.
- Report annually to the public on progress toward closing the fiscal gap.
- Focus on whether programs are needed, cost effective and achieve their intended results.

The five- and 10-year plan

In 1999, Alaska comes to a fork in the road. By that time the budget is balanced under the Commission's plan. To prevent the fiscal gap from reappearing, we can cut the budget further, institute a personal income tax, increase other taxes, and/or further reduce dividends. The Commission recommends that a follow-up review be done in late 1998 and early 1999 to adjust the overall plan as needed for the succeeding five to ten years. By that time the budget is balanced and we will know more about ANWR, the gas line and federal budget changes. As a result, decisions for first decade of the next century will be less dependent on speculation. Under our plan, after budget cuts, tax increases, the Permanent Fund endowment and dividend reductions have been made, this Commission recommends the State adopt a personal income tax in 2000 to begin in 2002, once the deficit reappears.

Permanent Fund Principal:
Comparison of Base Case To Endowment Plan



State Long Range Financial Planning Commission Report
FINAL REPORT

Alaska's fiscal gap is real, and it's growing

The State of Alaska spends more than it takes in each year, and has done so for six of the past nine years.

This year, the State will spend $524 million more from the State general fund than it will take in — this is the fiscal gap. That gap will grow to $768 million in three years, to $879 million in 5 years, and $1.253 billion in 10 years (in today's dollars) if we make no changes to the State's spending and revenue policies. Our interim report contains more details about the growing fiscal gap and options available to close the gap.

The Long Range Financial Planning Commission was appointed jointly by the Legislature and Governor in March 1995 to recommend how to close the gap and put Alaska on firm financial ground. In the past six months, as directed by the resolution creating the Commission, the Commission has:

- Reviewed and evaluated State fiscal policy and strategy recommendations and assumptions from reports and publications from similar efforts in the past made by the executive branch, the legislative branch, the University of Alaska, nonprofit organizations, and private individuals and organizations,
- Identified and evaluated all current State income sources and assets, including recurring revenue, reserves, physical resources, and investments,
- Identified revenue changes to stabilize the State's revenue stream,
- Identified major reductions in State expenditures,
- Identified new sources of revenue,
- Projected a sustainable long range financial plan based on a stable revenue stream,
- Evaluated constitutional, statutory, and regulatory language relating to the budget process,
- Reviewed and evaluated forward funding of the State budget,
- Considered the division of responsibility for providing services and raising revenue between the State and local governments and evaluated the effect of the long range financial plan on local governments,
- Submitted a preliminary report to the Governor and the Legislature, and
- Disseminated information and solicited public comment.

The Commission's deliberations were aided by substantial work and informative presentations by State agency personnel, the Alaska Permanent Fund Corporation staff, Alaska Municipal League and Conference of Mayors, and private citizens who brought additional perspectives to the table.

The Commission's work focused on elements of State spending which affect the fiscal gap. These include:

- General funds, including program receipts
- Permanent fund earnings
- Funds created by appropriations for specific purposes or as "holding accounts"
- Special revenue funds set out in the constitution or statute

Certain other funds, while included in the overall budget of the state, are not commonly reported in budget presentations, and do not materially affect the fiscal gap.

These include:

- Federal funds
- Loan amounts and loan administrative costs
- University receipts
- Internal service funds
- Transfers between agencies for contractual obligations, including interagency receipts

The Commission believes the State budget process should include examination of all spending, regardless of whether the funds affect the fiscal gap. To meet the Commission's charge of closing the fiscal gap, though, we focus on the general fund and Permanent Fund.

The Commission has developed a financial plan for the State of Alaska. It brings Alaska's spending into line with recurring revenues. It balances the needs of current Alaskans with the needs of future generations. It requires that all Alaskans share in the solution.

What the plan does:

Makes the Permanent Fund the cornerstone of Alaska's fiscal future

The plan calls for a constitutional amendment establishing the Permanent Fund as an endowment fund with an annual payout to the general fund based on a rolling five year average. The Permanent Fund will continue to grow with additional deposits, and retain some of its earnings in the next few years so that its income replaces declining oil revenues in the future.

Closes the fiscal gap by the year 2000

The combination of spending cuts, revenue increases, and uses of Permanent Fund income closes the fiscal gap in four years. With imposition of a State personal income tax in about 2002, the budget balances for another five years.

Ensures growth of the Permanent Fund to offset declining oil and gas revenues

The constitutional dedication of mineral lease revenues, royalties and bonuses to the Permanent Fund increases to 50 percent. The annual payout rate from Permanent Fund earnings is capped at a rate of up to four percent of the five year average market value of the fund, which will allow additional retained earnings to build up the fund. Earnings in excess of the four percent payout rate will, over the long term, fully inflation proof the fund, and preserve its earning power. Since the projected earnings rate is 4.79 percent above inflation, continued good performance by the fund will result in additional retained earnings of 0.79 percent.

Stabilizes and diversifies revenues

A reliable payout from Permanent Fund earnings will stabilize Alaska's income during periods of oil price volatility and substitute for declining oil revenues. New consumption taxes and business taxes will provide a portion of the State's revenues. These revenues will grow as the State's population grows, providing some links between State revenues and its service needs. The State personal income tax, once imposed in about 2002, will be related to State population growth, and will bring in revenues from non-resident workers.

Controls State general fund spending

The "bottom line" for general fund spending will shrink by five percent per year in today's dollars for the next four years. Depending of reserve fund balances and a higher level of oil revenues into the Permanent Fund limits the money available to fuel State spending growth.

Maintain a reserve to dampen the effect of oil price swings

The Constitutional Budget Reserve will be available to cushion oil price decreases, and be used to absorb revenues from oil price increases. The second state reserve, the Permanent Fund Earnings Reserve, will be closed and deposited into the Permanent Fund. The Commission recommends maintaining a level of $1.5 billion in the Constitutional Budget Reserve fund. That amount is approximately one year's oil revenues. Amounts in excess of the $1.5 billion level should be deposited in the Permanent Fund. The CBR will be replenished by its own interest income, and we further recommend any excess revenues from temporary oil price increases be deposited in the CBR.

Decreases our dependence on volatile oil revenues

The combination of Permanent Fund income, increased and new taxes and user fees, and the reimposed State income tax, will offset oil revenues as the primary source of funding for State government operations.

The plan closes the fiscal gap with the following steps:

- Cuts spending,
- Increases revenues, and
- Establishes the Permanent Fund as an endowment,
- Caps the Permanent Fund dividend pool.

The first three years

The key elements of the three year plan are to:

Cut spending

The State cannot continue to spend at the same level it does today. Notwithstanding needs and demands for increased spending and the impending federal transfer of programs to the State, the Commission believes Alaska cannot close the fiscal gap without cutting State spending.

- The plan calls for State general fund spending to be reduced by $100 million in three years — $[illegible] million in FY97, $[illegible] million in FY98, and $[illegible] million in FY99 — a reduction of $[illegible] million in today's dollars.
- This decline of State spending reduces per capita State general fund spending from $[illegible] to $[illegible] in four years — a reduction to $[illegible] in today's dollars.
- The Commission believes this level of reduction in State spending will be painful, but it is a necessary step toward closing the fiscal gap. Recent legislatures have managed to hold spending level, which has resulted in real reductions in some State programs.
- Within these budget targets, the Commission believes the State should give attention to deferral of the State's infrastructure spending, [illegible] maintenance [illegible] public facilities, roads and highways.
- The Legislature and the Administration must work to [illegible]

The Plan Recommended By This Commission

- Creates a new philosophy for state revenues
  Permanent Fund income begins to replace oil revenues
- Enhances our ability to save for future generations
- Imposes some spending discipline on the State
- Defines a role of the Permanent Fund in Alaska's future
- Clears up some of the confusion over cash reserves
- Suggests embarking upon some structural changes in State government
- Involves the public in the decision making process

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State Long Range Financial Planning Commission Report
FINAL REPORT

Continued From Previous Page

[illegible] voter approved general obligation bond debt as a way to finance capital projects.

General recommendations for budget reductions include:

Public salaries and benefits

- Enact a retirement incentive program to reduce personal services expenditures.
- Enact a new Tier III retirement system to reduce retirement benefits for new State and local government employees.
- Revise geographic pay differentials for new covered State employees.
- Study geographic cost differentials in Alaska for use during collective bargaining negotiations with covered State employees (and for use in other State formula programs).
- Compare salaries and benefits of public employees to appropriate public and private markets in Alaska and the Pacific Northwest. Use that comparison to move Alaska's public pay system for State employees, local government employees, and school districts to market.
- [illegible]

Administrative realignment

- [illegible]
- Consolidate state departments and agencies, and realign administrative services.
- [illegible]

Target high cost programs

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]

Shift revenues and responsibilities to local governments

- [illegible]
- [illegible]
- [illegible]
- [illegible]

Avoid new costs

- [illegible]

Funds Which Affect The Fiscal Gap

- General funds, including program receipts
- Permanent Fund earnings
- Created by appropriation for specific purposes or as a "holding account"
- Special revenue funds where specified in the constitution or statute

Funds Which Do Not Affect The Fiscal Gap

- Loan fund administrative costs
- Loan amounts
- University receipts
- Internal service funds
- Transfers between agencies for contractual obligations, including interagency receipts

Funds Which Cannot Be Appropriated To Other Purposes

- Federal funds
- Retirement funds
- Health insurance funds
- Trust funds

Increase Revenues

[illegible]

Increases to existing taxes include:

Tobacco taxes

- [illegible]

Alcohol taxes

- [illegible]

[illegible]

We recommend the following increases:

Motor fuel taxes

- [illegible]

Marine motor fuel taxes

- [illegible]

Motor vehicle license plates

- [illegible]

Continued On Next Page

State Long Range Financial Planning Commission Report
FINAL REPORT

User fees

• Raise user fees by approximately $3 million annually and index fees to inflation where practicable

Fishery and other resource taxes

• Increase taxes on fisheries and other resources by $30 million

New taxes and changes to tax apportionment include:

• Establish new taxes to generate at least $20 million from tourists. While the Commission was unable to reach consensus on the precise method for gaining additional revenue from tourists or the tourism industry, the Commission believes this part of our economy does not fully pay for the State's cost of providing infrastructure and support to the industry.

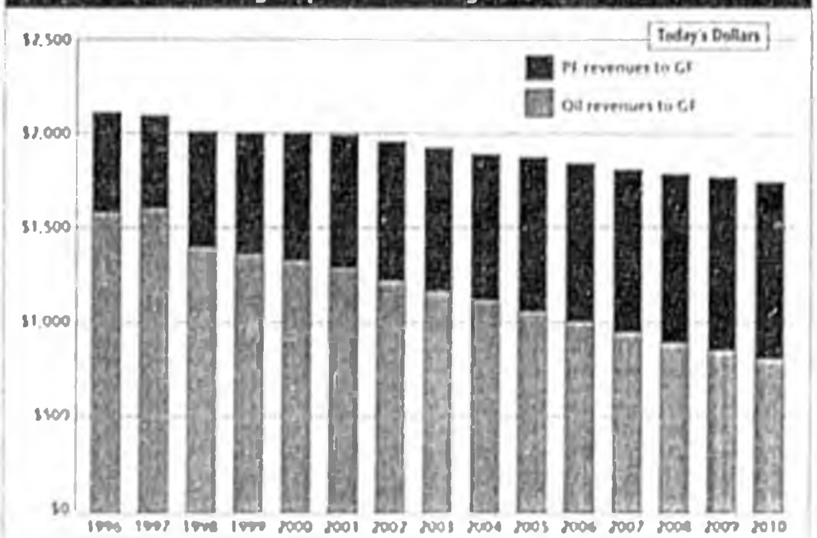
• The Commission believes the State's oil and gas production property tax, currently set at 20 mills, should benefit both the State and local governments affected by oil development. State law should be amended to limit the local government share to 10 mills on new oil and gas properties built after 1995, ensuring the State receives at least 50 percent of this revenue source.

The Commission considered additional taxes on the oil industry. We found that Alaska is currently in the mid range of oil taxation nationally. We believe that Alaska is already too dependent upon oil revenues, and that higher oil taxes would create a disincentive to attract and retain petroleum development in Alaska. We believe our plan for closing the fiscal gap and providing a stable revenue and spending climate will ultimately result in increased petroleum revenues as the industry responds by further investment in Alaska oil exploration, development and production.

