

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9462 HOUSE STATE AFFAIRS

HJR

25

*Barbara -
Thanks -
It's all fixed!
Jui 3/2/99*

**CS FOR HOUSE JOINT RESOLUTION NO. 25(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION**

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE AUSTERMAN

A RESOLUTION

1 **Proposing amendments to the Constitution of the State of Alaska to guarantee the**
2 **permanent fund dividend and to provide for inflation-proofing; and relating to the**
3 **permanent fund.**

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

5 * **Section 1.** This resolution shall be known as an amendment to protect the permanent
6 fund dividend and to provide for inflation-proofing.

7 * **Sec. 2.** Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

8 **Section 15. Alaska Permanent Fund.** (a) At least twenty-five per cent of all
9 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing
10 payments and bonuses received by the State shall be placed in a permanent fund, the
11 principal of which shall be used only for those income-producing investments
12 specifically designated by law as eligible for permanent fund investments. [ALL
13 INCOME FROM THE PERMANENT FUND SHALL BE DEPOSITED IN THE
14 GENERAL FUND UNLESS OTHERWISE PROVIDED BY LAW.]

15 * **Sec. 3.** Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding
16 new subsections to read:

1 (b) Income from the permanent fund shall be deposited into a separate account
2 in the fund, the earnings reserve account, as soon as it is received. Money in the
3 account shall be invested in investments designated by law under (a) of this section,
4 and income from the investments shall also be deposited into the account.

5 (c) On the first day of each fiscal year, an amount of income shall be
6 transferred from the earnings reserve account for distribution as dividends to State
7 residents as provided by law. An amount of income shall also be transferred as
8 provided by law from the earnings reserve account to the principal of the permanent
9 fund to offset the effect of inflation on the principal of the fund during the fiscal year
10 just ended. Income distributed as dividends or transferred to the principal is not
11 subject to appropriation.

12 (d) Appropriations may be made from the earnings reserve account; however,
13 the amount appropriated during a fiscal year may not exceed the amount in the account
14 on the first day of that fiscal year after transfers have been made under (c) of this
15 section.

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

3/20/97:

Suzie will do
a technical
correction in
Journal, &
distribute
corrected copies
to all
legislators —

To: Barbara

From: Melody

2-pages

CHAIR JAMES announced she worked with the sponsor and with Mike Greany, Legislative Fiscal Analyst, Legislative Finance Division, on a committee substitute because she was concerned about putting a statute in the constitution. It was a misuse of constitutional space. She did not have a problem with establishing the priorities of the use of the earnings in the constitution, however.

Number 1624

first reference

REPRESENTATIVE ALAN AUSTERMAN, Alaska State Legislature, explained that the committee substitute, version "B", took the actual formula that they had been using for the dividend program and for the inflation-proofing and kept it in the statute as a mandate. The formulas stayed in the statute in order not to bind future legislatures. If the formulas were in the constitution, "You'd be in a world of hurt if you had a crash in the market or something like that." Therefore, if there was a problem, the formula could be adjusted easily in statute.

Number 1705

CHAIR JAMES explained the committee substitute, version "B," took the existing constitutional language minus the following statement: "All income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law."

statute would have to be changed.

CHAIR JAMES replied, currently, that could be done without changing the constitution. "You just can't give up inflation-proofing. It's there and it has to have a program."

Number 2258

REPRESENTATIVE AUSTERMAN explained the bill would not change either of the current statutes or the formulas.

Number 2276

CHAIR JAMES called for a motion to adopt the committee substitute.

Number 2283

REPRESENTATIVE HODGINS moved to adopt the committee substitute, 0-LS0659/B, Cook, 3/14/97. There was no objection, the committee substitute was so adopted.

Number 2305

REPRESENTATIVE BERKOWITZ wondered if there was anybody from the Permanent Fund to talk on this issue today.

FAXED to you
3/15/97
Talk to Jill!

CS FOR HOUSE JOINT RESOLUTION NO. 25()
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TWENTIETH LEGISLATURE - FIRST SESSION

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WORK DRAFT

WORK DRAFT

WORK DRAFT

0-LS0659\B
Cook
3/14/97

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WORK DRAFT

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0-LS0659\B

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STATE OF ALASKA ROUTE SLIP

TO: Mail Station	Department <i>House State Affairs</i>	Division <i>State Affairs</i>		
Attention		Date <i>3/7/99</i>		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Approval <input type="checkbox"/> Signature <input type="checkbox"/> Comment <input type="checkbox"/> Contact Me <input type="checkbox"/> Prepare Reply <input type="checkbox"/> For Your File </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Note and Return <input type="checkbox"/> Initial and Return <input type="checkbox"/> Return as Requested <input type="checkbox"/> Return for Approval <input type="checkbox"/> Necessary Action <input type="checkbox"/> For Your Information </td> </tr> </table>			<input type="checkbox"/> Approval <input type="checkbox"/> Signature <input type="checkbox"/> Comment <input type="checkbox"/> Contact Me <input type="checkbox"/> Prepare Reply <input type="checkbox"/> For Your File	<input type="checkbox"/> Note and Return <input type="checkbox"/> Initial and Return <input type="checkbox"/> Return as Requested <input type="checkbox"/> Return for Approval <input type="checkbox"/> Necessary Action <input type="checkbox"/> For Your Information
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Remarks: <div style="font-size: 1.5em; font-family: cursive;"> HJR 25 - hearing on 3/11 at 8am </div>				
FROM: Mail Station <i>0105</i>	Dept./Div. <i>Elections</i>	E-Mail		
By		Telephone <i>4611</i>		

ANALYSIS-HOUSE JOINT RESOLUTION 25

This resolution proposes amendments to the state Constitution to guarantee the permanent fund dividend inflation proofing and to require a vote of the people before spending undistributed income from the earnings reserve of the permanent fund.

Under current law, the dividend and inflation proofing can be eliminated by a majority vote of the legislature and approval by the Governor.

No fiscal notes.


REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

MEMORANDUM

DATE: February 28, 1997

TO: Representative Jeannette James, Chair
House State Affairs Committee

FROM: Representative Alan Austerman, Chair 
House Special Committee on Fisheries

SUBJ: Request for Scheduling - House Joint Resolution 25

I respectfully request the House State Affairs Committee, schedule a hearing for House Joint Resolution 25 at your earliest convenience.

This resolution would constitutionally protect the permanent fund dividend and inflation-proofing of the Alaska Permanent Fund.

Several questions have been raised since introducing this resolution. Among them are:

How does this affect the hold harmless monies we pay to welfare recipients? With the amount of money changing every year, would there be a requirement to seek voter approval for the hold harmless program? Would this voter approval be required every year?

Could the Alaska Permanent Fund lose its tax exemption if the permanent fund dividend is constitutionally protected?

Would the Alaska Permanent Fund be subject to corporate taxes under the Internal Revenue Service tax codes?

Would there be an additional tax liability on the Permanent Fund Corporation?

In light of these concerns, I will contact the Department of Revenue and the Alaska Permanent Fund Corporation to provide information and representation for any scheduled hearings.

Additionally, I would appreciate the community of Kodiak to be included for participation in this scheduled hearing through the LIO teleconference network. Please contact Cliff Stone of my staff at 6588 as needed.

Thank you for your consideration.



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

SPONSOR STATEMENT - HJR 25

Within the Constitution of the State of Alaska (Article IX, Section 15), all income from the Alaska Permanent Fund is deposited into the general fund and available for appropriation. The Legislature by statute, has created an earnings reserve account (AS 37.13.145), from which dividends and inflation proofing are paid. Funds then remaining in the earnings reserve account are called undistributed income or (left-over earnings).

Historically, this undistributed income has been deposited back into the principal of the Permanent Fund by the Legislature. Last year the Legislature deposited \$1.8 billion of undistributed interest earnings back into the corpus of the Permanent Fund, leaving a balance of about \$100 million in the earnings reserve account.

Under current law, the permanent fund dividend and inflation proofing could be eliminated by a simple majority vote of the Legislature and subsequent approval by the Governor.

A constitutional amendment is the only way to guarantee the permanent fund dividend program continues, provide for inflation-proofing of the Permanent Fund itself, and to require a vote of the people before any spending of the undistributed income can take place.

With both the permanent fund dividend and inflation-proofing permanently protected by the constitution, Alaskans might feel more comfortable about considering other uses for undistributed income in the earnings reserve account.

subject of a lease-purchase agreement between the Department of Natural Resources and Alaska Court System did not constitute unrestricted "program receipts" for deposit in the state treasury and did not violate this provision. *Carr-Gottstein Properties v. State*, 899 P.2d 136 (Alaska 1995).

Quoted in *Zerbetz v. Alaska Energy Ctr.*, 708 P.2d 1270 (Alaska 1985).

Section 14. Legislative Post-Audit. The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

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

Cross references. — For provisions governing the management of the Alaska permanent fund, see AS 27.13; for provisions concerning permanent fund dividends, see AS 43.23.

Effective dates. — This section took effect February 21, 1977 (9th Legislature's SCS CSSSHJR 39 (Res) am S (1976)).

Legislative history reports. — For report on House Joint Resolution No. 39 (CS SSHJR 39, SSHJR 39), see 1976 House Journal, p. 683.

Opinions of attorney general. — Since this section specifically authorizes dedications to the Permanent Fund of "at least" 25 percent of certain revenues, any additional dedication to the fund by statute or by appropriation is also permissible. November 30, 1982 Op. Att'y Gen.

If the legislature enacts any other distribution program which is consistent with the intent of the

Cited in *Ault v. Alaska State Mtg. Ass'n*, 387 P.2d 698 (Alaska 1963); *Vest v. Schafer*, 757 P.2d 588 (Alaska 1988); *Public Employees' Local 71 v. State*, 775 P.2d 1062 (Alaska 1989); *Hickel v. Cowper*, 874 P.2d 922 (Alaska 1994).

permanent fund dividend law (AS 43.23), any appropriation to implement that program will be exempt from the appropriation limit of § 16, art. IX, of the state constitution. 1983 Op. Att'y Gen. No. 01.

The appropriation limit of section 16 of this article must be interpreted consistently with the permanent fund amendment contained in this section. Each legislature may reexamine existing law and enact different laws providing for the use of income earned by the Alaska permanent fund. If section 16 were interpreted so that the exception for permanent fund dividends applied only to appropriations to finance cash dividends under AS 43.23, the legislature would essentially be denied the flexibility to adjust to changing philosophies concerning the propriety of making cash payments directly to residents, which this section expressly reserves to it. 1983 Op. Att'y Gen. No. 01.

NOTES TO DECISIONS

Expectancy is not a financial interest. — An Alaska federal district judge's receipt of a permanent fund dividend does not give rise to a cause for recusal because it is only a possible future receipt of Alaska Permanent Fund dividends; where the judge's order denying recusal neither disclosed nor betrayed even the slightest hint of personal bias or prejudice and where the plaintiffs' arguments substantially oversimplified the extremely complex matter of how the profits of the Alaska Permanent Fund, out of which dividends derive, are generated, recusal was not required. *Exxon Corp. v. Heinze*, 792 F. Supp. 77 (D. Alaska 1992).

In a suit in federal court seeking injunctive relief barring state trial judges and jurors from deciding a dispute over royalties allegedly due from a plaintiff corporation to the state for oil drilled on state land, where the plaintiff contended that its counterclaims

in the royalty litigation might conceivably affect the quantity of money in Alaska's Permanent Fund, and where the United States District Court Judges for this District of Alaska received dividends, as do all resident Alaska judges, recusal of the judge was not warranted because the expectancy a citizen has in receiving Permanent Fund dividends is not a financial interest but is subject to legislative whim. *Exxon Corp. v. Heinze*, 792 F. Supp. 72 (D. Alaska 1992).

Quoted in *Williams v. Zobel*, 619 P.2d 422 (Alaska 1980); *Alaska Oil Co. v. Alaska*, 45 Bankr. 358 (D. Alaska 1985); *State v. Anthony*, 810 P.2d 155 (Alaska 1991); *State, Dept of Revenue v. Cosio*, 858 P.2d 621 (Alaska 1993).

Stated in *Zobel v. Williams*, 457 U.S. 55, 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).

Cited in *United States v. Pleier*, 849 F. Supp. 1321 (D. Alaska 1994).

Section 16. Appropriation Limit. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropri-

ations from the treasury more than the cumulative change in population and inflation shall be reserved for capital projects. The limit in bills for appropriations for capital projects shall be approved by the governor, or passed by the legislature over a veto approved by the voters. Projects in excess of the limit the voters shall, as provided for maintenance of the capital projects, be made except to meet a state yield competitive market.

Effective dates. — This section took effect November 24, 1982 (12th Legislature's SCS (1981)).

Opinions of attorney general. — This section imposes an appropriation limiting limit. The legislature may not appropriate more than the amount which exceed available revenues not be paid under those appropriations. 1983 Op. Att'y Gen. No. 01.

There is history which supports the interpretation of the term "capital projects" in section 16. 1983 Op. Att'y Gen. No. 01.

If the legislature enacts a program which is consistent with the permanent fund dividend law, the legislature may appropriate to implement that program from the appropriation limit of section 16. 1983 Op. Att'y Gen. No. 01.

If the legislature provides for a program which may not be expended until a

Section 17. Budget. The State treasury shall be maintained under the permanent fund under section 15, effective July 1, 1990, as a result of administrative proceedings. Lease bonuses, rentals, royalty payments or bonuses, and other income from property, shall be deposited in the permanent fund and shall be invested so as to provide a return. The principal of the fund under this section shall be authorized under (b) or (c).

(b) If the amount available for appropriation for the permanent fund. However, the amount may not exceed the amount appropriated in the previous year.

(c) An appropriation for the permanent fund upon affirmative vote of

Article 1. Alaska Permanent Fund.

Section

- 10. Alaska permanent fund
- 20. Findings
- 30. Purpose
- 40. Alaska Permanent Fund Corporation
- 50. Composition and qualifications of board of trustees
- 60. Term of office
- 70. Removal and vacancies
- 80. Quorum and voting
- 90. Compensation of board members
- 100. Corporation staff

Section

- 110. Conflicts of interest
- 120. Investment responsibilities of the board
- 140. Income
- 145. Disposition of income
- 150. Corporation budget
- 160. Audits
- 170. Reports and publications
- 180. Tax exemption
- 190. Political activities
- 200. Public access to information
- 205. Regulations

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

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

(3) any other money appropriated to or otherwise allocated by law to the Alaska permanent fund.

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund within three banking days after the day the amount due to the fund reaches at least \$3,000,000 and at least once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in this chapter. (§ 5 ch 18 SLA 1980; am § 2 ch 134 SLA 1992)

Effect of amendments. — The 1992 amendment, effective July 1, 1992, inserted "within three banking days after the day the amount due to the fund reaches at least \$3,000,000 and at least" in subsection (b).

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

NOTES TO DECISIONS

Stated in State, Dep't of Revenue v. Cosio, 358 P.2d 621 (Alaska 1993).

Sec. 37.13.020. Findings. The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the fund that

(1) the fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;

(2) the fund's goal should be to maintain safety of principal while maximizing total return;

(3) the fund should be used as a savings device managed to allow the maximum use of disposable income from the fund for purposes designated by law. (§ 5 ch 18 SLA 1980; am § 3 ch 134 SLA 1992)

The transfer shall be
fund" or "unreserved,
restricted by law to a
accepted principles of
ng system established

of the State of Alaska,
of each house of the
in affirmative vote of
1 ch 5 SLA 1994)

ms of the unconstitutionally
ration sources identified in
self relies primarily on the
graph (a)(1); it cannot be
raphs and therefore is also
v. Cowper, 374 P.2d 922

ails to consider all amounts
appropriation" within the
of the state constitution in
repayment obligation, it is
v. Cowper, 374 P.2d 922

a) The Department of
portion of the budget
Alaska) to the Alaska

l, after consulting with
out the balance in the
(Alaska) on January 1
call state the nominal,
the nominal, real, and
§ the previous calendar

Funds.

poration.

1 Corporation.

investments to the extent
 nate investment opportu-

of this section.

at are not of a quality that
 fair value must be secured

(4), or (8) — (10) of this

that are rated at least "A"
 onary market;

istration loans;

eed by the federal Depart-

mercial or residential real
 ncial institution retains at

er (m) of this section must
 deposit being secured. The
 re continued satisfaction of

means a Standard & Poor's
 vice, Inc., rating of Baa or
 other variations that occur
 ationally recognized rating
 82; am § 1 ch 83 SLA 1986;
 am § 1 ch 56 SLA 1994; am

inserted "the total value held by
 investment does not exceed
 of the total value held by the fund
 exceeds \$150,000,000," and made
 change in the introductory lan-
 "33 percent" for "60 percent" in
 and (B), and substituted "67 per-
 cent" in item (B)(i).

ament, effective June 26, 1996,
 ment grade" for "A or better" in
 and (g)(19), rewrote paragraph
 graph (ix)(5), and added subsection

tory reports. — For Senate letter
 to the 1989 amendments to this
 LA 1989 (CSEB 69(SA)), see 1989
 1.

SLA 1982.]

des income of the earnings
 come of the fund shall be
 1 accordance with generally
 ains or losses. Income avail-
 ne fund for the last five fiscal
 ed net income of the fund for
 reserve account described in

AS 37.13.145. (§ 5 ch 18 SLA 1980; am § 3 ch 31 SLA 1982; am § 1 ch 28 SLA 1986; am § 18 ch 134 SLA 1992)

Effect of amendments. — The 1992 amendment, effective July 1, 1992, inserted near the beginning "fund includes income of the earnings reserve account

established under AS 37.13.145. Net income of the and substituted "fund" for "corporation" in three places.

Sec. 37.13.145. Disposition of income. (a) The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.

(b) At the end of each fiscal year, the corporation shall transfer from the earnings reserve account to the dividend fund established under AS 43.23.045, 50 percent of the income available for distribution under AS 37.13.140.