Establish the Permanent Fund as an endowment

When the Permanent Fund was established in 1976, public debate centered on setting aside a portion of today's oil wealth to meet the needs of future generations of Alaskans. Later, the Legislature adopted the dividend plan to heighten public interest in preserving the fund and guarding its investment performance, and to directly distribute some of Alaska's oil wealth to its citizens. The Commission believes it is time to follow the original intent of the fund, preserving current capital wealth for current and future generations of Alaskans. The Commission believes the best method for doing this is to follow traditional endowment principles. For our Permanent Fund these principles include preservation of the fund, the best possible level of performance of the fund, and the preservation of Alaska's oil wealth for future generations of Alaskans.

Permanent Fund Earnings Replace Oil Earnings



Our plan calls for the Permanent Fund to grow as an endowment for the State.

• The plan establishes the Permanent Fund as an endowment that pays up to four percent of the fund's five year average market value to the general fund for the dividend program and State services. This use of Permanent Fund earnings will partially replace declining oil revenues. The Commission recommends a four percent payout based on the experience of other endowment funds in the United States, and takes into account the Permanent Fund's earning experience, asset allocation, and need to protect the principal.

• Earnings of the Permanent Fund in excess of that four percent payout rate are retained in the fund. Years with good investment performance will, over the long run, balance years with poor investment performance in order to more than fully inflation proof the fund.

• The plan calls for an increase to 50 percent of the minimum contribution to the Permanent Fund from certain oil, gas and mineral lease revenues. The plan calls for an amendment to the constitution to achieve that increase.

• The endowment is further built up by a deposit from the Permanent Fund Earnings Reserve and deposits of any funds in excess of $1.5 billion in the Constitutional Budget Reserve.

Cap the Permanent Fund Dividend pool

The Permanent Fund Dividend program is an important source of protection for the principal of the Permanent Fund and is an important source of income to Alaskans. Without changes to the program, however, dividends will grow to take a major share of State revenues — $965 million in 2005. The Commission recommends:

• Reduce the total amount spent for the Permanent Fund Dividend program from $565 million this year by $50 million a year for three years.

• Individual dividends will be about $800 next year, $600 in 1997, and $500 in 1998.

Clarify the purpose of State's reserves

The State maintains two reserve funds that are important in the effort to close the fiscal gap — the Constitutional Budget Reserve (CBR) and the Permanent Fund Earnings Reserve Account (PFER). The CBR consists of funds received in settlements of administrative proceedings or litigation regarding mineral lease bonuses, rentals, royalties, royalty proceeds and taxes. The PFER is a holding account into which is deposited all investment income until the transfers to principal for inflation proofing and to the dividend fund are made. Excess funds in the PFER are held and invested in the same manner as the principal of the Permanent Fund. The Commission determined that under our plan the state needs only one significant reserve.

• The CBR should be maintained at a level of $1.5 billion to provide stability in the event of a rapid decline in oil prices or production or in the event of a natural disaster. That amount is approximately one year's oil revenues. Funds in excess of that amount should be deposited into the principal of the Permanent Fund. Earnings from CBR investment should continue to flow into the CBR.

• Funds in the CBR should be invested in accordance with the prudent investor rule based upon the purposes of the reserve. The Commission recommends that the general fund be allowed to borrow against the CBR to even out the flow of funds required to meet monthly cash flow needs.

• The sweep provisions in the current CBR should be eliminated (Article 9, Section 17 (d) of the Constitution). Sufficient controls on the use and withdrawal of funds from the CBR are achieved by limiting withdrawals from the fund to make up for projected annual revenue declines rather than availability of funds.

• Once the constitutional amendment establishing the Permanent Fund as an endowment is in place in 1998, all funds in the Permanent Fund Earnings Reserve should be deposited into the principal of the Permanent Fund. As an endowment, the Permanent Fund will be effectively inflation proofed. The dividends will be payable out of the automatic annual withdrawal.

Reform the budget process

The Commission found the budget process does not yield

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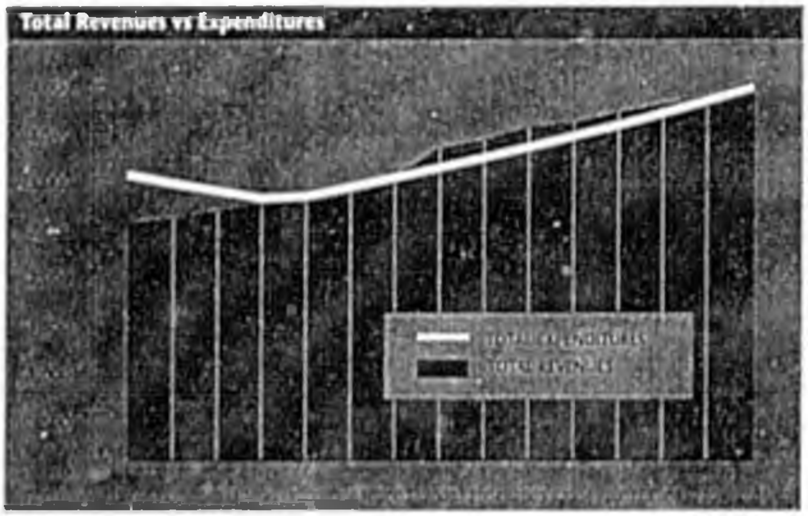
Total Revenues vs Expenditures



State Long Range Financial Planning Commission Report
FINAL REPORT

How Big Is The Fiscal Gap?
$524 Million in Fiscal Year 1996

- Equal to all the salaries and benefits paid to all state agency employees
- Almost as much as the whole Permanent Fund dividend program
- It equals three-quarters of the entire K-12 public school funding program

Continued From Previous Page

adequate information concerning the State's finances, nor does it describe what we get for what we spend. It discourages appropriate scrutiny of overall State spending. Although the fiscal gap relates to State general fund spending, special funds set aside or collected affect services delivered by the State and require oversight and control.

• The budget process should include review of all State spending, not just State general funds. The executive and legislative branches should establish procedures to provide appropriate scrutiny and disclosure.

• A report to the public should be prepared annually on progress toward closing the fiscal gap. The Commission suggests the spreadsheet format it has used to show the existence or absence of a fiscal gap for the current and succeeding 10 years.

• The legislature should review each program funded or operated by the State, including loans and special appropriations to determine whether or not it meets its intended purpose and whether the program is needed in the 21st century. State programs should also be reviewed to determine if the service is better delivered at the local level.

• Capital improvement funding should be based on a six-year plan to achieve greater efficiencies in funding, planning, construction and maintenance.

The Commission was asked to examine the division of responsibility for providing services and raising revenues between the State and local governments. This area deserves intensive examination, substantially more than the Commission had time to give it. The Commission believes that the State and local governments must continue to work on the issue of the division of State and local responsibilities.

The five- and ten-year plan

In 1999, Alaska comes to a fork in the road. To prevent the fiscal gap from reappearing, we can cut the budget further, reinstitute the State personal income tax, increase other taxes, and/or further reduce dividends. The Commission recommends that a follow up review be done in late 1998 and early 1999 to adjust the overall plan as needed for the succeeding five to ten years. By that time the budget should balance and we will know more about several things that are now uncertain such as ANWR, the gas line and federal budget changes. As a result, decisions for the first decade of the next century will be less dependent on speculation.

This Commission recommends reimposition of the State personal income tax once the deficit reappears. Under the Commission's plan, after cutting spending and raising revenues, the fiscal gap reappears in about the year 2002. A personal income tax act will require enactment in the year 2000 in order for it to take effect in 2002.

First Session Progress Report on the Financial Plan

Legislation

1. Resolution approving financial plan
2. Permanent fund endowment constitutional amendment goes to the voters
3. Constitutional budget reserve constitutional amendment goes to the voters
4. Retirement incentive program
5. Tier III to reduce retirement costs for new hires
6. Geographic pay differential for non-covered employees
7. Road/harbor transfers to local government and fuel tax increases
8. Senior/veteran tax exemption becomes local option
9. New oil & gas property tax has 50/50 split before date
10. Tobacco tax increase
11. Alcohol tax increase
12. User fee increases of at least $3 million

Budget Action

1. Meet fiscal gap target (about $[illegible] million) $40 million cut from FY96
2. Show all funds in State spending plan
3. Deposit from CBR into Permanent Fund as in plan
4. Administrative consolidations
5. Six year capital plan approved
6. Show Permanent Fund earnings and dividends as part of budget
7. Do maintenance and deferred maintenance within budget target
8. Start performance based budgeting
9. Reduce growth rate of Medicaid and AFDC

Second Session Progress Report

Legislative Action

1. Fisheries and other resource tax
2. Tourism tax or self support of industry promotion
3. Deposit from CBR to Permanent Fund as in plan
4. Additional $3 million in fee increases/indexing

Budget Action

1. Meet fiscal gap target of about $120 million, $70 million cut from FY96

Third Session Progress Report

Legislative Action

1. Resolution creating financial planning Commission to review progress and make new recommendations

Budget Action

1. Meet fiscal gap target of about $60 million, $100 million cut from FY96

What The Plan Does

- Makes the Permanent Fund the cornerstone of Alaska's fiscal future
- Closes the fiscal gap by the year 2000
- Ensures growth of the Permanent Fund to offset declining oil and gas revenues
- Stabilizes and diversifies revenues
- Controls state general fund spending
- Maintains a reserve to dampen the effect of oil price swings
- Decreases our dependence on volatile oil revenues

State Long Range Financial Planning Commission Report
FINAL REPORT

(Today's Dollars)

LONG RANGE FINANCIAL PLANNING COMMISSION FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
AVAILABLE REVENUES ($ Millions)										
General Fund Source	1,952	1,862	1,649	1,641	1,607	1,575	1,509	1,464	1,414	1,362
Permanent Fund Earnings (net of inflation proofing & ERA deposits)	565	500	630	648	677	700	727	759	785	810
NEW TAXES AND FEES ($ Millions)										
Highway Motor Fuel Tax (@ $.21/gal., indexed)		38	39	39	40	41	41	42	43	43
Marine Motor Fuel Tax ($.08/gal., indexed)		5	5	5	5	5	5	5	5	6
Tobacco Tax [illegible]		42	41	40	50	49	48	57	56	55
Motor vehicle license fees (double)		[illegible]	27	27	26	26	25	25	25	24
User fee increases		3	6	8	11	13	12	12	12	11
Fishery and other resource tax increases		-	20	20	20	20	20	20	20	20
Tourism tax increases		-	19	19	19	19	19	19	19	19
Alcohol taxes (increase [illegible])		19	19	19	22	22	22	21	25	25
Income tax						-	58	224	227	230
TOTAL REVENUE	2,517	2,490	2,483	2,475	2,485	2,478	2,495	2,656	2,639	2,614
EXPENDITURES ($ Millions)										
Total GF spending on current programs	2,476	2,365	2,294	2,167	2,118	2,135	2,152	2,169	2,186	2,204
PF Dividends	565	500	438	378	367	354	345	334	324	316
TOTAL EXPENDITURES	3,041	2,865	2,732	2,546	2,485	2,490	2,496	2,503	2,510	2,517
PROJECTED ANNUAL FISCAL GAP ($ Millions)	(524)	(376)	(249)	(71)	1	(12)	(1)	153	129	97
CONSTITUTIONAL BUDGET RESERVE ENDING BALANCE ($ Millions)	1,500	1,456	1,412	1,368	1,326	1,285	1,245	1,207	1,170	1,134
PERMANENT FUND EARNINGS RESERVE ENDING BALANCE	922	1,134								
PERMANENT FUND MARKET VALUE ($ Millions)	17,786	17,825	19,391	20,131	20,804	21,459	22,110	22,997	23,657	24,378
PER CAPITA PERMANENT FUND DIVIDEND	990	852	727	611	582	563	526	501	475	452
PER CAPITA SPENDING	4,938	4,579	4,250	3,941	3,786	3,735	3,685	3,635	3,589	3,543

Special Acknowledgements

The membersof the Long Range Financial Planning Commission acknowledge with thanks the contribution of its staff: Brad Pierce, Melissa Fouse, and Bob Walsh. Thanks are due also to House Speaker Gail Phillips, Representative Richard Foster, and OMB Director Annalee McConnell for sharing their staff resources with the Commission.

In addition, the members of the Commission acknowledge the contributions of the Alaska Journal of Commerce and Northwest Strategies in producing this report.

The State Long Range Financial Planning Commission Members

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State Long Range Financial Planning Commission Report
DISSENTING OPINIONS

By State Sen. Steve Rieger

The Long Range Financial Planning Commission has identified a series of measures which would balance revenues and expenditures over the next ten or more years. However, the final Commission Report goes beyond that task, and recommends additional taxes beyond those which are part of closing the fiscal gap, and which instead serve to place additional money into the corpus of the Permanent Fund. These additional measures are excessive.