(c) After the transfer under (b) of this section, the corporation shall transfer from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on principal of the fund during that fiscal year. The corporation shall calculate the amount to transfer to the principal under this subsection by

(1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended.

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of *State v. Amerada Hess, et al.*, 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund, and shall be annually deposited into the principal of the Alaska permanent fund. (§ 9 ch 81 SLA 1982; am § 2 ch 28 SLA 1986; am § 19 ch 134 SLA 1992)

Conditional repeal of subsection (d). — Under § 28, ch. 134, SLA 1992, subsection (d) "is repealed on the day that the revisor of statutes certifies to the legislature that the Alaska Supreme Court has made a final determination that, in the absence of AS 43.23.045(e), repealed by sec. 29 of this Act, or AS 37.13.145(d), added by sec. 19 of this Act, no judge or juror is disqualified from serving as a judge or juror

solely because the judge or juror may qualify to receive a permanent fund dividend."

Cross references. — For transfer of certain income earned by the Alaska permanent fund prior to July 1, 1982, to the undistributed income account, see § 15, ch. 31, SLA 1982.

Effect of amendments. — The 1992 amendment, effective July 1, 1992, rewrote this section.

NOTES TO DECISIONS

Stated in *State, Dep't of Revenue v. Cosio*, 358 P.2d 621 (Alaska 1993); *Exxon Corp. v. Heinze*, Nos. 92-35266, 92-35323, 32 F.3d 1399 (9th Cir. 1994).

Sec. 37.13.150. Corporation budget. The revenue generated by the fund's investments must be identified as the source of the operating budget of the corporation in the state's operating budget under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's annual operating budget does not lapse at the end of the fiscal year but shall be treated as income under AS 37.13.140. (§ 5 ch 18 SLA 1980; am § 10 ch 81 SLA 1982; am § 20 ch 134 SLA 1992)

Effect of amendments. — The 1992 amendment, effective July 1, 1992, substituted "fund's investments" for "corporation's investments."

**Deposits Into the Permanent Fund
by the Alaska Legislature**

Oil Royalties 1978 - 1996	\$5.711 Billion
Inflation Proofing 1983 - 1996	\$4.624 Billion
<u>Additional Legislative Appropriations:</u>	
1981	\$900 Million
1982	\$800 Million
1983	\$400 Million
1984	\$300 Million
1985	\$300 Million
1987	\$1.264 Billion
1995/6	\$1.842 Billion
<u>Additional Legislative Appropriations Total</u>	<u>\$5.807 Billion</u>
Total Deposits 1978 - 1996	\$16.142 Billion*

* Does not represent the total amount in the Fund at this time; does not include some earnings.

Source: Jim Kelly, Alaska Permanent Fund Corporation

MM/pckp

PRINCIPAL OF
THE PERMANENT
FUND
AK CONSTITUTION
Art. IX, Sec. 15



NET INCOME TO
GENERAL FUND FOR
APPROPRIATION
AK CONSTITUTION
Art. IX, Sec 15



EARNINGS
RESERVE
ACCOUNT
(Undistributed
Income)
AS 37.13.145
(Change to Const.
Basis)

50% =

Formula

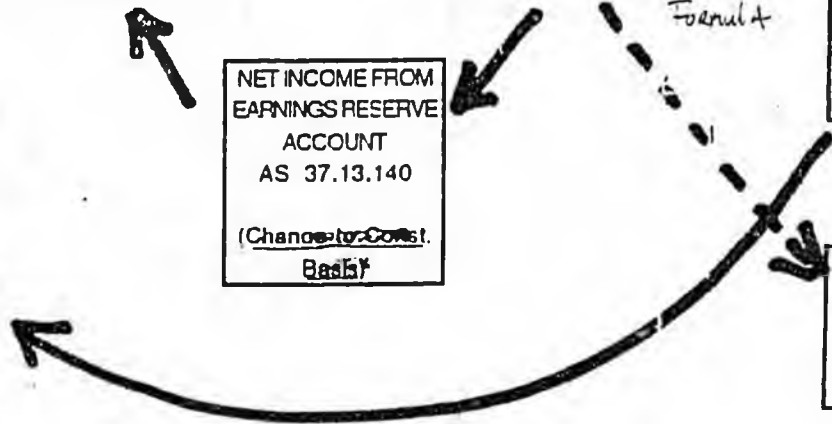
DIVIDENDS
AS 37.13.140
AS 37.13.145
(Change to Constitutiona
Basis)

INFLATION-PROOFING
AS 37.13.145
(Change to Constitutiona
Basis)

NET INCOME FROM
EARNINGS RESERVE
ACCOUNT
AS 37.13.140
(Change to Const.
Basis)

INFLATION
PROOFING DEPOSITS
AS 37.13.145
(Change to Const.
Basis)

Senator Green's
Amendment would
require voter approval
before the undistributed
income could be spent.



WHAT HAPPENS TO PERMANENT FUND INCOME?

Present Use of Fund Income

Income earned during the fiscal year is credited during the year to the earnings reserve account in the Permanent Fund. On June 30 of each year, appropriations are made from that account first for dividends, then for inflation-proofing.

the earnings reserve account to the Dividend Fund in the General Fund by legislative appropriation.

The amount transferred for inflation-proofing is calculated by multiplying the percentage change in the prior calendar year average of the U.S. consumer price index for all urban

On June 30 of each year, appropriations are made from the earnings reserve account first for dividends, then for inflation-proofing... if there is insufficient net income to fully pay dividends or inflation-proofing, any previously-accumulated undistributed income in the earnings reserve account would be drawn down for those purposes.

The dividend formula is calculated to produce a stable flow of dividends over time: (1) add together the Fund's net income for the last five years; (2) multiply that number by 21%; and (3) divide that number in half. That amount is transferred from

consumers by the Fund's principal balance at the end of the fiscal year. That amount is automatically transferred from the earnings reserve account to the Permanent Fund's principal on June 30 of each year by legislative appropriation.

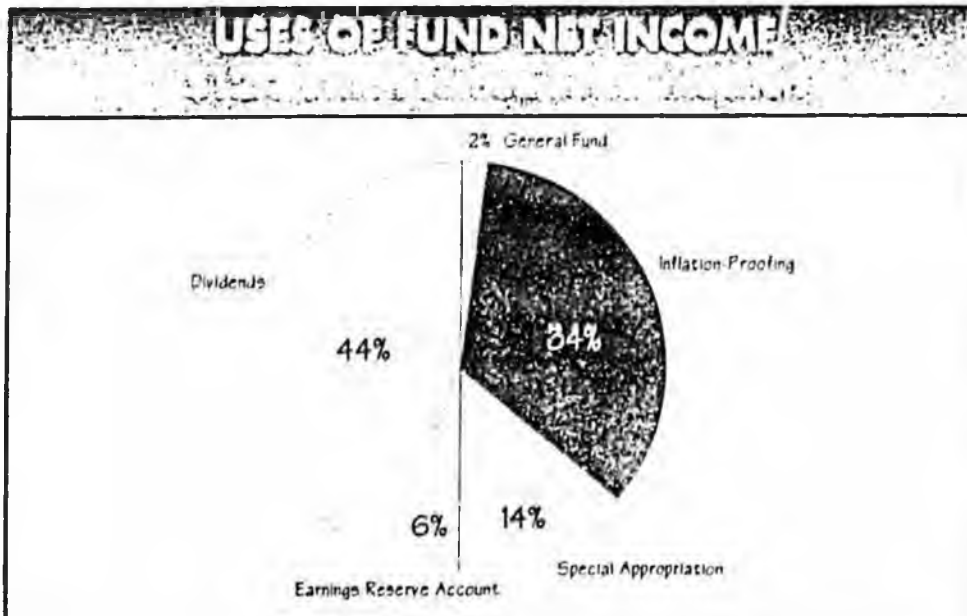
If any income remains after the transfers, it remains in the earnings reserve account as undistributed income. In future years, if there is insufficient net income to fully pay dividends or inflation-proofing, the trustees would request that any previously-accumulated undistributed income in the earnings reserve account be drawn down for those purposes. This happened in fiscal 1990 and 1991. The legislature may appropriate funds from the earnings reserve account at any time for any lawful purpose.

The Dividend Program

The dividend program is a finely-crafted piece of public policy which was specifically intended to create a broad and powerful constituency to protect the Fund, encourage its growth, and distribute a significant portion of Fund income for the benefit of the current generation of Alaskans. And it has worked.

Since every man, woman and child who is an Alaska resident is entitled to a portion of each year's earnings, there is strong interest in the Fund's operating and investment activities. Further, earnings of the Fund undergo special public scrutiny since any expenditure of such earnings must be subject to the legislative appropriation process.