The major reason for concern about the fiscal gap was the prospect that, if action was not taken, there would be a crisis reached which would trigger a sudden drop in state spending and threaten the economy and people's jobs, or a major (in the nine figures) new tax such as an income tax or statewide sales tax, or both. These outcomes are all avoided in the Minority Report's plan. However, a major new tax is included in the Commission report.

The Composite Scenario

A set of meaningful but non-precipitous budget cuts, a series of smaller taxes and fees, and use of a portion of the Permanent Fund's earnings after inflation proofing, closes the gap entirely for about a decade. Under a "Composite Scenario" developed during the Commission's deliberations, (and using the Commission's assumptions), by the year 2010 these measures would also result in a Permanent Fund balance of almost $30 billion and additional cash reserves of over $5 billion. In today's dollars these numbers would be over $19 billion and $3 billion respectively. The Composite Scenario represents a reasonable course for Alaska.

Where the Commission Report and the Minority Report part company most dramatically is the extent to which they pursue the goal of making the Permanent Fund an "endowment" for future government spending. To pursue this thought, the Commission Report recommends diverting an additional $150 million of today's royalties away from the general fund and into the Permanent Fund, thereby cutting the present state revenue stream by approximately $250 million per year and actually increasing the fiscal gap, by dumping most present or forecast cash reserves into the Permanent Fund, reducing the dividend payout more than in the "Composite Scenario" referred to above, imposing an additional $40 million to $50 million per year in small taxes over those used in the Composite Scenario, and by imposing a major new personal income tax generating $385 million per year by the year 2010. These measures, including the smaller reserves, result in a Permanent Fund which is a little over $40 billion in the year 2010, or the equivalent of $26 billion in today's dollars.

In the Minority Report's view, these additional measures are not worth the sole accomplishment of a Permanent Fund which is 1/3 larger in size. They do not succeed in creating an endowment for state spending, and impose taxes where they are not needed. The Permanent Fund can be a very substantial source of stability and cash for the future. However, in neither the plan advanced by the Commission nor in the Composite Scenario does it come even close to being the sole source of funding for state government.

The fiscal gap can be closed satisfactorily for the next decade with a much more modest set of measures. These measures would be similar to those shown in the Composite Scenario referred to above. A full version of our Minority Report and the Composite Scenario spreadsheet are available by calling 258-8188 — we will mail it to you.

State Sen. Steve Rieger, R-Anchorage, was a member of the State Long Range Financial Planning Commission.

By State Rep. Sean Parnell and Hugh Malley

The Commission's Plan Failed to Recognize and Address Alaska's Fundamental Problem: Unstable, Unpredictable Revenues

- Alaska depends upon volatile natural resource revenues for state spending.
- Alaska spends those resources, under the current system, at an unsustainable rate.
- A sustainable level of government spending cannot be defined until Alaska has a stable source of revenue.
- The Commission spent the majority of its time grappling with how to close the present fiscal gap rather than focusing on how to stabilize Alaska's revenue stream.
- Alaska's revenue stream must be stabilized and made sustainable for a healthy future: long range planning is impossible without a predictable revenue stream.

The Commission's Plan Is Unacceptable to the General Public

- The plan assumes the current level of government spending is acceptable and sustainable.
- The public does not accept this premise and will not accept the plan's recommendations for new taxes, cuts in permanent fund dividends, and expending permanent fund earnings to increase state government unless more meaningful reductions are made.
- The Commission's plan recommends creating a partial endowment using the permanent fund to increase spending.
- The Commission's partial endowment fails to stabilize revenues and fails to define a sustainable level of spending.
- The Commission's plan relies on "faith in the Legislature" rather than building fiscal restraint into the legislative budget process.

The Benefits of a True Endowment System

- The true endowment establishes a stable and sustainable level of revenues for state funding.
- The true endowment constitutionally forces fiscal restraint upon the Legislature and Governor.
- The true endowment strengthens and protects the permanent fund.
- The true endowment constitutionally protects future windfalls (ANWR taxes and royalties, for example) by depositing them in their entirety to the corpus of the permanent fund.

Principles to Use for Closing the Present Fiscal Gap

- Once resource revenues have been stabilized through a system, a long range financial plan can be developed.
- A fiscal plan should prioritize meaningful budget reductions before taxes.
- State agencies should be consolidated to operate more efficiently.
- Voters, not the Legislature, must approve an income tax.

State Rep. Sean Parnell, R-Anchorage, was a member of the State Long Range Financial Planning Commission.

By Senator Georgianna Lincoln

A Different Opinion

While I believe the Long Range Financial Planning Commission did an admirable job identifying the options for closing Alaska's ever widening fiscal gap, I have concerns that lead to this opinion. I did vote to advance the final document to the Governor and the Legislature, as did the majority of the Long Range Financial Planning Commission. However, I do not believe any commission member considered this to be an endorsement of **everything** within the report. It must be pointed out the commission was given a huge task to accomplish within a very short time and with an extremely small budget.

I applaud the commission for giving the public the opportunity to participate in its work, with serious attention paid to the comments throughout our deliberations. One subject which received, in my opinion, strong public support has not been incorporated into the commission's recommendations and that is reinstitution of the state income tax **now**. During my years in the legislature, I have wrestled with the wisdom of such an action. Since 1990 Alaska has grown by approximately 130,000 residents with as much as 25 percent of our work force being non resident. Non residents contribute little to our economy but take much from it. The current plan recommends immediate introduction of a number of smaller taxes based on use with the state income tax implemented after the year 2000. I believe a state income tax which taxes everyone (**resident and non resident**) equitably would result in a reduction to the state's fiscal gap, but would not result in such a huge, immediate reduction in state government programs as proposed by the commission. Recommended cuts to these programs would devastate those who can least afford them — our youth, our elders, and the disadvantaged. Again, it was my sense in listening and talking to citizens across the state that folks are willing to reinstate the state income tax **now** and not later as the commission report recommends.

We do not know specifically what Washington D.C. will do within the next year in terms of revisions and/or reductions to programs such as welfare reform, Medicaid, and the transfer of federal responsibility for services such as transportation and education to the State. **We do know** many of these decisions will have a major negative fiscal impact on our Alaska citizens.

Further, I believe economic opportunity is another key to closing the fiscal gap: Jobs, jobs, jobs!!! This plan does not go far enough in providing incentives for entrepreneurship or enhancing economic opportunity through our vast state. In failing to do so, the plan does not propose solutions to diversify the economy, create jobs, and end the vicious cycle of welfare. We must analyze, in the proper perspective, the impacts of closing the fiscal gap in a rational manner. Without question, the state must cut spending to close the fiscal gap. Although I support many of the commission's current recommendations, I caution those responsible for implementing a final plan to ensure cuts are spread equitably and economic and job development reaches the smallest of communities throughout our great state.

State Sen. Georgianna Lincoln, D-Rampart, was a member of the State Long Range Financial Planning Commission.

Alaska State Senate

SENATOR STEVE RIEGER
District I

Senate Finance Committee
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee
Administrative Regulation Review Committee
Legislative Council

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MINORITY REPORT

The Long Range Financial Planning Commission has identified a series of measures which would balance revenues and expenditures over the next ten or more years. However, the final Commission Report goes beyond that task, and recommends additional taxes beyond those which are part of closing the fiscal gap, and which instead serve to place additional money into the corpus of the Permanent Fund. These additional measures are excessive.

The major reason for concern about the fiscal gap was the prospect that, if action was not taken, there would be a crisis reached which would trigger a sudden drop in state spending and threaten the economy and people's jobs, or a major (in the nine figures) new tax such as an income tax or a statewide sales tax, or both. These outcomes are avoided in the Minority Report's plan. However, a major new tax is included in the Commission report.

There are some similarities. The Minority Report agrees with a number of points in the Commission's recommendations. The most notable among them include the following:

1. A baseline forecast of revenues and expenditures shows an ever-widening divergence, or "fiscal gap." With no alteration of course all reserves would be depleted within a few years. Therefore some sort of action is clearly necessary.

2. Cutting spending is a necessary component of closing the fiscal gap.

3. A series of smaller revenue-raising measures, including excise taxes, fees to support specific programs, and motor fuel taxes contribute, in the aggregate, a significant amount toward closing the fiscal gap.

4. Inflation-proofing should become a top priority or even automatic for the Alaska Permanent Fund. In addition, a portion of the remaining earnings after inflation-proofing should be used for general fund purposes, even though it will have an effect on the size of the dividend.

The fiscal measures described above are surprisingly powerful in themselves. They can close the fiscal gap for a decade, and actually build up significant cash reserves at the same time. Under a "Composite Scenario" developed during the Commission's deliberations, (and using the Commission's assumptions), by the year 2010 these measures would result in a Permanent Fund balance of almost $30 billion and additional cash reserves of over $5 billion. In today's dollars these numbers would be over $19 billion and $3 billion respectively.

The Composite Scenario was put together largely out of the work of the Commission. There were a number of individual assumptions or points which differ from what the Minority Report would prefer to see. However, these were not sufficient in themselves to necessitate a dissenting Minority Report. The Composite Scenario represents a reasonable course for Alaska.

Discussion of Differences. Where the Commission Report and the Minority Report part company most dramatically is the extent to which they pursue the goal of making the Permanent Fund and "endowment" for future government spending. To pursue this thought, the Commission Report recommends diverting an additional $250 million of today's royalties away from the general fund and into the Permanent Fund, thereby cutting the present state revenue stream by approximately $250 million per year and actually *increasing* the fiscal gap; by dumping most present or forecast cash reserves into the Permanent Fund; reducing the dividend payout more than in the "Composite Scenario" referred to above; imposing an additional $40 million to $50 million per year in small taxes over those used in the Composite Scenario; and by imposing a major new personal income tax generating $385 million per year by the year 2010. These measures, plus calling for smaller reserves of $1.5 billion, compared to $5 billion in the Composite Scenario, result in a Permanent Fund which is a little over $40 billion in the year 2010, or the equivalent of $26 billion in today's dollars.

In the Minority Report's view, these additional measures are not worth the sole accomplishment of a Permanent Fund which is 1/3 larger in size. They do not succeed in creating an endowment for state spending, and impose taxes when they are not needed. The Permanent Fund can be a very substantial source of stability and cash for the future. However, in neither the plan advanced by the Commission nor in the Composite Scenario does it come even close to being the sole source of funding for state government.

The fiscal gap can be closed satisfactorily for the next decade with a much more modest set of measures. These measures would be similar to those shown in the Composite Scenario referred to above. While they are actually sufficient to cover forecast cash needs through the year 2010 with room to spare, the Minority Report recommends that the fiscal outlook be revisited in approximately the year 2005, when the state begins to be faced once again with drawing down cash reserves rather than building up cash reserves. At that time the state will probably have to choose between making further cuts in spending, or making a yet greater draw on after-inflation Permanent Fund Earnings (resulting in a reduced dividend payout), or imposing additional taxes. It is possible that at that time the state will be seeing new revenues under the existing fiscal structure, because of ANWR activity, gas line activity, or other new developments, but the Minority Report would not recommend relying on those developments at this time. They will be part of the information available at the revisit ten years from now.

An argument raised for the Endowment approach is an assertion that the Composite Scenario does not do enough beyond the year 2005, when the gap starts widening again. However, a close look at the Endowment Plan shows that the gap is not closed because of the larger Permanent Fund. Both plans show a deficit in the year 2010 absent additional measures. The spreadsheet for the Endowment Plan shows a deficit $503 smaller than the Composite scenario; however, the Endowment Plan has $371 million higher taxes that the Composite Plan in that year, and $276 million lower transfers to the Permanent Fund Dividend program. In other words, higher taxes and lower dividends account for more than 100% of the net fiscal difference between the two plans, even in the year 2010. At the same time, much of the larger Permanent Fund earnings under the Endowment Plan by the year 2010 primarily serve to offset the higher royalty contribution rate to the fund.

Summary. The fiscal gap is a real problem which demands immediate action. However, the action required is quite manageable and--while it will be felt--it will not place dramatic strains on the Alaskan economy or individual Alaskans. In contrast, the action recommended in the Commission report attempts not only to close the fiscal gap but also attempts, unsuccessfully, to create an endowment for state government. In doing so the Commission Report recommends a more disruptive course than is necessary, with greater effects on the economy and on individuals, especially because of the personal income tax. The Minority Report recommends taking only those actions which are required to close the fiscal gap. While the details may be the subject of debate, the Composite Scenario shown in the attached spreadsheet is representative of the action needed.