No other state in the U.S. has anything like Alaska's dividend program. Each Alaska resident who makes application and qualifies, no matter how young or old, rich or poor, gets a personal share of the



1995 DIVIDEND CALCULATION

Distributable Fund net income
for the last five fiscal years:

1991	\$1,030,478,283.10
1992	1,045,812,513.59
1993	1,205,021,811.67
1994	1,094,284,277.87
1995	1,007,804,493.80
	\$5,383,401,380.03
21% of total per AS 37.13.140	X .21
	1,130,514,289.46
One-half transferred to the dividend fund per AS 37.13.145	X .50
	\$565,257,144.90
Less net prior-year obligations	- 1,994,226.82
Less hold-harmless costs	- 21,877,100.00
Less Dividend Division costs	- 4,418,100.00
Net available in the dividend fund	\$527,007,718.08
Estimated eligible applicants	+ 542,769
Per capita dividend checks	\$990.30

revenue the State earns from the production of State-owned oil. And each Alaskan can decide for himself or herself whether to spend it or save it.

In its first 13 years of operation, the dividend program has paid out nearly \$5 billion to all the citizens of the State through the annual distribution of per capita dividend checks. It is interesting to note that there are now

The dividend program is a finely-crafted piece of public policy which was specifically intended to create a broad and powerful constituency to protect the Fund, encourage its growth, and distribute a significant portion of Fund income for the benefit of the current generation of Alaskans.

nearly five times as many Alaskans receiving dividends as there were who originally voted for the Permanent Fund in 1976.

Dollar for dollar, the dividend program has been shown to produce a more positive *macroeconomic* impact than any other type of government expenditure. Dividends help create thousands of in-state jobs each year with great efficiency and unparalleled equal treatment for all Alaska residents, and dividends add significantly to the annual disposable incomes of Alaska's families.

The dividend program is administered by the Dividend Division of the Department of Revenue. The Alaska Permanent Fund earns the money to be used in the dividend program, and the money is then appropriated annually to the Department of Revenue. Alaskans

must submit an application to the Department of Revenue each year in order to get a dividend, and the checks are distributed by the State government. In 1993, a direct deposit option was initiated.

Investing Your Permanent Fund Dividends for the Future

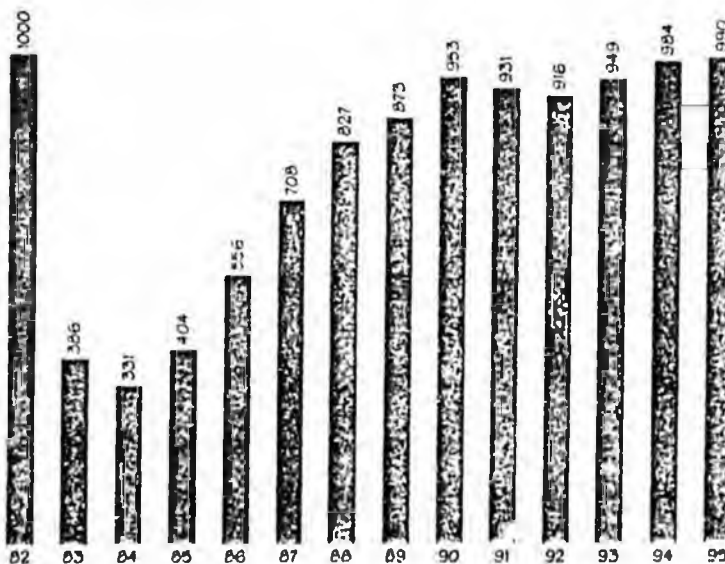
A child born in 1982 would have been eligible to receive the first Permanent Fund dividend. Imagine if that child's parents had decided then to start a college savings account. If that dividend, and all the dividends paid since then, had been saved and invested, it would now amount to quite a bit of money. In fact, assuming a 7% compounded annual rate of return, that child's savings account would now total more than \$15,000.

Now, imagine if that child's parents

continue to reinvest all income earned. By the year 2000, when the child born in 1982 is ready to enter college, his or her personal Permanent Fund dividend account will amount to approximately \$31,000. Assuming a 3.75% rate of inflation, that will still be worth about \$26,000 in 1995 dollars - enough for a health down payment on a good college education!

Note: The University of Alaska offers an individual investment program for Alaskans interested in using their Permanent Fund dividends to buy college tuition credits at today's cost for use in the future. For more information about this Advance College Tuition Program, call 800-478-0003.

PER CAPITA DIVIDENDS



Inflation-Proofing: An Important Use of Fund Income

Inflation protection for the Permanent Fund is provided by Alaska Statute 37.13.145. Popularly known as inflation-proofing, this provision of law was first passed by

Fund during that year. The amount may come from current year earnings or, if earnings are insufficient, from the earnings reserve account.

Depending on the inflation rate and the earnings rate of the Fund during any given year, the percentage of income required for inflation-

Depending on the inflation rate and the earnings rate of the Fund during any given year, the percentage of income required for inflation-proofing could be relatively high or low.

the legislature in 1982 to assist the trustees in their efforts to maintain the real value of the Fund over the long term.

Inflation-proofing protects the Fund by requiring the automatic reinvestment of income each year in an amount sufficient to offset the effect of inflation on the principal of the

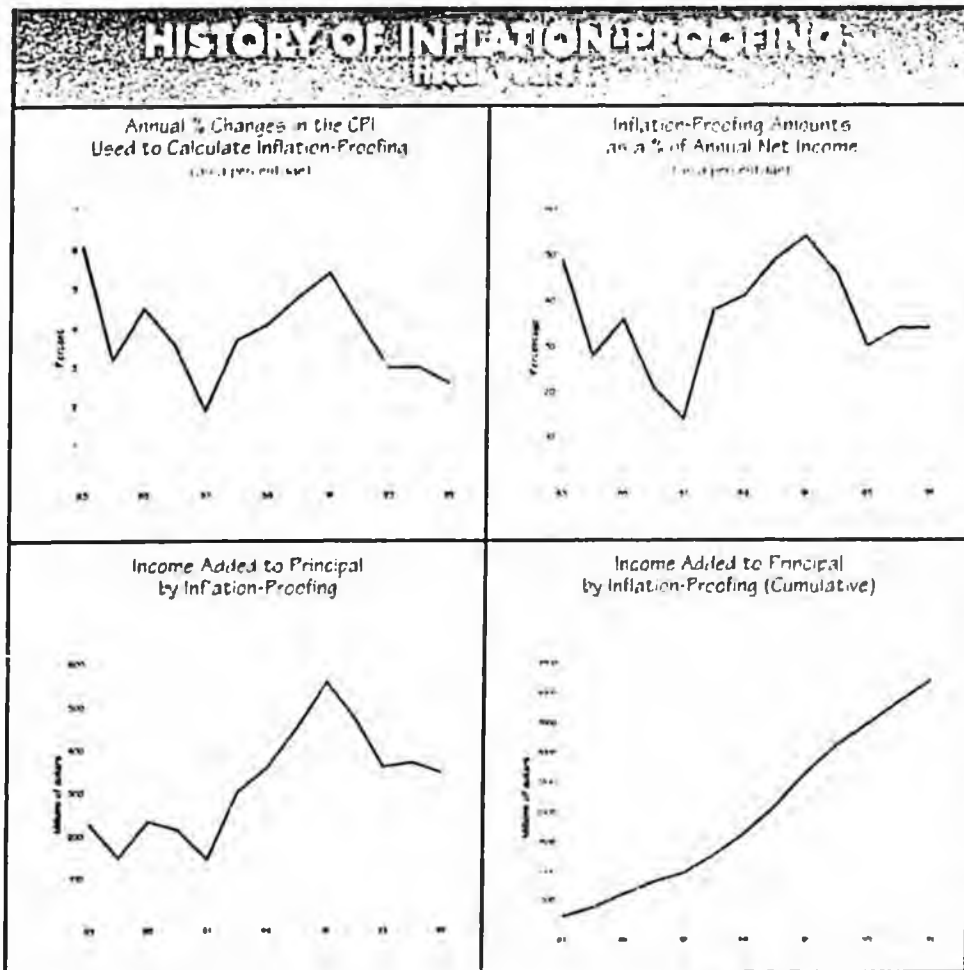
proofing could be relatively high or low. For example, in fiscal 1987, 14% of net income was required to inflation-proof the principal; in fiscal 1991, 54% of income was required. In fiscal 1995, inflation-proofing took 34% of net income. Cumulatively, inflation-proofing has added \$4.2 billion to Fund principal.

Past Use of Fund Income

According to the instructions from the 1976 constitutional amendment, all Fund income was to be deposited in the General Fund until such time as the legislature authorized another use for it.

CALCULATION FOR 1995 INFLATION-PROOFING	
1994 Calendar Year Average CPI-U	444.0
1993 Calendar Year Average CPI-U	432.7
Annual Change in the CPI-U	11.3
$11.3 \div 432.7 = 2.61\%$	
Annual Rate of Inflation	
Fiscal Year-End Principal	\$13.3 Billion
x Rate of Inflation	x 2.61%
Fiscal 1995 Inflation-Proofing	= \$348 Million

For the first four years, the legislature did not authorize any other use, and the income went directly and solely to the General Fund. To date, a total of \$266 million of Fund income has been transferred to the General Fund. This represents 2% of the \$12.3 billion of net income the Fund has produced since inception.