Appendix

The attached spreadsheet was presented to the Long Range Financial Planning Commission on September 29-30, when the Commission was developing its final recommendations. It uses assumptions which had been developed by the LRFPC at that time.

RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30

PERMANENT FUND EARNINGS AT 7.94% (AVG) (Nominal Dollars)

AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
Existing General Fund sources	1,952	1,919	1,997	2,030	2,062	2,083	2,059	2,058	2,052	2,038	1,985	1,936	1,950	1,910	1,870
Lift ANS Export Ban		20	20	20	20	20	20	20	20	20	20	20	20	20	20
New oil production										25	100	100	100	100	100
Permanent Fund Net Earnings	1,213	1,391	1,450	1,514	1,581	1,651	1,722	1,796	1,872	1,951	2,031	2,114	2,200	2,288	2,379
Permanent Fund Inflation Proofing	-429	-494	-541	-566	-592	-610	-647	-676	-706	-737	-768	-800	-834	-868	-904
Transfer to Permanent Fund Earnings Reserve	-219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Highway Motor Fuel Tax @ $.219/gal., indexed)		39	41	43	45	47	50	52	55	57	60	63	66	69	73
Marine Motor Fuel Tax ($.08/gal., per HB 122, indexed)		5	5	5	6	6	6	7	7	7	8	8	8	9	9
Tobacco Tax ($1/pkg cigs. 75%/chewing; +25¢ biennually)		43	44	44	56	57	58	71	72	73	87	88	102	104	106
Motor vehicle license fees (double)			29	29	30	30	31	31	32	32	33	33	34	35	35
User fee increases		3	6	9	12	15	15	15	15	15	15	15	15	15	15
Alcohol taxes (increase similar to HB 96)			20	21	21	21	22	22	22	23	23	23	24	24	24
TOTAL REVENUES	2,517	2,926	3,072	3,159	3,241	3,312	3,336	3,396	3,441	3,505	3,594	3,600	3,686	3,706	3,728
Note: PF earnings used for GF programs		350	394	469	509	617	647	683	713	740	766	792	728	756	785
Note: Cumulative Spending Cuts total		40	70	100											
EXPENDITURES ($ Millions):															
Total GF spending on current programs	2,476	2,436	2,406	2,376	2,471	2,570	2,673	2,780	2,891	3,007	3,127	3,252	3,382	3,517	3,658
Permanent Fund Dividends	565	575	550	525	525	473	502	520	542	565	589	613	638	664	691
TOTAL EXPENDITURES	3,041	3,011	2,956	2,901	2,996	3,043	3,174	3,300	3,433	3,572	3,716	3,865	4,020	4,181	4,348
PROJECTED ANNUAL FISCAL GAP	-524	-85	116	258	245	269	161	96	8	-67	-122	-285	-334	-475	-621
DRAW FROM CBR	524	85	-116	-258	-245	-269	-161	-96	-8	67	122	285	334	475	621
Constitutional Budget Reserve beginning balance	2,006	1,107	1,592	1,957	2,487	2,888	3,337	3,707	4,035	4,294	4,496	4,655	4,681	4,639	4,454
Interest	125	69	90	122	155	180	209	232	252	269	281	291	292	290	279
Settlements	500	500	150	150											
Drawn for GF spending	524	85	-116	-258	245	269	-161	96	8	67	122	285	334	475	621
CBR Transfer to Permanent Fund Principal	1000														
Constitutional Budget Reserve ending balance	1,107	1,592	1,957	2,487	2,888	3,337	3,707	4,035	4,294	4,496	4,655	4,681	4,639	4,454	4,112
PF Earnings Reserve beginning balance	703	904	904	904	904	904	904	904	904	904	904	904	904	904	904
Net from PF Earnings not used for GF	219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings reserve transfer to PF Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
PF Earnings Reserve ending balance	904	904	904	904	904	904	904	904	904	904	904	904	904	904	904
Alaska Permanent Fund beginning balance	14,139	16,285	17,006	17,790	18,615	19,470	20,353	21,262	22,197	23,161	24,153	25,170	26,214	27,300	28,414
Dedicated state revenues - DOR Spring mid-case	217	227	244	259	263	264	261	259	258	256	249	243	253	246	239
FY end principal balance before inflation-proofing & deposits	14,356	16,512	17,250	18,049	18,878	19,734	20,614	21,521	22,455	23,417	24,402	25,413	26,467	27,546	28,653
Deposits to Principal from CBR	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal PFER	500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation Proofing	429	494	541	566	592	610	647	676	706	737	768	800	834	868	904
FY ending balance Inflation Proofed	16,285	17,006	17,790	18,615	19,470	20,353	21,262	22,197	23,161	24,153	25,170	26,214	27,300	28,414	29,557
Escrow Accounts and Settlements	142	153	165	178	192	208	224	242	261	282	305	329	355	384	414
Net income (Calculated)	1,190	1,391	1,450	1,514	1,581	1,651	1,722	1,796	1,872	1,951	2,031	2,114	2,200	2,288	2,379
Real Return	761	897	909	949	990	1,032	1,075	1,120	1,166	1,214	1,263	1,314	1,366	1,420	1,476
Permanent Fund Dividends	582	575	550	525	525	473	502	520	547	565	589	613	638	664	691
Income transferred to (from) General Fund	-40	350	394	469	509	617	647	683	713	740	766	792	728	756	785
Alaska Permanent Fund ending balance	16,285	17,006	17,790	18,615	19,470	20,353	21,262	22,197	23,161	24,153	25,170	26,214	27,300	28,414	29,557

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RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30

PERMANENT FUND EARNINGS AT 4.79% (real) (FY 96 Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
AVAILABLE REVENUES ($ Millions):															
Existing General Fund sources	1,952	1,863	1,880	1,859	1,822	1,704	1,709	1,658	1,600	1,540	1,454	1,374	1,342	1,274	1,209
Lift ANS Export Ban		19	19	18	18	17	17	16	16	15	15	14	14	13	13
New oil production										19	73	71	69	67	65
Permanent Fund Net Earnings	1,213	1,351	1,365	1,381	1,398	1,414	1,430	1,445	1,460	1,474	1,488	1,501	1,514	1,526	1,538
Permanent Fund Inflation-Proofing	-429	-479	-509	-516	-523	-530	-537	-544	-550	-557	-563	-568	-574	-579	-584
Transfer to Permanent Fund Earnings Reserve	-219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Highway Motor Fuel Tax @ $.219/gal., indexed)		38	39	39	40	41	41	42	43	43	44	45	45	46	47
Marine Motor Fuel Tax ($.08/gal., per HB 122, indexed)		5	5	5	5	5	5	5	5	6	6	6	6	6	6
Tobacco Tax ($1/pkg cigs; 75%/chewing; +25¢ triennially)		42	41	42	51	51	50	59	58	57	66	65	73	72	70
Motor vehicle license fees (double)			28	28	27	27	26	26	26	25	25	25	24	24	23
User fee increases		3	6	8	11	13	12	12	12	11	11	11	10	10	10
Alcohol taxes (increase similar to HB 98)			19	19	18	18	18	18	17	17	17	17	16	16	16
TOTAL REVENUES	2,517	2,841	2,892	2,883	2,868	2,840	2,772	2,735	2,686	2,652	2,638	2,559	2,539	2,476	2,412
Note: PF earnings used for GF programs	0	340	371	428	450	529	537	550	556	559	561	562	501	504	507
Note: Cumulative Spending Cuts total		39	66	91	0	0	0								
EXPENDITURES ($ Millions):															
Total GF spending on current programs	2,476	2,365	2,264	2,167	2,184	2,202	2,219	2,237	2,255	2,273	2,291	2,309	2,327	2,346	2,364
Permanent Fund Dividends	565	558	518	479	464	405	416	419	423	427	431	435	439	443	446
TOTAL EXPENDITURES	3,041	2,924	2,782	2,646	2,648	2,607	2,636	2,655	2,678	2,700	2,722	2,744	2,766	2,788	2,811
PROJECTED ANNUAL FISCAL GAP	-524	-82	110	237	219	233	138	80	8	-48	-86	-185	-227	-314	-398
DRAW FROM CBR	524	82	-109	-235											
Constitutional Budget Reserve beginning balance	2,006	1075	1498	1785	2199	2474	2771	2983	3147	3246	3293	3306	3221	3094	2879
Interest	125	67	94	112	137	155	173	186	197	203	206	207	201	193	180
Settlements	500	485	141	137	0	0	0	0	0	0	0	0	0	0	0
Drawn for GF spending	524	82	-109	-235	-217	-230	-134	-77	4	61	89	189	230	317	401
CBR Transfer to Permanent Fund Principal	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Constitutional Budget Reserve ending balance	1,107	1,545	1,842	2,269	2553	2859	3078	3247	3349	3398	3410	3323	3192	2971	2558
PF Earnings Reserve beginning balance	703	878	851	824	799	774	751	727	705	683	662	642	622	603	584
Net from PF Earnings not used for GF	219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings reserve transfer to PF Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings Reserve ending balance	904	878	851	824	799	774	751	727	705	683	662	642	622	603	584
Alaska Permanent Fund beginning balance	14,139	15,812	16,003	16,226	16,455	16,680	16,899	17,109	17,311	17,506	17,694	17,870	18,038	18,206	18,365
Dedicated state revenues - DOR Spring mid case	217	220	230	236	232	226	217	208	201	193	182	173	174	164	154
FY end principal balance before inflation-proofing & deposits	14,356	16,033	16,233	16,462	16,687	16,906	17,116	17,318	17,512	17,700	17,876	18,043	18,212	18,370	18,520
Deposits to Principal from CBR	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal PFER	500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	479	509	516	523	530	537	544	550	557	563	568	574	579	584
FY ending balance Inflation Proofed	16,285	16,512	16,742	16,978	17,210	17,436	17,653	17,862	18,063	18,256	18,439	18,611	18,785	18,949	19,104
Escrow Accounts and Settlements	142	148	155	162	170	178	186	195	204	213	223	234	245	256	268
Net income (Calculated)	1,130	1,351	1,365	1,381	1,398	1,414	1,430	1,445	1,460	1,474	1,488	1,501	1,514	1,526	1,538
Real Return	761	871	856	865	875	884	893	901	910	918	925	933	940	947	954
Permanent Fund Dividends	582	558	518	479	464	405	416	419	423	427	431	435	439	443	446
Income transferred to (from) General Fund	-40	340	371	428	450	529	537	550	556	559	561	562	501	504	507
Alaska Permanent Fund ending balance	16,285	16,512	16,742	16,978	17,210	17,436	17,653	17,862	18,063	18,256	18,439	18,611	18,785	18,949	19,104

12/1/95 14:16

SENATE CONCURRENT RESOLUTION NO. 23

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A RESOLUTION

Relating to long range financial planning.

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

WHEREAS the state has spent more than it has collected in revenue during six of the past nine fiscal years; and

WHEREAS the state's fiscal year 1996 fiscal gap between revenue and expenditures is estimated to be $429,000,000; and

WHEREAS petroleum revenue currently accounts for about 80 percent of unrestricted general funds and Alaska's petroleum production is projected to decline by one-third during the next 10 years; and

WHEREAS the fiscal gap is projected to grow steadily to $1,650,000,000 by fiscal year 2005 if the state does nothing in terms of reducing expenditures or raising revenue; and

WHEREAS, without changes in projected revenue and expenditures, current reserves in the constitutional budget reserve fund will be depleted by fiscal year 2000; and

WHEREAS, in fiscal policy forums held during the past five years, the identified fiscal tools needed to address the fiscal gap include spending reductions, use of liquid reserves, tax and fee increases, and use of permanent fund income; and

WHEREAS, in fiscal policy forums held to date, the conclusion has been that neither budget cuts alone nor any single fiscal tool is sufficient to address the fiscal gap, and that all tools must be used in combination to bring about state economic stability; and

WHEREAS the members of the Long Range Financial Planning Commission (LRFPC) were jointly appointed by the governor and legislature to build upon the work of previous fiscal policy studies and the findings of public forums, and were charged with developing 3-, 5-, and 10-year financial plans for balancing revenue and expenditures; and

WHEREAS the financial plan developed by the LRFPC makes the permanent fund the cornerstone of the state's fiscal future through a constitutional amendment establishing the permanent fund as an endowment that will continue to grow with additional deposits and retained earnings as well as provide a reliable annual payout to the general fund in order to replace declining future oil revenue; and

WHEREAS the financial plan recommended by the LRFPC contains a combination of spending reductions including reductions in permanent fund dividends, use of permanent fund earnings, and revenue increases that will close the fiscal gap by fiscal year 2000 and balance revenue with expenditures through fiscal year 2005; and

WHEREAS the LRFPC's plan proposes a constitutional amendment that resolves problems with the existing constitutional budget reserve fund and maintains a $1,500,000,000 continuing balance to cushion oil price volatility; and

WHEREAS the combination of fiscal policies recommended by the LRFPC puts the state on firm fiscal ground and strikes a balance between current needs and providing a legacy of petroleum wealth to the next generation; and

WHEREAS the LRFPC recommended fiscal year 1997 actions to narrow the fiscal gap to $387,000,000 that includes general fund spending reductions and increased taxes and user fees;

BE IT RESOLVED that the Nineteenth Alaska State Legislature intends to use the recommendations of the Long Range Financial Planning Commission as a starting point in developing the Legislature's fiscal year 1997 budget and long range financial plan; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature adopts the recommendation of the LRFPC to narrow the fiscal gap in fiscal year 1997 to $387,000,000, except that the Legislature reserves the right to change the mix of spending reductions and revenue increases; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature adopts the recommendation of the LRFPC to close the fiscal gap by fiscal year 2000; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature adopts the recommendation of the LRFPC to annually balance state revenue with expenditures from fiscal year 2000 through fiscal year 2005, and urges subsequent Alaska State Legislatures to follow this recommendation; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature adopts the recommendation of the LRFPC that the Legislature and the Governor should report annually to the people of the state on actions taken to close the fiscal gap and the effects of those actions on the LRFPC's base case projections; and be it

FURTHER RESOLVED that the Nineteenth Alaska State Legislature urges all Alaskans to learn about Alaska's fiscal situation and to support the actions necessary to close the fiscal gap; and be it

FURTHER RESOLVED that the Twentieth Alaska State Legislature is urged to create and appoint a successor Long Range Financial Planning Commission in 1998 to assess progress in closing the fiscal gap and to recommend further actions to close the fiscal gap and maintain a balanced state budget.

COPIES of this resolution shall be sent to the Honorable Tony Knowles, Governor of Alaska; the Honorable Drue Pearce, President of the Senate; the Honorable Gail Phillips, Speaker of the House of Representatives; and to the members of the Long Range Financial Planning Commission.

SENATE JOINT RESOLUTION NO. 33

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A RESOLUTION

Proposing amendments to the Constitution of the State of Alaska relating to the budget reserve fund.

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

WHEREAS Article IX, sec. 17(a), Constitution of the State of Alaska, is amended to read:

(a) There is established as a separate fund in the State treasury the budget reserve fund. **The purpose of the budget reserve fund is to help stabilize State spending from year to year.** Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

* Sec. 2. Article IX, sec. 17(b), Constitution of the State of Alaska, is amended to read:

(b) If the amount **of unrestricted revenue** available [FOR APPROPRIATION] for a fiscal year is less than the **combined** amount **of unrestricted revenue and money from the budget reserve fund** appropriated for the previous fiscal year, an appropriation may be made from the [BUDGET RESERVE] fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary [, WHEN ADDED TO OTHER FUNDS AVAILABLE FOR APPROPRIATION,] to provide for total appropriations **of unrestricted revenue and money from the fund** equal to the amount of appropriations made **from these sources** [IN THE PREVIOUS CALENDAR YEAR] for the previous fiscal year. **The legislature shall implement this subsection by law. For purposes of this subsection, "unrestricted revenue" means all money received by the State during a fiscal year except money held in trust, received from the federal government for a particular purpose, or dedicated for a particular purpose as permitted by this constitution.**

* Sec. 3. Article IX, sec. 17(d), Constitution of the State of Alaska, is repealed.

* Sec. 4. The amendments proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SENATE JOINT RESOLUTION NO. 34

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A RESOLUTION

Proposing an amendment to the Constitution of the State of Alaska relating to the permanent fund.

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

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

SECTION 15. ALASKA PERMANENT FUND. At least **fifty percent** [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. **Income** [ALL INCOME] from the permanent fund shall be **retained in the permanent fund, except that appropriations may be made from the income to** [DEPOSITED IN] the general fund. **Annual appropriations from the permanent fund may not exceed four percent of the average market value of the permanent fund during the immediately preceding five years. The legislature shall implement this section** [UNLESS OTHERWISE PROVIDED] by law.

* **Sec. 2.** The amendment proposed by this resolution shall be placed before the voters of

the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SENATE BILL NO. 233

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to municipal property tax exemptions for certain residences and to property tax equivalency payments for certain residents; and providing for an effective date."

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

* **Section 1.** AS 29.45.030(h) is amended to read:

(h) Nothing [EXCEPT AS PROVIDED IN (g) OF THIS SECTION, NOTHING] in (j) [(e) - (j)] of this section affects similar exemptions from property taxes granted by a municipality on September 10, 1972 [, OR PREVENTS A MUNICIPALITY FROM GRANTING SIMILAR EXEMPTIONS BY ORDINANCE AS PROVIDED IN AS 29.45.050].

* **Sec. 2.** AS 29.45.030(k) is amended to read:

(k) The department shall adopt regulations to implement the provisions of [(g) AND] (j) of this section.

* **Sec. 3.** AS 29.45.050(i) is amended to read:

New Text Underlined [DELETED TEXT BRACKETED]

(i) A municipality may by ordinance approved by the voters exempt from taxation **all or part of** the assessed value [THAT EXCEEDS $150,000] of real property owned and occupied as a permanent place of abode by a resident who is

(1) 65 years of age or older;

(2) a disabled veteran, including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

* Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i), and 29.45.040 are repealed.

* Sec. 5. This Act takes effect January 1, 1997.

SENATE BILL NO. 234

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to taxes on cigarettes and tobacco products; and providing for an effective date."

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

* Section 1. AS 43.50.190(a) is amended to read:

(a) On [THERE IS LEVIED AN EXCISE TAX OF 12 MILLS ON] each cigarette imported or acquired in this state, there is levied an excise tax at the following rates:

(1) on and after the effective date of this Act and through June 30, 1999 - 62 mills;

(2) after June 30, 1999, and through June 30, 2002 - 74 mills;

(3) after June 30, 2002, and through June 30, 2005 - 86 mills; and

(4) after June 30, 2005 - 86 mills plus an additional 12 mills during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period.

* Sec. 2. AS 43.50.190 is amended by adding a new subsection to read:

(c) At the time of a change in the amount of tax under (a) of this section, the department shall give public notice of the change. The department shall also provide notification of the change to all persons licensed under this chapter.

* Sec. 3. AS 43.50.300 is amended to read:

Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco products in the state at the rate of **100** [25] percent of the wholesale price of the tobacco products. The tax is levied when a person

(1) brings, or causes to be brought, a tobacco product into the state from outside the sate for sale;

(2) makes, manufactures, or fabricates a tobacco product in the state for sale in the state; or

(3) ships or transports a tobacco product to a retailer in the state for sale by the retailer.

* Sec. 4. This Act takes effect October 1, 1996.

SENATE BILL NO. 235

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to excise taxes on alcoholic beverages; and providing for an effective date."

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

* Section 1. AS 43.60.010(a) is amended to read:

(a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic beverages in the state or who consigns shipments of alcoholic beverages into the state, whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

(1) malt beverages, per [AT THE RATE OF 35 CENTS A] gallon or fraction of a gallon, at the following rates:

(A) on and after the effective date of this Act and through June 30, 1999 - $1.05;

(B) after June 30, 1999, and through June 30, 2002 - $1.15;

(C) after June 30, 2002, and through June 30, 2005 - $1.25; and

(D) after June 30, 2005 - $1.25 plus an additional 10 cents during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period;

(2) wine or other beverages of 21 percent alcohol by volume or less, **per** [AT THE RATE OF 85 CENTS A] gallon or fraction of a gallon**, at the following rates:**

(A) on and after the effective date of this Act and through June 30, 1999 - $2.50;

(B) after June 30, 1999, and through June 30, 2002 - $3.15;

(C) after June 30, 2002, and through June 30, 2005 - $3.80; and

(D) after June 30, 2005 - $3.80 plus an additional 65 cents during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period; and

(3) other beverages having a content of more than 21 percent alcohol by volume**, per** [AT THE RATE OF $5.60 A] gallon **or fraction of a gallon, at the following rates**

(A) on and after the effective date of this Act and through June 30, 1999 - $8.50;

(B) after June 30, 1999, and through June 30, 2002 - $10.60;

(C) after June 30, 2002, and through June 30, 2005 - $12.70; and

(D) after June 30, 2005 - $12.70 plus an additional $2.10 during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period.

* Sec. 2. AS 43.60 is amended by adding a new section to read:

Sec. 43.60.035. NOTICE. At the time of a change in the amount of tax under AS 43.60.010(a), the department shall promptly give public notice of the change. The department shall also provide notification of a change in the amount to each brewer, distiller, bottler, jobber, retailer, wholesaler, manufacturer, or other person liable for payment of the tax levied by AS 43.60.010.

* Sec. 3. This Act takes effect October 1, 1996.

SENATE BILL NO. 236

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to the tax on transfers or consumption of motor fuel, and repealing the exemption from that tax for motor fuel which is at least 10 percent alcohol by volume; and providing for an effective date."

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

* Section 1. AS 43.40.010(a) is amended to read:

(a) There is levied a tax of 22 [EIGHT] cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is eight [FIVE] cents a gallon; and

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon.

* Sec. 2. AS 43.40.010(b) is amended to read:

(b) There is levied a tax of 22 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is <u>eight</u> [FIVE] cents a gallon; and

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon.

* Sec. 3. AS 43.40.015(d) is amended to read:

(d) A certificate of use is not required

(1) for fuel exempted under AS 43.40.100(2)(C) [, (F),] or (K); and

(2) for fuel exempted under AS 43.40.100(2)(J) other than fuel sold or transferred under this exemption to a person who is engaged in construction or mining activity.

* Sec. 4. AS 43.40.030(a) is amended to read:

(a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of <u>16</u> [SIX] cents a gallon if

(1) the tax on the motor fuel has been paid;

(2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and

(3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways.

* Sec. 5. AS 43.40 is amended by adding a new section to read:

Sec. 43.40.045. TAX AND REFUND ADJUSTMENT. (a) The amounts in AS 43.40.010(a) and (b) and 43.40.030(a) change, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on July 1 of each even-numbered year in an amount equal to the percentage of change, calculated to the nearest whole percentage point, between the index for January of that year and the most recent index used to change the amounts in AS 43.40.010(a) and (b) and 43.40.030(a). However, the amounts do not change if the amounts required by this section are those currently in effect as a result of earlier application of this section.

(c) If the index is revised, the percentage of change is calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index is determined by multiplying the reference base index applicable by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index is superseded, the index referred to in this section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for Alaskan consumers.

(d) At the time of a change in the amount of tax required by (b) of this section, the department shall promptly give public notice of the change. The department shall also provide notification of a change in amounts required under (b) of this section to all dealers that collect the tax levied by AS 43.40.010.

* Sec. 6. AS 43.40.100(2)(F) is repealed.

* Sec. 7. This Act takes effect October 1, 1996.

SENATE BILL NO. 237

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LONG RANGE FINANCIAL PLANNING COMMISSION

Introduced: 1/22/96
Referred: STA, JUD, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to motor vehicle registration fees; and providing for an effective date."

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

* **Section 1.** AS 28.10.108(c) is amended to read:

(c) A vehicle subject to registration [AND NOT DESCRIBED IN (b) OF THIS SECTION] shall have its initial registration, and may have its annual registration, renewed in the month of initial registration in the state, subject to the provisions of (f) of this section.

* **Sec. 2.** AS 28.10.181(e) is amended to read:

(e) Vehicles owned by the state **or a municipality** [, MUNICIPALITIES, AND CHARITABLE ORGANIZATIONS OF THE STATE]. Every certificate of registration and registration plate issued to the state **or** [,] a municipality [, OR CHARITABLE ORGANIZATION OF THE STATE] is in effect until the vehicle for which the registration certificate and plate were issued is no longer owned and operated by the state or [,] the municipality [, OR THE CHARITABLE ORGANIZATION OF THE STATE] or until the department, in its discretion, declares its expiration. The state or [,] municipality [, OR CHARITABLE ORGANIZATION OF THE STATE] shall maintain a current listing of all vehicles registered to it in the order of the registration number assigned to each vehicle, and shall provide a copy of the listing to the department upon request. The listing must include a description of each vehicle and other identifying information required by the department. Registration plates issued under this subsection must be of a distinctive design and numbering system. [FOR THE PURPOSES OF THIS SUBSECTION, "CHARITABLE ORGANIZATION" MEANS A NONPROFIT ASSOCIATION, CORPORATION, SOCIETY, OR OTHER ENTITY ORGANIZED, INCORPORATED, OR HEADQUARTERED IN THE STATE FOR EDUCATIONAL, CULTURAL, SCIENTIFIC, OR OTHER CHARITABLE PURPOSES, AS PRESCRIBED IN REGULATIONS OF THE DEPARTMENT.]