INFLATION-PROOFING EFFECTS

The Fund In 2010

Without Inflation-Proofing



Assets
\$17 Billion
Annual Income
\$1.4 Billion
Dividends
\$700 Million

With Inflation-Proofing



Assets
\$34 Billion
Annual Income
\$3.1 Billion
Dividends
\$1.4 Billion

In 1980, lawmakers authorized the first new use of Fund income: the payment of Permanent Fund dividends. However, because this first version of the dividend program tied the amount of the dividend to the length of residency, it was ruled unconstitutional by the U.S. Supreme Court and was never implemented. Nonetheless, since that year, one-half of Fund income available for distribution has been set aside for payment as dividends.

In 1982, the legislature enacted a plan for the use of all Fund income which, with minor changes, is still in place today.

First, a new version of the dividend program was passed and initiated

with a special \$1000 per capita payment. Second, inflation-proofing was adopted so that a portion of Fund income would be added automatically to principal at the end of each fiscal year in "an amount sufficient to offset the effect of inflation."

Lastly, the 1982 legislature directed that any income remaining after the payment of dividends and inflation-proofing be transferred to an undistributed income account in the Permanent Fund. The trustees subsequently designated this account a reserve for future inflation impact and dividend payments.

This undistributed income account grew during each of the next four

years as the Fund experienced a sustained period of relatively high earnings with relatively low inflation. By the end of fiscal 1986, this account amounted to \$1.264 billion.

In a showing of fiscal *prudence*, rather than use this money to try to sustain an unrealistic level of spending, the 1986 legislature appropriated the entire balance of the undistributed income account to the principal of the Fund, effective July 1, 1986. They also renamed this account the earnings reserve account.

As of June 30, 1995, undistributed income in the earnings reserve account totaled \$1.203 billion.

On Inflation-Proofing

The following comments are excerpts from the special Permanent Fund Tenth Anniversary meeting held in Juneau on February 9-10, 1987 and attended by both past and present members of the Board of Trustees.

First chairman of the Board of Trustees Elmer Rasmuson: *"Inflation is like a thief in the night. It steals from you silently and nobody knows what is being done. We were urged by everyone we contacted to be sure that we put back enough money for inflation-proofing.... As a result of that, the first board took a strong position on inflation-proofing."*

Former chairman of the Board of Trustees Byron I. Mallott: *"The case has been strongly made for inflation-proofing as a significant policy, and in that regard, I have not seen any wavering on the part of the trustees.... There's a strong consensus among the trustees that it (inflation-proofing) is a key to meeting the board's fiduciary and investment responsibilities."*

Former trustee Tom Williams: *"One of the things that may be overlooked a little bit in terms of inflation-proofing is its relationship with the Fund's long-term goal of a 3% real rate of return. All the different assumptions one might make about inflation will not hide the fact that if the Fund's long-term goal is achieved, the Fund will be producing a 3% real income that will be available for distribution.... You must also realize, despite the \$1.26 billion special legislative appropriation made in 1986 - if inflation were to go to 10% and we didn't inflation-proof, with a Permanent Fund of over \$8 billion, most of that deposit would evaporate. It doesn't show up on any ledgers or anything like that, but it's gone just as surely as if it had been spent."*

Glossary

Consumer Price Index. The periodic tabulation of selected consumer goods and services indicating price trends and the rate of inflation.

Fiduciary. One who holds something or acts in trust for another.

Macroeconomic. A broad view of the economy. Concerned with general behavior and the economy as a whole, in contrast to "micro-economic" which is concerned with details and the economic behavior of individuals and small groups of individuals.

Prudent. Wise, exercising good judgment with common sense, careful.



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: January 22, 1996

TO: Byron I. Mallott
Executive Director

FROM: Peter A. Bushre *PAB*
Chief Financial Officer
and
Jim Kelly *JK*
Director of Communications

SUBJECT: Accounting Treatment of
Permanent Fund Income

STEP 1

Sec. 37.13.145. Disposition of income. (a) The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.

STEP 2

Sec. 37.13.140. Income. Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.

STEP 3

Sec. 37.13.145. Disposition of income. ... (continued)...

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund, and shall be annually deposited into the principal of the Alaska permanent fund.

STEP 4

Sec. 37.13.140. Income. ... (continued)...Income available for distribution equals 21 percent of the net income of the fund for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the fund for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145.

STEP 5

Sec. 37.13.145. Disposition of income. ... (continued)...

(b) At the end of each fiscal year, the corporation shall transfer to the dividend fund established under AS 43.23.045 50 percent of the income available for distribution under AS 37.13.140.

STEP 6

Sec. 37.13.145. Disposition of income. ... (continued)...

(c) After the transfer under (b) of this section, the corporation shall transfer from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on principal of the fund during that fiscal

year. The corporation shall calculate the amount to transfer to the principal under this subsection by

(1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended.

Legislative Research Agency

Alaska State Legislature



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ALASKA PERMANENT
FUND CORPORATION

May 3, 1994

MEMORANDUM

TO: Representative Bill Hudson

FROM: Deb Davidson 
Legislative Analyst

RE: Appropriations of Permanent Fund Income
Research Request 94.192

You asked us to identify and group all Permanent Fund income appropriations since 1977 into the following categories: Permanent Fund Corporation operating budget, inflation-proofing, Permanent Fund Dividend payments, Permanent Fund Dividend Division administrative costs, payments to the departments of Corrections, Health and Social Services, Law, and Public Safety, and any other appropriations of Permanent Fund income. You also asked us to identify the program, amount and purpose of the appropriations to the individual departments.

Below is brief explanation of the ways the Permanent Fund income has been allocated since the fund's creation and the various programs which receive partial or full funding by Permanent Fund income. Attached to this memorandum is a table showing, by fiscal year, the allocation of the fund's income. This information was obtained from the annual reports of the Permanent Fund Corporation and from discussions with corporation staff.

When the Permanent Fund was created in FY 77, all income from the fund was to be deposited into the general fund "unless otherwise provided by law." This is what occurred until FY 81, when the Permanent Fund Corporation was established and took over the administration of the fund from the Alaska Department of Revenue, and the Dividend Fund was created within the general fund to receive a portion of the income from the Permanent Fund in accordance with legislative appropriations. Money was initially deposited into this fund for payment of the Permanent Fund Dividends, the first of which were distributed in 1982.

Two changes were made in FY 83 which affected the way the administrative costs of the Permanent Fund were paid for and how the income from the fund would be used. Operating costs for the Permanent Fund Corporation would henceforth be taken from the income of the

Representative Hudson
May 3, 1994
Page 2

Permanent Fund (they are not, however, deducted from the "net income"). Prior to FY 83, these costs had been paid out of the general fund. Secondly, the statutory provisions requiring the "inflation-proofing" of the principal of the Permanent Fund from the net income of the fund went into effect.

In FY 84, the Permanent Fund Dividend Division was created within the Department of Revenue to administer the Permanent Fund Dividend Program. The costs of this division are paid for by the net income of the Permanent Fund which is deposited into the Dividend Fund.

The "hold harmless" provisions enacted effective in FY 83 insure that individuals denied federal benefits as a result of receiving Permanent Fund Dividends receive the same level of assistance that would have been received had they maintained their eligibility for federal benefits. These costs were paid for out of the general fund from FY 83 through FY 85. Beginning in FY 86, the costs of these "hold harmless" provisions were paid for out of the net income deposited into the Dividend Fund.

Statutes that went into effect in FY 89 required that the amount of dividend funds that would have gone to individuals convicted of a felony or incarcerated during a part of a fiscal year would be appropriated to the Violent Crimes Compensation Board within the Department of Public Safety rather than being distributed to the individuals. The Governor's Office of Management and Budget and the Department of Corrections determined that the Violent Crimes Compensation Board would not need all the funds withheld for this purpose and recommended that the balance be used to fund two programs within the Department of Corrections.

As a result of ending the payment of dividends to incarcerated felons, the courts ruled that funding must be provided to the Department of Corrections for "gate money (money paid to prisoners at the time they are released to help with their transition back into society). These funds were provided through a portion of the above balance. The rest was used to fund the Sex Offender Treatment Program.

In addition to appropriations made from the Dividend Fund for the foregoing programs, since FY 89 the legislature has appropriated funds from Permanent Fund income to the general fund for use by the Department of Law to cover the costs of certain oil and gas litigation.

We hope this information is useful. If you have any questions or would like additional information, please call.

Attachments

DISTRIBUTION OF PERMANENT FUND NET INCOME
FY 77 - FY 93 (in thousands of dollars)
 (See accompanying memorandum 91.192 for explanation of the table)

Fiscal Year	Permanent Fund Net Income	Permanent Fund Corporation Operating Expenses	Inflation-Proofing (see note a)	To Dividend Fund within General Fund							Earnings Reserve Account			
				General Fund	Dividends	Corrections	Health & Social Services	Public Safety	Revenue	Total to Dividend Fund	Department or Law	Other	Notes to Other	Undist. Income Deposited (Withdrawn)
FY 77	36													
FY 78	1,791			1,298										
FY 79	7,967			6,547										
FY 80	32,427		266	11,838	11,838					11,838				
FY 81	149,867	Gen'l Fund	219	27,466	27,466					27,466				
FY 82	368,426	Gen'l Fund		71,145	71,145					71,145				
FY 83	471,125	1,139	231,192	109,515	107,875		Gen'l Fund			107,875				
FY 84	529,457	2,695	150,935		171,473		Gen'l Fund		3,513	171,985				
FY 85	657,761	3,979	231,570		214,571		Gen'l Fund		2,703	217,274				
FY 86	1,020,922	5,318	216,376		297,351		3,525		2,547	303,425				
FY 87	1,068,512	4,928	148,142		379,525		8,581		2,877	390,983			529,417	529,417
FY 88	789,152	5,110	302,861		411,268		9,850		3,258	424,376			61,915	591,332
FY 89	863,493	5,688	360,212		443,174	763	11,764	737	3,537	459,975	3,503	689 to Permanent Fund Escrow	41,087	635,419
FY 90	915,859	6,977	453,999		469,951	763	12,217	737	3,816	437,454	3,500	100 Commission on the Future of the Permanent Fund (to dividend fund) 1,505 to Permanent Fund Escrow	(30,729)	601,690
FY 91	1,030,477	9,583	558,811		469,162	763	14,705	746	4,114	439,439	3,750	1,615 to Permanent Fund Escrow	(23,221)	581,169
FY 92	1,015,959	14,122	476,893		463,714	758	18,541	803	4,288	488,240	5,250	137 to Dividend Fund to implement ch 4 SFA 92 1,818 to Permanent Fund Escrow	63,728	645,197
FY 93	1,226,036	14,915	362,450		506,023	803	19,252	1,308	4,301	531,890	4,950	6,511 \$4,641 to principal, \$1,870 to Escrow	320,234	965,431
Total	\$10,174,297	\$71,751 not from net income	\$3,196,989	\$227,929	\$4,014,538	\$3,350	\$95,445	\$1,531	\$34,957	\$4,186,445	\$20,950			

NOTE: Minor discrepancies may exist between the data presented in this table and that contained in the Permanent Fund Corporation annual reports. This is most likely due to rounding and to changes over the years in the way the data were presented.

(a) The FY 80 and FY 81 appropriations for inflation were transfers from capital gains to the principal of the Permanent Fund in accordance with the 1960 law.

(b) In 1986, the Legislature appropriated all undistributed income accrued since the fund's inception (\$1,264,385,000) to the principal of the fund and renamed the undistributed income fund to the Earnings Reserve Account.

Source: Alaska Permanent Fund Corporation, personal communication and annual reports.

Prepared by the Legislative Research Agency, May 1991 (91.192)



FISCAL NOTES

A BUDGET UPDATE FROM THE ALASKA STATE CHAMBER • VOL. 3 ISSUE #4 • WEEK OF MARCH 3, 1997

Permanent Fund celebrates 20 years of vision and success

February 28, 1997 marked the 20th anniversary of the first deposit—\$734,000—in the Permanent Fund. Today the fund's value is over \$20 billion.

The Fund was created when voters amended Alaska's Constitution in 1976 to save some of Alaska's oil profits. While many Alaskans think the Fund and the dividend program are synonymous, the dividend program wasn't created for another four years.

PF First Proposed in 1970

The idea to save some of Alaska's revenues was first proposed in 1970 when the state got \$900 million from the Prudhoe Bay lease sale. Governor Keith Miller introduced a bill to establish the "Alaska Resources Permanent Fund" and proposed to deposit \$500 million. The bill, however, did not pass—the House Special Monetary Committee decided the full \$900 million was needed to meet more immediate needs.

Pipeline construction brought another boom in the mid-1970s.

State leaders wanted to find a way to make the State's wealth more "permanent." The 1976 constitutional amendment was a way to do that. Advocates said:

- The Fund would create an investment base from which to generate future income. When oil revenues declined, it would be a way to pay for state services;
- Deposit of 25% of all oil royalties would prevent the Legislature from spending it; and
- The Fund was a way to transform some non-renewable resource revenues into a renewable source of wealth for future generations.

The amendment was approved by a 32% margin—75,588 to 38,518.

Fund's Management

From 1976 to 1980 Alaskans debated how the Fund should be managed. In 1980 the Alaska Legislature decided it should be managed as a public trust with the primary purpose of protecting its principal. This meant it would follow the "Prudent Investor Rule" by which investments would be of trust-grade quality and made at market rates.

The legislation also made the

Fund's earnings available to be spent by the Legislature. The Legislature then made an extra deposit of \$900 million into the Permanent Fund.

Dividend Program

In 1980 the dividend program was created but later ruled unconstitutional because it used residency to determine each dividend amount. In 1982 a legally-acceptable dividend program was finally created. A mechanism to "inflation-proof" the Fund by re-depositing extra interest earnings back into it was also established.

Earnings Exceed Oil Revenues

In FY 1996 the Permanent Fund earned a record \$1.8 billion, exceeding oil revenues to the state's treasury. Of this amount:

- \$613 million went for dividends
- \$33 million was spent on state programs
- \$406 million for inflation-proofing
- \$765 million was "leftover."

These "leftover" earnings accumulate in an Earnings Reserve Account. The Legislature has appropriated these extra earnings—a total of \$5.8 billion—back into the Fund.

Fiscal Notes' goal is to educate Alaska businesses about the state's budget process—not only by monitoring its budget-related actions, but more importantly, reporting what they mean. This understanding will enable Chamber members to more effectively help the state achieve the Chamber's desired balance between a responsible level of state spending and appropriate level of state services.

Looking forward: a role for the Fund in closing the fiscal gap?

While many think President Bush lost re-election because of the "t" word (hint: "taxes"), the Alaskan political equivalent is "PF." Talk about using Permanent Fund (PF) earnings for anything other than dividends is close to political suicide.

"Vote of the people"

The Long Range Financial Planning Commission's recommendation that the Fund's earnings be used to replace declining oil dollars sparked a round of calls from politicians that they won't support any change in the PF without "a vote of the people." The fact is no one can touch the Fund's \$20 billion principal without voter approval. Some now want to extend this slogan to its earnings which the Legislature now spends by a majority vote. This is how dividends are paid and the fund inflation-protected. This is also how another \$33 million in earnings is spent for "PF" connected programs.

There are now calls to put dividends and the Fund's inflation protection into the Constitution. Two such proposals also go one step further—voters would have to approve spending the earnings on anything else.

Lack of self-restraint

While such efforts sound good, they blur responsibility for the state's long term fiscal security. It appears some legislators don't think they or their colleagues can continue the same self-restraint in how earnings are spent. They also don't believe legislators can continue to be trusted to make the best decisions on if and when Fund earnings should be used for other purposes in the future. Instead, such decisions should be bumped to the voters.

In evaluating such proposals, it is important to not only look at how it works but also at what it means in the context of the state's long-term fiscal security. While "protecting the PF" is a popular political cry, what it

means is a dramatic limit on the choices legislatures will have as they try to balance future budgets.

Makes income tax more likely

Even if this Legislature's Majority succeeds in cutting state spending by \$250 million over five years, the state will still have a fiscal gap, and other revenues will be needed to fill it. Two major sources for other revenues are a personal income tax and/or PF earnings. In the absence of a crisis, it is a pretty safe guess voters will reject the use of PF earnings to pay for "government." *(For some proponents, "let the people vote" is more about setting the stage for further cuts in government because they don't think future legislators will pass an income tax. If they take PF earnings off the table, it makes increases in current taxes or further cuts more likely. In fact, should Alaska get that close to an income tax, no doubt there will be another call to "let the people decide")*

The proving ground will be if the Legislature succeeds in cutting the budget as they have proposed. While their first year target to cut \$70 million was hit, decisions to cut another \$180 million are going to be more difficult and politically-unpopular *(perhaps this may be another opportunity to play political "dodge ball"—"let the people vote" on budget cuts)*

First secure Alaska's fiscal future

In politics there are few rewards for being concerned about what today's decisions will mean in 20 years. Instead, the preoccupation is with what they will mean come the next re-election. Before the Legislature and Governor limit what fiscal tools are available to close the gap, it is important Alaska first has a long range strategy securely in place that not only closes the state's fiscal gap but also results in the kind of Alaska we want to leave future generations.

Asset allocation: key to Fund's long-term earning potential

While Alaskans can be proud the Fund has grown to \$20 billion, according to the PF Corporation, its historic performance is just average or slightly below-average.

A reason is limits on its asset allocation. How to achieve a larger, consistent, long-term revenue stream by changing the allocation is being discussed. Currently no

more than 50% can be invested in stocks. This has meant that as the stock market has sky rocketed, the Fund has had to sell stocks because their high earnings bumped the portfolio against the 50% ceiling. While changing the limit could increase flexibility, it also carries increased risk and management cost.

"Fiscal Notes" is a project of the Alaska State Chamber of Commerce. Information is compiled and written by Cheryl Frasca. It is distributed to organizations who fax it to members. If you get more than one copy or no longer want to receive "Fiscal Notes," contact organizations of which you are a member. For other comments or suggestions, contact the Chamber's Anchorage office at 278-2722; fax 278-6643. Please copy and distribute "Fiscal Notes" to others interested.