* Sec. 3. AS 28.10.421(b) is amended to read:

(b) The annual registration fees under this subsection are imposed within the following classifications for:

(1) a vehicle that is not used or maintained for the transportation of persons or property for hire or for other commercial use and that is a passenger vehicle, [OR] motor home, pick-up truck not exceeding 6,000 pounds unladen weight, or van not exceeding 6,000 pounds unladen weight [NOT USED OR MAINTAINED FOR THE TRANSPORTATION OF PERSONS OR PROPERTY FOR HIRE OR FOR OTHER COMMERCIAL USE] .... $75 [$35];

(2) [A PICK-UP TRUCK OR A VAN NOT EXCEEDING 6,000 POUNDS UNLADEN WEIGHT AND NOT USED OR MAINTAINED FOR THE TRANSPORTATION OF PERSONS OR PROPERTY FOR HIRE OR FOR OTHER COMMERCIAL USE $40;

(3)] a taxicab .... $140 [$70];

(3) [(4)] a motor bus with a seating capacity for 20 or more persons and used exclusively for commercial purposes in the transporting of visitors or tourists .... $170 [$85];

(4) [(5)] a motorcycle or a motor-driven cycle .... $40 [$20];

(5) [(6)] a trailer not used or maintained for the transportation of persons or property for hire or for other commercial use, including, but not limited to, a boat trailer, baggage trailer, box trailer, utility trailer, house trailer, travel trailer, or a trailer rented or offered for rent .... $10 [$5];

(6) a vehicle owned by a rancher, farmer, or dairyman and registered under AS 28.10.181 .... $70;

(7) a snowmobile or off-highway vehicle $10;

(8) dealer registration plates,

(A) the initial set of plates $90;

(B) each subsequent set of plates .... $50.

* Sec. 4. AS 28.10.421(c) is amended to read:

(c) The annual registration fees under this subsection are imposed and are based upon the actual unladen weight as established by the manufacturer's advertised weight or upon the actual weight which the owner shall furnish, subject to the approval of the commissioner or the commissioner's representative, for a vehicle, including a motor vehicle pulling a trailer or semi-trailer, that is registered in the name of a company or business, or is used or maintained for the transportation of passengers for hire, excepting taxicabs and buses under (b) of this section, or for the transportation of property for hire or for other commercial purposes, including a trailer, semi-trailer, truck, wrecker, tow car, hearse, ambulance, and tractor, as follows:

(1) up to and including 5,000 pounds .... $102 [$51];

(2) more than 5,000 pounds to and including 12,000 pounds .... $172 [$86];

(3) more than 12,000 pounds to and including 18,000 pounds .... $312 [$156];

(4) more than 18,000 pounds .... $442 [$221].

* Sec. 5. AS 28.10.421(d) is amended to read:

(d) The special registration fees under this subsection are imposed annually, unless otherwise specified, for:

(1) [AN HISTORIC VEHICLE (ONE TIME ONLY UPON INITIAL

REGISTRATION UNDER AS 28.10.181) $10;

(2)] special request plates for

(A) Alaska National Guard personnel $30;

(B) veterans or retired veterans $30;

(C) recipients of the Purple Heart $30;

(D) owners of custom collector or historic vehicles . . . . $30 [$50];

(E) **amateur mobile radio station vehicles under AS 28.10.181(i)** **$10;**

(F) other special request plates $30;

plus the fee required for that vehicle under (b) of this section; the fee required by this paragraph shall be collected only on the first issuance and on the replacement of special request plates;

(2) [(3) A VEHICLE OWNED BY A DISABLED VETERAN OR OTHER HANDICAPPED PERSON, AND REGISTERED UNDER AS 28.10.181 OR A RESIDENT 65 YEARS OF AGE OR OLDER WHO FILES A WRITTEN APPLICATION FOR AN EXEMPTION ON A FORM PRESCRIBED BY THE DEPARTMENT . . . . NONE;

(4)] a vehicle owned by the state . . . . none;

(3) [(5)] a vehicle owned by an elected state official . . . . the fee required for that vehicle under (b) of this section;

(4) [(6) REPEALED

(7) A VEHICLE OWNED BY A RANCHER, FARMER, OR DAIRYMAN AND REGISTERED UNDER AS 28.10.181 . . . . $35;

(8) A SNOWMOBILE OR OFF-HIGHWAY VEHICLE $5;

(9) AN AMATEUR MOBILE RADIO STATION VEHICLE,

(A) WITH A TRANSCEIVER CAPABLE OF LESS THAN 5-BAND OPERATION . . . . THE FEE REQUIRED FOR THAT VEHICLE UNDER (b) OR (c) OF THIS SECTION;

(B) IN RECOGNITION OF SERVICE TO THE PUBLIC: A MOBILE AMATEUR RADIO STATION OWNED BY AN AMATEUR WITH

GENERAL CLASS OR HIGHER LICENSE, PROVIDED THE STATION MUST BE SATISFACTORILY PROVED CAPABLE OF OPERATING ON AT LEAST FIVE BANDS FROM 160 THROUGH 10 METERS, MUST HAVE AN ANTENNA, AND MUST HAVE A POWER SUPPLY AND WIRING AS A PERMANENT PART OF THE VEHICLE; THE TRANSMITTING UNIT MAY BE REMOVED FROM THE CAR FOR SERVICE OR DRY STORAGE .... NONE FOR A MOBILE AMATEUR RADIO STATION VEHICLE INCLUDED IN (b)(1) OR (2) OF THIS SECTION;

(10) DEALER REGISTRATION PLATES,

(A) THE INITIAL SET OF PLATES $45;

(B) EACH SUBSEQUENT SET OF PLATES $25;

(11)] a vehicle owned by a municipality [OR CHARITABLE ORGANIZATION MEETING THE REQUIREMENTS OF AS 28.10.181(e)] .... <u>$10</u> [$5];

<u>(5)</u> [(12) REPEALED

(13) A VEHICLE OWNED BY A PEARL HARBOR SURVIVOR OR A FORMER PRISONER OF WAR .... NONE;

(14) REPEALED

(15)] special request university plates .... $50 plus the fee required for that vehicle under (b)(1) [OR (2)] of this section; the fee required by this paragraph shall be collected only on the first issuance and on the replacement of special request plates; the commissioner of administration shall separately account by university campus designation for the fees received under this paragraph that the department deposits in the general fund; the annual estimated balance in the accounts that is in excess of the cost of issuing special request university plates may be appropriated by the legislature for the support of programs at each campus.

* Sec. 6. AS 28.10.421 is amended by adding a new subsection to read:

(h) The Department of Labor shall adjust the fees imposed under this section on July 1 of every even-numbered year to reflect changes in the transportation new vehicle segment of the Consumer Price Index for all urban consumers for all items compiled by the Bureau of Labor Statistics, United States Department of Labor, for the second half of the preceding calendar year. The semiannual index for the second half of 1996 is the reference base index. The Department of Labor shall round each fee adjusted under this subsection to the nearest dollar. The Department of Labor shall provide a schedule of the adjusted fees to the Department of Public Safety, and shall make the schedule of the adjusted fees available to the public by November 1 of each year in which fees are revised. An adjusted fee imposed under this subsection takes effect on December 1 of the year in which the fee is adjusted.

* **Sec. 7.** AS 28.10.431(b)(3) is amended to read:

(3) vehicles specified in **AS 28.10.421(b)(2)** [AS 28.10.421(b)(3)]	66	55	44	33	22	17	11	8

* **Sec. 8.** AS 28.10.431(b)(5) is amended to read:

(5) vehicles specified in **AS 28.10.421(b)(3)** [AS 28.10.421(b)(4)]	110	88	66	55	44	33	22	11

* **Sec. 9.** AS 28.10.431(b)(6) is amended to read:

(6) vehicles specified in **AS 28.10.421(b)(5)** [AS 28.10.421(b)(6)]	9	8	7	6	4	3	2	2

* **Sec. 10.** AS 28.10.431(b)(9) is amended to read:

(9) vehicles eligible for dealer plates under **AS 28.10.421(b)(8)** [AS 28.10.421(d)(10)].	44

* **Sec. 11.** AS 28.10.495(e) is amended to read:

(e) Proof of disablement or medical handicap, for the purpose of this section, **consists of proof that the individual has a disability that limits or impairs the ability to walk as defined in 23 C.F.R. 1235.2** [SHALL BE THE SAME AS THAT REQUIRED FOR THE PURPOSES OF AS 28.10.181(d)].

* **Sec. 12.** AS 29.45.030(j) is amended to read:

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt [EITHER] from taxation on its assessed value [OR FROM THE REGISTRATION TAX UNDER AS 28.10.431]. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Public Safety.

* Sec. 13. AS 28.10.108(b), 28.10.181(d), 28.10.181(l), 28.10.411(f), 28.10.431(b)(7), 28.10.431(b)(8), 28.10.431(h); and AS 28.35.235(a)(2) are repealed.

* Sec. 14. Section 6 of this Act takes effect January 1, 1998.

* Sec. 15. Except as provided in sec. 14 of this Act, this Act takes effect January 1, 1997.

SENATE BILL NO. 210

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY SENATOR ELLIS

Introduced: 1/19/96
Referred: STA, FIN

A BILL

FOR AN ACT ENTITLED

"An Act relating to taxes on cigarettes and tobacco products; and providing for an effective date."

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

* Section 1. AS 43.50.190(a) is amended to read:

(a) On [THERE IS LEVIED AN EXCISE TAX OF 12 MILLS ON] each cigarette imported or acquired in this state, there is levied an excise tax at the following rates:

(1) on and after the effective date of this Act and through June 30, 1999 - 62 mills;

(2) after June 30, 1999, and through June 30, 2002 - 74 mills;

(3) after June 30, 2002, and through June 30, 2005 - 86 mills; and

(4) after June 30, 2005 - 86 mills plus an additional 12 mills during each succeeding three-year period, the increase to be effective on the first day of the succeeding three-year period.

* Sec. 2. AS 43.50.190 is amended by adding a new subsection to read:

(c) At the time of a change in the amount of tax under (a) of this section, the department shall give public notice of the change. The department shall also provide notification of the change to all persons licensed under this chapter.

* Sec. 3. AS 43.50.300 is amended to read:

Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco products in the state at the rate of 100 [25] percent of the wholesale price of the tobacco products. The tax is levied when a person

(1) brings, or causes to be brought, a tobacco product into the state from outside the state for sale;

(2) makes, manufactures, or fabricates a tobacco product in the state for sale in the state; or

(3) ships or transports a tobacco product to a retailer in the state for sale by the retailer.

* Sec. 4. AS 43.50 is amended by adding a new section to article 4 to read:

Sec. 43.50.365. TAX ADJUSTMENT. (a) The amount in AS 43.50.300 changes, as provided in this section, according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for January of 1997 is the reference base index.

(b) The amounts change on July 1 of each even-numbered year in an amount equal to the percentage of change, calculated to the nearest whole percentage point, between the index for January of that year and the most recent index used to change the amount in AS 43.50.300. However, the amounts do not change if the amounts required by this section are those currently in effect as a result of earlier application of this section.

(c) If the index is revised, the percentage of change is calculated on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index is determined by multiplying the reference base index applicable by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the index is superseded, the index referred to in this section is the one represented by the Bureau of Labor Statistics as reflecting most accurately changes in the purchasing power of the dollar for Alaskan consumers.

* Sec. 5. AS 43.50 is amended by adding a new section to read:

Sec. 43.50.380. NOTICE. At the time of a change in the amount of the tax under AS 43.50.365, the department shall promptly give public notice of the change. The department shall also provide notification of a change to all persons licensed under this chapter.

* Sec. 6. This Act takes effect October 1, 1996.