Revision Date: _____ Dept. Affected: Revenue
 Title: HJR 25: Proposing amendments to the Constitution to BRU: Alaska Permanent Fund Corporation
guarantee permanent fund dividends, etc. Component: Alaska Permanent Fund Corporation
 Sponsor: Rep. Austerman
 Requestor: House State Affairs Committee COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
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						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

As noted above, this fiscal note indicates zero fiscal impact. However, please see the two attachments which raise issues which could potentially lead to significant fiscal impact on the Permanent Fund and the State of Alaska. As noted in the letter from the Fund's investment consultant, Michael O'Leary of Callan Associates, "current statute and the proposed amendment both have significant investment-related implications that may influence policy makers in their deliberations." The APFC would request the opportunity to conduct the analysis described in the Callan letter and would be pleased to present the analysis to the legislature at the appropriate time.

Prepared by: Byron I. Mallott, Executive Director
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-2059
 Date: March 10, 1997
 Date: March 10, 1997

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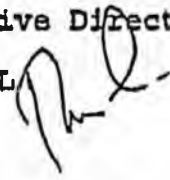
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ONE SEALASKA PLAZA, SUITE 300
JUNEAU, ALASKA 99801
PHONE (907) 586-1400
FAX (907) 586-3065

DANIEL H. INOUE
KATHRYN L. KURTZ
L. MERRILL LOWDEN

MEMORANDUM

To: Byron I. Mallott, Executive Director, APFC
From: Ronald W. Lorensen, STS&L 
Date: March 10, 1997
Re: HJR 25 & SJR 18, Proposing amendments to the Alaska constitution relating to the permanent fund
Our File No.: 846.1

The purpose of this memo is to express a cautionary note regarding possible issues relating to the tax status of the permanent fund that may arise if the amendments to Article IX, sec. 15 of the Alaska Constitution proposed by HJR 25 and SJR 18 are ultimately adopted. Based on the analysis set out in certain studies with which I am familiar, it appears that adoption of the proposed amendments might weaken the State's long-standing position that the income of the fund is not subject to federal taxation. Unfortunately, because of the sensitive nature of the fund's tax status, I am not able to address specific concerns in a public record such as this memorandum. However, with the permission of the APFC, I could provide information about those studies on a confidential basis to appropriate legislative committees or staff.

HJR 25
Page 2 of 4

CALLAN ASSOCIATES_{INC.}

March 10, 1997

MICHAEL J. O'LEARY, JR., CFA
EXECUTIVE VICE PRESIDENT



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Mr. Jim Kelly
Alaska Permanent Fund Corporation
801 W. 10th Street, Suite 302
P.O. Box 25500
Juneau, AK 99802-5500

RE: Proposed Constitutional Amendment

Dear Jim:

As requested, I want to share several initial thoughts regarding the proposed constitutional amendment that you forwarded to me (Senate Joint Resolution 18). Obviously, the intent of the proposal is to limit distributions from the Permanent Fund to dividends (a percent of average realized income) unless the electorate specifically approved other distributions. Naturally, any decision regarding the use of Permanent Fund earnings is entirely a decision for the people of Alaska and their representatives.

Current statute and the proposed amendment both have significant investment related implications that may influence policy makers in their deliberations. I have attempted to succinctly outline several significant issues that warrant careful consideration as the legislature proceeds with its analysis.

1. Stocks will make the earnings stream both higher and more volatile. Investing a meaningful proportion of the Fund's assets in stocks is critical for attainment of its long-term goals. However, the pattern of stock returns is much more volatile than the pattern of bond returns. The current statutory language and the proposed constitutional amendment, combined with the growing proportion of equities in the APFC, result in greater volatility of earnings (and hence, dividends) than may have been originally perceived.
2. APFC has not yet experienced the downside of equity investment. Fortunately, the Fund has experienced "good" volatility, not both "good" and "bad" volatility. However, there inevitably will be meaningful periods of "bad" (i.e., poor markets) volatility. For example, in 265 rolling five year periods from 1926 to 1996, a 50/50 stock/bond combination had zero or negative real returns 21% of the time (55 periods of 0% or negative real returns).

Mr. Jim Kelly
Page Two
March 10, 1997

3. Other "endowments" have moved away from distribution policies tied to earnings. The majority of endowments and foundations link distributions to a percent of market value, not to a proportion of earnings. They do this to ensure a more consistent and reliable distribution pattern.
4. New Mexico moves from income to market value approach. The citizens of New Mexico passed a constitutional amendment that changed the distribution pattern for that State's Permanent and Tax Severance funds to a percent of market value approach. In part, the rationale for the change was a recognition that tying distributions to "realized" earnings resulted in sub-optimal investment policy. In effect, a dollar of income return was more valuable than a dollar of unrealized return. This tended to push policy toward higher current income at the expense of future growth.
5. At AFPC's direction, Callan is "stress" testing APFC's current and alternative asset allocation policies to help the Board and staff understand how earnings may be affected by a poor market environment. In this analysis, we will examine the 1973-1977 market environment and illustrate how APFC's current asset allocation policy would have performed. By looking at this poor market period, policy makers may better understand the implications of the current statutory and proposed constitutional amendments implications for dividend payments and inflation proofing.

I hope that this letter helps you address the questions confronting you.

Sincerely,



Michael J. O'Leary, Jr., CFA
Executive Vice President

MJO:dsb

HJR 25
page 4 of 4

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HJR 25

Revision Date _____	Dept. Affected <u>BRU</u>	Office of the Governor _____
Title <u>Const. Amdt.: Regarding the Permanent Fund</u>	Component <u>Elective Operations</u>	
Interest and Dividend _____	Component <u>General and Primary Elections</u>	
Sponsor <u>Representative Austerman</u>	Component Serial No. <u>#22</u>	
Requester <u>House State Affairs</u>		

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Personal Services						
Travel						
Contractual		3.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	3.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES []						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF		3.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	3.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: none

POSITIONS

POSITIONS	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Full-time			0			
Part-time			0			
Temporary			0			

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet as required by AS 15.58, and the programming costs for counting votes cast on the measure. However, only four measures can be printed on a single ballot card. If this measure requires printing an additional ballot card, the costs will increase by \$56.0.

Prepared by Dana LaTour
 Division Division of Elections
 Approved by Co Lt. Governor Fran Ulmer
 Agency Office of the Lieutenant Governor

Phone 465-5347
 Date 3/7/97
 Date 3/7/97

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HJR

29

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 11, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/1/97

The STATE AFFAIRS Committee considered:

HJR 29

HOUSE JOINT RESOLUTION NO. 29

FUNDING FOR PROSTATE CANCER RESEARCH

Supporting an increase in federal funding for prostate cancer research.

recommends it be replaced with the following committee substitute [] the same title [] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [X] zero fiscal note(s) LAA

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Contains handwritten signatures and checkmarks.

CHAIR'S SIGNATURE Jeannette James

REPRESENTATIVE KIM ELTON

SPONSOR STATEMENT

House Joint Resolution 29

FUNDING FOR PROSTATE CANCER RESEARCH

Prostate cancer is the second most common form of cancer among males in the United States. It strikes one out of every five men. This year an estimated 334,500 men will be diagnosed with the disease; the cancer will cause over 41,800 deaths. As common as prostate cancer is, its causes, prevention and cures still elude the medical profession.

This resolution asks President Clinton to increase funding for prostate cancer research programs.

The resolution is inspired by a nation-wide campaign to eradicate the disease through research, education and public awareness. Cancer patients, advocates and supporting organizations (including the American Cancer Society) have formed the National Prostate Cancer Coalition. The group is collecting 1,000,000 signatures to present to the president on Father's Day, June 15.



WESTERN PACIFIC DIVISION, ALASKA AREA OFFICE

March 3, 1997

Rep. Ken Elton
Attn: Odette Foster

I've included Prostate Cancer statistics, a copy of the National Prostate Cancer Coalition (NPCC) petition. The American Cancer Society is a member of the NPCC.

A petition is being circulated, asking that the US Congress commit to increase funding to help in eradicating prostate cancer through research programs. The National office is requesting that we aim to obtain at least 334,000 signatures to be presented on March 17 at a special ceremony in Washington D.C. A second deadline is Father's Day in June, at which time the NPCC hopes to have collected 1,000,000 signatures, to present at a ceremony yet to be planned.

I have circulated petition through the ACS statewide community volunteers, but most of the information had not reached us until February which does not allow much time for March 17th deadline.

If you are in need of further assistance please contact me at (907) 283-2077.

Sincerely,

A handwritten signature in cursive script that reads "Barbara J Gill".

Barbara J Gill
Medical Affairs/Early Detection Director

FOR CANCER INFORMATION OR TO MAKE A MEMORIAL DONATION, CALL 1-800-ACS-2345
1057 W. FIREWEED LANE, STE 204, ANCHORAGE, AK 99503-1760
907-277-8696 1-800-478-9355 FAX 907-263-2073 <http://www.cancer.org>

BACKGROUND INFORMATION

WHAT ARE THE KEY STATISTICS ABOUT PROSTATE CANCER?