Key Bank of Alaska
A KeyCorp Bank

101 West Benson Boulevard
Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 564-0250 or (907) 562-6100

Michael J. Burns
President and
Chief Executive Officer

KEY BANK

January 26, 1996

VIA FACSIMILE

Honorable Drue Pearce
President, Alaksa State Senate
State Capitol
Juneau, Alaska 99801-1182

Madame President:

We are very pleased to see that SCR 23 has been introduced and that it may function as the starting point in developing both the FY97 budget and a comprehensive long range financial plan

The introduction, particularly of this bill and the hearings that have now been scheduled are consistent with the mission of *Alaskans For A Plan*, and our stated objectives for the 1996 legislative session.

If appropriate, our group would like to be involved in these, or other, hearings on both the FY97 budget and consideration of the resolution referred to above. We would be available for hearings either in Juneau or other locations throughout the state, should you so see fit.

Again, our thanks for the courtesy showed us during our recent Juneau visit, and thank you for bringing this topic forward for both a timely and comprehensive discussion.

On behalf of *Alaskans For A Plan*,

Michael J. Burns
Chairman

cc: Senator Bert Sharp, Chair, State Affairs Committee
Senator Robin Taylor, Chair, Judiciary Committee
Senator Steve Frank, Co-chair, Finance Committee
Senator Rick Halford, Co-chair, Finance Committee
Governor Tony Knowles

Mission

To balance the budget by Fiscal Year 2001 through both responsible cuts and revenue increases, and to ensure that the State of Alaska is on a sustainable, long term financial foundation.

Goals

Convince the public of the serious financial challenge the State of Alaska confronts and the importance of decisive action, utilizing all of the fiscal tools necessary to put the State on a sound and sustainable long term foundation.

To get the Governor and the State Legislature to take the budgetary and fiscal action needed to achieve a balanced budget before the State's available savings are gone.

As a first step, the Legislature must implement revenue increases and spending cuts totaling $200 million in FY97.

1996 Objectives

(1) To get the State Legislature and Governor to devote two weeks of the session to reviewing the analysis and recommendations of the Long Range Financial Planning Commission and to enact a joint resolution committing itself to closing the State's fiscal gap by Fiscal Year 2001 and to achieving the $200 million fiscal target recommended for 1997 through an appropriate mix of budget cuts, taxes, and increased savings.

(2) To design and implement a public information plan which achieves our annual objectives and advances accomplishment of our long term goals.

(3) To build a broad based, statewide coalition of business and civic leaders in support of our mission, goals, and objectives.

(4) To raise the money and resources necessary to advance our mission and goals and achieve our annual objectives.

Alaska Native Health Board

1345 Rudakof Circle, Suite 206
Anchorage, Alaska 99508-6105

Phone: (907) 337-0028
FAX: (907) 333-2001

January 24, 1996

The Honorable Bert Sharp
The Alaska Senate
Post Office Box V
Juneau, Alaska 99811

Dear Senator Sharp:

I am writing on behalf of the Alaska Native Health Board to urge you to support legislation to enact major increases in state tobacco tax rates. This goal is ANHB's number one state legislative priority for FY 1997.

Alaska Native people are hard hit by tobacco use. A recent DHSS bulletin reports that smoking kills one out of five Alaskans, and that Alaska Natives account for 23.2% of the smoking-related deaths, even though our people comprise only 16.5% of the state's population. Diseases caused by tobacco use result in tragedy for individuals and families and place a tremendous drain on health care resources.

Although some will argue that tobacco taxes are regressive, we believe that the potential benefit far outweighs the harm. Research has shown that a major tobacco tax increase is the single most effective way to reduce tobacco consumption, especially among kids. The National Cancer Institute has said that "increasing tobacco excise taxes must be considered an essential and primary component of any comprehensive tobacco control program."

We urge you not to let the tobacco tax question get mired in debate about how to deal with the fiscal gap. A major increase in tobacco taxes would be justified even if there was no fiscal gap. The Alaska Constitution states that "the legislature shall provide for the promotion and protection of public health." We hope you will take this commitment seriously and increase tobacco taxes as a way to reduce the leading cause of death in Alaska.

Sincerely,

Anne M. Walker

Anne M. Walker
Executive Director

Cash Barner · Architects

909 West 9th Avenue, Suite 500 Anchorage, Alaska 99501 907/258-7777 Fax 907/279-8195

January 24, 1996

The Honorable Bert Sharp
Alaska State Senator
State Capital Building
Juneau, AK 99801

Dear Senator Sharp:

I am writing this letter as a 16 year citizen of Alaska and for the support of my family of 4 children with both spouses working full time. I request that you to adopt a long range fiscal plan for the State of Alaska. As a private citizen with a family in Alaska, I am concerned about the budget gap and request that you consider the recommendations of the Long Range Financial Planning Commission. It is clear to me that the legislature must act to reduce, and then close, the annual gap between income and State spending. I do not want to see out State's cash reserves reduced further to fill the budget gap.

Alaska has more opportunities than any other State and without serious leadership by our elected officials, many of these opportunities for private sector growth and confidence will be lost. The long term economic health of this State must be your first concern for the beginning of the 1996 session. In order to maintain broad industrial growth by private sector investments, the State's long term economics planning must be considered of utmost importance.

It is time for adoption of a sound long range plan in order for the State of Alaska to support healthy economic development for our future and the future of my children.

Sincerely,

CASH BARNER · ARCHITECTS, INC.
An Alaska Corporation

Matthew P. Vogel, Architect
Associate

Cash Barner • Architects

909 West 9th Avenue, Suite 500 Anchorage, Alaska 99501 907/258-7777 Fax 907/279-8195

January 24, 1996

The Honorable Bert Sharp
Alaska State Senator
State Capital Building
Juneau, AK 99801

Dear Senator Sharp:

I am writing this letter to urge you to adopt a long range fiscal plan for the State of Alaska. Both as a business owner and a private citizen with a family in Alaska, I am concerned about the budget gap. It is clear to me that the legislature must act to reduce, and then close, the annual gap between income and State spending. I do not want to see out State's cash reserves reduced further to fill the budget gap.

Now is the time to act in a fiscally responsible manner to pave the way for a bright economic future for all Alaskans. Thank you for your consideration.

Sincerely,

CASH BARNER • ARCHITECTS, INC.
An Alaska Corporation

Jerry G. Barner

Jerry G. Barner, AIA NCARB
Principal/Owner

An Alaska Corporation

Larry S. Cash AIA NCARB James E. Dougherty AIA Scott A. Bohne AIA NCARB Matthew P. Vogel Architect
Jerry G. Barner AIA NCARB Rolland R. Reid II AIA NCARB Aaron K. Joseph NCARB
Internet cba@alaska.net CompuServe 72551.1645

Cash Barner · Architects

909 West 9th Avenue, Suite 500 Anchorage, Alaska 99501 907/258-7777 Fax 907/279-8195

January 24, 1996

The Honorable Bert Sharp
Alaska State Senator
State Capital Building
Juneau, AK 99801

Dear Senator Sharp:

I write this as a business owner, having lived in Alaska since 1977, and starting my business in 1986. The years have come and gone and our business has evolved as we have provided architectural services around the State. It has not always been easy to absorb the ups and downs of the economy. To live within our financial means, we have set goals and established long term plans. Long range planning has been critical to the success and continued viability of our company.

You will be considering the recommendations of the Long Range Financial Planning Commission during the first days of the 1996 session. According to the tone of a recent *Anchorage Daily News* article, it appears that as a body, the Legislature is not in favor of the Commission's recommendations or input from the business community. This concerns me.

Whether or not you adopt the Commission's recommendations, I am writing to urge you to adopt a long range fiscal plan for the State that balances spending with income. Our company and many others believe that the annual gap between State spending and income is the single greatest deterrent to new private sector investment in Alaska. There are significant opportunities for new business development in our State. As our elected leadership, you must be responsible and make the difficult political decisions necessary to bring fiscal balance and create a climate for long term economic health. The private sector players in the State, large and small, are watching you with keen interest. Adoption of a sound long range plan is requisite to the healthy economic development of the State of Alaska for our future and the future of our children.

Thank you for your work on behalf of the citizens of Alaska.

Sincerely,

CASH BARNER · ARCHITECTS, INC.
An Alaska Corporation

Larry S. Cash AIA NCARB
Principal/Owner

An Alaska Corporation

Larry S. Cash AIA NCARB
Jerry G. Barner AIA NCARB
Internet cba@alaska.net

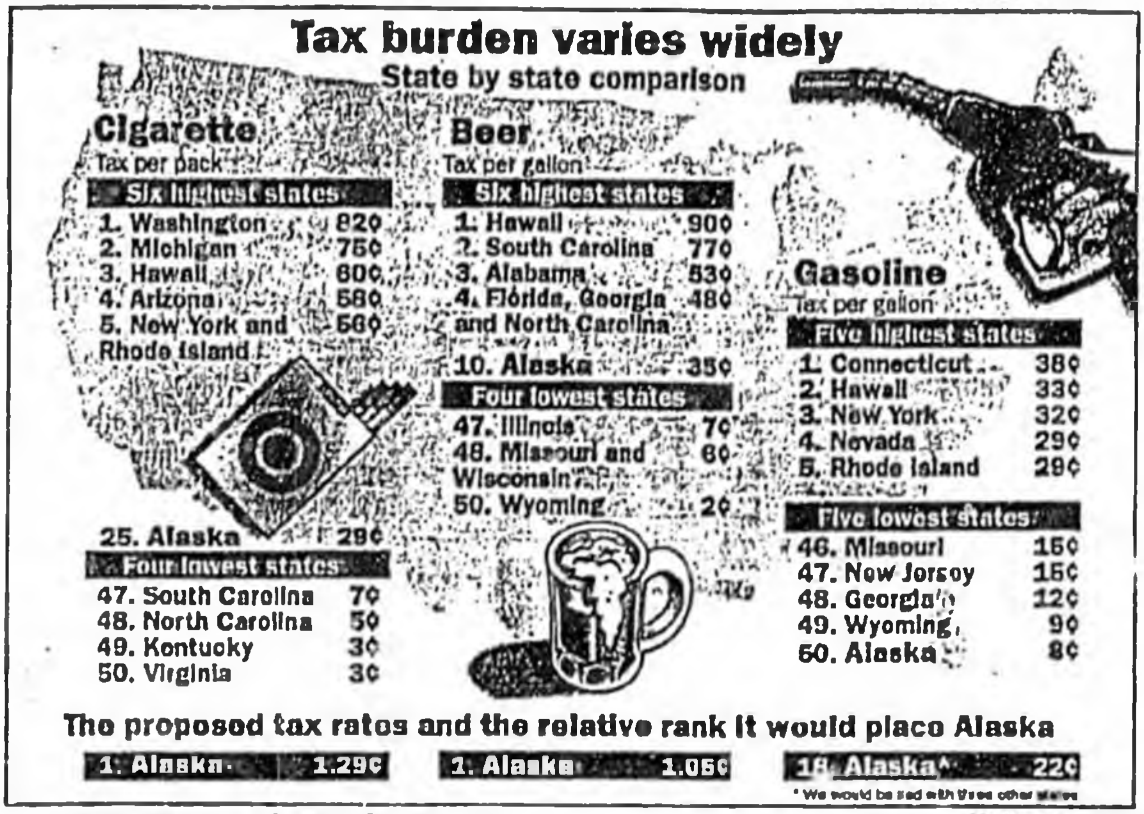
James E. Dougherty AIA
Rolland R. Reid II AIA NCARB

Scott A. Bohne AIA NCARB
Aaron K. Joseph NCARB

Matthew P. Vogel Architect

CompuServe 71551.164

Anchorage Daily News Monday, January 22, 1996



Source: American Petroleum Institute, Federation of Tax Administrators — KEVIN POWELL / Anchorage Daily News

Gas tax increase would make state average

By RALPH THOMAS
Daily News reporter

JUNEAU — For years, Alaska motorists have enjoyed the lowest gasoline taxes in the nation. But that would change under a bill lawmakers face this session.

Democratic Gov. Tony Knowles has proposed bumping the state's gasoline tax from 8 cents a gallon to 22 cents. The increase would bring Alaska's gas tax up to the national average, but still 16 cents a gallon short of the tax in Connecticut, which has the highest rate.

The increase, which would bring an estimated $40 million a year to the state treasury, was first proposed by a budget commission that Knowles and lawmakers appointed last year. The bipartisan panel recommended the gas-tax hike as one of the first of many tools for closing the state's $500-million-and-growing annual budget shortfall.

It's unclear what chance the increase has of passing, especially since this is an election year. Not only might voters be upset, but so might fuel wholesalers and retailers, who contributed nearly $60,000

Please see Back Page, GAS

GAS: Alaska levy is lowest in nation — for now

Continued from Page A-1

to state candidates in 1993 and 1994.

The Legislature's Republican leaders say voters want to see much deeper cuts in government spending before any new or increased taxes are passed.

But some GOP lawmakers have said they might support a gas-tax increase if there was a guarantee that all of the money raised would be dedicated to road maintenance and construction. And, to do that, lawmakers would need help from the voters because dedicating tax revenues to a specific use requires amending the state constitution.

In a recent budget speech to the Legislature, Knowles said he supported setting up a dedicated fund for the gas tax.

"Alaskans deserve a safe and reliable public transportation system," Knowles told lawmakers.

Jan-22-96 11:30A 19076940549

Knowles proposes tax hike

Tobacco, alcohol levies would soar

By RALPH THOMAS
Daily News reporter

JUNEAU — Alaskans would pay the nation's highest "sin taxes" on tobacco and alcohol under proposals by Gov. Tony Knowles and others to help balance the state budget.

If the proposals become law, the state tax on each pack of cigarettes would soar from 29 cents to $1.29 and the tax on chewing tobacco would quadruple. The taxes on wine and beer would more than triple to about 10 cents for a bottle of beer or glass of wine. For hard liquor, the tax would grow by more than 50 percent to about 7 cents for a mixed drink.

Heeding advice from a bipartisan budget commission, Knowles recently proposed the tax hikes as part of the first step in closing the state's so-called "fiscal gap" — a perennial budget shortfall expected to top $500 million next year. Along with a 14-cents-a-gallon fuel-tax hike that Knowles is proposing, the increases would raise an

Please see Back Page, SIN TAX

SIN TAX: Knowles follows revenue advice

Continued from Page A1

estimated $100 million a year.

But Knowles and others contend raising taxes on tobacco and alcohol will do more than just help fix the budget. They say higher taxes will reduce tobacco and alcohol use, especially among teenagers. Anti-smoking groups predict a $1-a-pack increase in the cost of cigarettes would reduce teen smoking by more than a third.

"We call them health taxes," said Anne Marie Holen, who runs an anti-smoking program for the Alaska Native Health Board.

Tobacco industry officials say the tax hikes will not have the health benefits proponents predict. And liquor industry representatives argue that only a small percentage of drinkers abuse alcohol.

"It seems unfair to punish the vast majority of people for problems created by a small minority," said Bob Esterling, president of the Alaska Wine and Spirits Wholesalers Association.

The alcohol and tobacco tax increases were originally proposed by the Long Range Financial Planning Commission, a panel Knowles and the legislature's Republican leaders appointed last year to find solutions to the fiscal gap.

GOP leaders had initially balked at introducing legislation to implement the commission's tax increases, arguing the Democratic governor should have to sponsor the measures himself. But House Speaker Gail Phillips said Friday the Legislature would introduce the tax-hike bills today.

Getting the increases into law, however, will be no easy feat for Knowles. The tobacco and alcohol industries have hired at least eight lobbyists in Juneau. And Republican lawmakers have all but ruled out any new or increased taxes until state spending has been sharply reduced.

The tobacco industry contributed $28,600 to state candidates in the last election cycle, while liquor interests donated almost $78,000, according to candidate reports compiled by the Daily News.

The proposed tobacco- and alcohol-tax increases would put Alaska's rates far above the rest of the states. That's especially true for the cigarette tax, which would jump nearly 50 cents per pack above Washington state's rate, currently the nation's highest.

Anchorage voters last year overwhelmingly agreed to increase the local tobacco tax, but rejected a proposed alcohol tax hike. And some Republicans predict that, if the Legislature approves any tax increases, it will be on tobacco.

"Because of the health aspects, it's probably the one that sells the most easily," said Senate President Drue Pearce, R-Anchorage, who accepted $2,500 in tobacco contributions in 1993 and 1994.

Alaskans are among the heaviest smokers in the country, according to state and federal statistics. In a recent report, state health

Sin Tax. Contd.

# of budget balancing commission

officials said more than one in four adults smoke in Alaska and 20 percent of all deaths in the state during the past two years were "smoking related." The rates are even higher for Alaska Natives.

"Each year, smoking kills more Alaskans than AIDS, aircraft crashes, alcohol, falls, fires, firearms and motor vehicle crashes combined," the report said.

Several health groups, including the Alaska chapters of the American Lung Association and the American Cancer Society, have teamed up with the Alaska Native Health Board to push the tobacco-tax increase.

The groups are armed with studies that show how increased tobacco taxes have dramatically reduced smoking — especially among teenagers — in other states and countries. In Canada, for instance, where higher taxes increased the price of tobacco by 158 percent over 12 years, teenage smoking dropped by two-thirds, according to the American Cancer Society. However, organized cigarette smuggling became a significant problem for authorities.

"There's probably no other measure the Legislature could pass that would do more to improve the health of Alaskans," Holen said.

Tobacco industry officials don't dispute that higher taxes will lower teen smoking, but say the drop will be nowhere near what proponents predict.

"You have to realize, these are kids who will pay 15 bucks for a CD and 100 bucks for a pair of tennis shoes," said Walker Merryman, vice president of The Tobacco Institute in Washington, D.C. "I'm not sure an extra buck a pack is going to stop them from smoking."

The best way to combat teen smoking enforce laws already on the books that prohibit cigarette sales to minors, Merryman said.

Rep. Mark Hanley, R-Anchorage, agreed.

"I think taxes generally are to raise revenue, not affect social behavior," said Hanley, who accepted $700 in contributions from Phillip Morris in 1993 and 1994.

But, in his annual budget speech to the Legislature earlier this month, Knowles made it clear his proposed tobacco tax increase was aimed as much at reducing teen smoking as at closing the fiscal gap.

"Although it's projected to generate $42 million, frankly, I hope this proposal doesn't raise a single dollar," said Knowles, who didn't get any tobacco money for his election, but received nearly $16,500 from liquor interests.

New taxes not the answer

I could believe the headline, "Fiscal crisis real, say top businessmen," on the front page of the Daily News (Jan. 17). But I could not believe what I read in the article.

This coalition of business leaders (Alaskans for a Plan) plans to spend nearly $600,000 on a statewide television, radio and newspaper advertising blitz to convince the Alaska public that they need to tolerate a new tax and smaller dividends in order to avoid a financial abyss.

I do not know what kind of business these leaders run, but it must be a state-funded business. If I owned a business (which I do not, because I am taxed so heavily I can't afford to start one), the last thing I would want to do is have the people taxed more, which would reduce their buying power.

Companies, especially in today's business climate, do not invest in anything that will not benefit the companies. This leads me to believe that these companies went to the state and made a deal something like this: If we convince the people of this state to accept new taxes and reduced dividends, will you leave us alone and possibly reduce our taxes? And the state said yes!

Don't get me wrong; I believe companies should have tax breaks as incentive to invest and produce jobs.

If these business leaders want the politicians in Juneau to fix the so-called "fiscal gap" without fearing for their political necks next fall, they should be convincing the politicians to cut wasteful spending, not convincing the Alaska public to accept new taxes.

— *Doug Vaughn*
Anchorage

A/ File LRRC

Distributed by:
Representative Joe Green

Elmer Schaetzle
P.O. Box 39078
Ninilchik, Alaska 99639
(907) 567-3327

January 21, 1996

Representative Joseph Green
State Captiol, Room 24
Juneau, Alaska 99801-1182

Dear Rep. Green:

The fiscal restraint now being advocated by you, members of the Legislature and Governor is to be commended. Many people say that "my vote or comment doesn't matter"; I disagree. Our population is so small that many of our elections have been decided by a handful of votes. I do vote, and I want you to hear my voice. Below I have outlined what I think is necessary to close the fiscal gap in five years.

CUTS

Alaska has many unique programs that in all likelihood will not survive in this period of declining revenues. They were nice when the money was flowing into the state treasury.

School Debt Reimbursement - Give the boroughs notice that if they want new schools they will have to finance them through property taxes and sales taxes. There was a commitment to the boroughs to pay for a portion of new school construction in the past, that must be honored.

Longevity Bonus - The courts will force us to cut the program or fully fund it for all. The rules should change, and apply to all seniors, to a termination of the program over five years. For the next five years there will be a reduction of $50.00 in the monthly check each year to phase out this program. Governor Hickel was right, most of our pioneers have passed away, and so should this program. A five-year phase out gives people time to rearrange their finances and make plans for the future.

Pioneer Homes - The Pioneer Homes should be phased out also over a five year period through privatization.

Rural Colleges - What are we doing with so many college branches? Turn them over to the local school districts, this will help alleviate overcrowding, and mandate that the local school buildings be made available for college classes in the evenings. Most of our heated, equipped and vacant schools should be put to use in the evenings for associate degree programs. We only need three, four year universities. A novel idea: make our school districts responsible for K-14 education. Call it consolidation. Think of all the administrative duplication that we could get ride of by this move?

Rural Power - I live in an area where we don't have natural gas as a cheap energy source. That was my choice. And since it was my choice, I should pay. Can this program.

One final note, **no more new infrastructure to support!** We are going to be hard pressed to support what we already have in this state.

Make cuts first (no area of the budget should be off limits), then look at revenue sources. Constitutionally mandated programs must be given priority in funding.

REVENUE SOURCES

State Income Tax - The frightening thing here - if we revise our old tax code, it will only bring in $250 to $300 million. Considering our state budget, this is a drop in the bucket. This is why big cuts are necessary in our budget. But the good thing about an income tax is that people will demand frugality on the part of our state government. It's now my money your spending. Two other features: part of a non-resident's income will be captured and state income taxes are deductions on the 1040.

Capping the Permanent Fund Dividend - Cap it at $1,000. This will not create any political problems for you since it will be capped at our present high for the dividend. As the Fund grows, it will start spinning money in the direction of the state treasury.

If an income tax is created again, and in time it will be, change the law to permit residents to have their estimated annual state income taxes withheld directly from their dividend.

User Taxes - Simple, raise them to the national average.

Bed Tax - It is time for the tourists to pay their part. When I was in Kentucky last year, I paid a 6% sales tax and a 9% bed tax. It was high, but then again what were my options? I paid the tax, so will the tourists coming to Alaska by boat, plane, car or RV. This will not hurt tourism.

King Salmon Fishing Permit - Since the Chinook salmon is such a prized fish by the tourist, why not label it a trophy fish requiring a special license by non-residents? While we are at it, why not halibut too?

Organize Boroughs throughout the State. It's time for those who can to pay for services received. No more free lunches. No one likes to pay taxes, but Oliver Wendell Holmes said, "taxes are what we pay for a civilized society."

I remember the boom-and-bust days of the 60's and 70's; the busts were painful. I wish you the courage to stand up to the special interest groups. We need Davids to stand up to the Goliaths. Our economic future is in your hands.

Respectfully submitted,

Elmer Schaetzle

POSTAGE PAID

Alaska State Legislature
Capital Building
Juneau, AK 99801

Dear Honorable Legislator,

As we all know, the issue of state funding and budgetary concerns are among the principal issues facing you this legislative session, and perhaps for several upcoming sessions. I hope you will look closely at the recommendations of the State Long Range Financial Planning Commission. While none of us are particularly happy with the changes in the financial picture facing the state, I believe the Commission has taken a fair look at many of the issues and made appropriate suggestions to deal with our financial problems. I hope you will take the recommendations seriously as you address this issue.

I have enclosed with this letter a copy of a letter I recently sent to Representative Sean Parnell concerning his dissenting opinion to the Planning Commission Report. I am not comfortable with continued cuts in state spending; I am beginning to see the negative impact of the cuts that have been made already, and believe it is time to address increases in revenue; whether through income taxes or lowered dividend checks. I go into more of my rationale in the letter to Rep. Parnell.

I also believe there is some broad based support for stopping continual cuts in state funding. Even Governor Hickel acknowledged this as he left office. The Long Range Planning Commission recognized the need for increased revenue and now the group "Alaskans for a Plan" is planning a drive to educate the public to the need for increased taxes and lower dividends. These are not just the so called "tax and spend" liberals taking this position, these are prominent business leaders and executives from some of the largest companies in the state.

No one likes to pay taxes, I certainly do not. But I also dislike the decline in the quality of life here in Alaska that is coming from lower state spending and I am willing to pay my fair share. I hope you can look beyond the rhetoric and see that there are several ways to deal with the looming financial problems facing the state.

Sincerely yours,

Mark Rippy

Mark Rippy
P.O.Box 84971
Fairbanks, AK 99708