Prostate cancer is the most common cancer among American men, excluding skin cancers.

The American Cancer Society estimates that in 1997 some 334,500 new cases and 41,800 prostate cancer-related deaths will occur in the United States.

Prostate cancer is now the second leading cause of cancer death in men, exceeded only by lung cancer.

Prostate cancer accounts for 43% of all male cancers, and 14% of male cancer-related deaths.

Eighty-seven percent (87%) of men diagnosed with prostate cancer survive at least 5 years and 63% survive at least 10 years. Fifty-eight percent (58%) of all prostate cancers are discovered while still localized, and the 5-year relative survival rate for men with localized prostate cancer is 99%.

The number of prostate cancer cases has increased significantly over the past 35 years. This increase is most likely a result of widespread use of improved screening techniques. However, mortality data also suggest that there has been a small increase in the incidence of this disease due to the aging of the U.S. population.

Now that the prostate-specific antigen (PSA) blood test is widely used to screen for prostate cancer, it is expected that even more cases will be found in the future.

Other prostate cancer statistics

Approximately 1 out of every 5 American men will develop prostate cancer in their lifetime.

Prostate cancer incidence rates are 66% higher for African-American men than for white men. In fact, African-American men have the highest rate of prostate cancer in the world.

Prostate cancer is most common in North America and northwestern Europe. It is rare in Asia, Africa, Central America and South America.



Retrieve

The Columbia Univ. Coll. of Physicians & Surgeons Complete Home Medical Guide,
Edition 3, 1995 p271(2)



Link

Prostate Cancer (Cancers Common to Men) (Chapter 10), *Thor S. Sawczuk*;
Ridwan Shabsigh; *Carl A. Olsson*; *Karen H. Antman*.

Full Text: COPYRIGHT 1995 Crown Publishers Inc.

(Prepared with Karen H. Antman, M.D.)

Definition

The prostate gland is the most common cancer site in men, with about 200,000 new cases a year. About 38,000 men die of prostate cancer each year, making it the second leading cause of cancer mortality in men (exceeded only by lung cancer). According to American Cancer Society statistics, the overall 5-year survival rate is 78 percent--a marked improvement from the 50 percent survival rate of the 1960s. About 58 percent of prostate cancer is diagnosed while still localized; in these patients, the 5-year survival rate climbs to 92 percent. In contrast, only 28 percent live 5 years if the cancer has metastasized.

Often early prostate cancer develops without symptoms; in other instances, it produces symptoms similar to those of benign prostate enlargement: a weak or interrupted urinary flow and occasionally blood in the urine or pain and burning during urination. Advanced prostate cancer characteristically spreads to the skeleton, resulting in bone pain, especially in the lower back.

Cause

Although the exact cause of prostate cancer is unknown, epidemiological studies point to a number of predisposing factors, including heredity, male sex hormones, infectious agents, environment, and diet.

Diagnosis

A rectal examination, in which a doctor inserts a gloved finger into the rectum to palpate the prostate for any unusual swelling or nodules, remains the most common screening examination for prostate cancer. However, the recent development of a blood test for prostate specific antigen (PSA) is a major advance in early detection of possible prostate cancer. PSA is a protein produced by the prostate gland; when blood tests detect higher than normal levels, prostatic enlargement is likely and further testing is indicated to rule out cancer. These

examinations may include an ultrasound examination of the prostate, but only a biopsy of suspicious tissue can diagnose or discount cancer.

Once prostate cancer has been diagnosed, additional tests are needed to determine whether it has metastasized. These usually include bone and CT scans. In some cases, some pelvic lymph nodes may be removed and studied for the presence of cancer.

Treatment

Treatment depends upon the stage of the disease. Patients with localized cancer are treated with surgical removal of the prostate (a radical prostatectomy) and/or external beam radiation therapy. In some cases, elderly men with very slow-growing disease may be monitored and treated only if the disease accelerates.

In the past, a radical prostatectomy was associated with a high incidence of impotence, resulting from severing of the pelvic nerves. A new procedure developed in 1982 to treat localized prostate cancer spares the nerves and often preserves sexual function. Even so, the patient will be infertile because the prostate is needed to make components of the seminal fluid that transports sperm. This new technique also makes it easier to reattach the urethra to the bladder, reducing the risk of urinary incontinence. In some patients, incontinence and/or impotence are temporary problems, although it may take a year to regain full function.

Radiation therapy is an alternative to surgery, especially for patients who are too ill or are unwilling to undergo an operation. Typically, the radiation is delivered by an external beam of high-energy rays. Alternatively, radioactive seeds may be inserted into the prostate gland to destroy cancer cells. This form of radiation therapy may be combined with cryosurgery, the use of a freezing technique.

Advanced cancer requires systemic treatment. Because 80 percent of prostate cancers are stimulated by testosterone, hormone therapy to eliminate testosterone is the best form of palliation. This may be achieved by surgical removal of the testes, or by complete androgen blockade. This can be achieved by administering luteinizing-hormone releasing hormone (LHRH), a substance that blocks the chemical signals to produce testosterone from the pituitary to the testes and with an anti-androgen to block testosterone formed from other sites. Estrogen, the major female sex hormone, has a similar effect. All of the treatments cause significant side effects, including loss of libido and impotence. Estrogen can also cause breast swelling, fluid retention, and an increased risk of cardiovascular disease.

Prevention

A low-fat diet has been advocated as preventive, but there is no scientific proof that this is so. To date, the best approach to prevention remains annual screening to detect the disease while it is confined to the prostate.

Article A1903F536



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Article



Next
Article

DIALOG Search for Odette Foster, Rep. Elton's Office
File 630: Los Angeles Times
April 9, 1997

Scientists a Step Closer to Finding Prostate Cancer Gene

by Thomas H. Maugh II,
Times Medical Writer

Los Angeles Times, Friday, November 22, 1996
Edition: Home, Page: A32
Word Count: 753

Defying what some believed to be insurmountable odds, researchers have narrowed the search for a prostate cancer gene to one small corner of the human genetic blueprint, a finding that promises improved diagnosis, new treatments and better survival rates for this most common of male cancers.

An estimated 317,000 American men are diagnosed with prostate cancer each year and 40,000 die from it.

The localization of a gene that causes the disease in families, reported today in the journal *Science*, "provides the first strong evidence that specific genes for prostate cancer do exist," said Dr. William Isaacs of the Johns Hopkins University School of Medicine.

And it is a major step toward finding those genes, perhaps within the next year, according to some researchers.

Researchers estimate that the new gene, called hereditary prostate cancer 1 (HPC1), causes about a third of all inherited cases of prostate cancer—a percentage remarkably similar to that caused by the first breast cancer gene identified in women. They believe that identifying it and understanding its function will shed new light on how non-inherited cases of the disease develop as well.

"Once we learn what it does, it may turn out that it is mutated in many other men as well," said Judith C. Gasson, director of UCLA's Jonsson Comprehensive Cancer Center.

But the greatest excitement about the discovery is simply the recognition that a prostate cancer susceptibility gene exists. Scientists believe that about 10% of all prostate cancer is inherited.

"When we began this project, it was like Columbus setting off across the Atlantic Ocean in boats and not knowing if he was going to find land or drop off the edge of the world," said Dr. Francis Collins, director of the National Center for Human Genome Research, where most of the study was carried out. "Now we have land in sight."

Researchers estimate that about one in every 500 American men carries the defective gene and that these men have a 90% chance of developing prostate cancer by age 85. "The ability to identify a quarter of a million men with this ticking time bomb will be very useful," Collins said.

Identifying men at high risk should improve therapy by enabling physicians to monitor them for the onset of the disease. "What you want to do is detect it early enough to cure it surgically or with radiation before it spreads," Collins said. "Being able to focus your resources on men at the highest risk should be very beneficial—and probably even economical."

A better understanding of the genetics of prostate cancer will be especially valuable, according to Dr. Harmon Eyre, chief medical officer of the American Cancer Society, because "it is the most complex cancer problem in the country."

Some types of prostate cancer are extremely aggressive and require immediate, intensive treatment, he noted, while others are relatively benign and can be ignored. Unfortunately, clinicians have no way to distinguish between the two.

"The way in which we are ultimately going to determine which are aggressive and which are not is to understand their genetic makeup," Eyre said. "This is an opening step toward that goal."

Many scientists doubted that it would be possible to isolate a prostate cancer gene, both because the disease is so common—one man in five will develop it if they live long enough—and because it develops so late in life. The commonness suggests many causes, while the late onset makes it difficult to assemble families for study, both of which render the search for a gene extremely difficult.

Nonetheless, the evidence of inheritance of prostate cancer "was so compelling that we felt it was worth the investment of time" to look for the gene, said molecular biologist Jeffrey M. Trent of the genome research center, senior author of the Science report.

Researchers from the center, Hopkins and Umea University in Sweden studied blood samples from 600 patients in 91 Swedish and American families with a history of prostate disease. In a little more than a year, they performed more than 200,000 DNA profiles on the samples in what Trent called "truly a Herculean effort."

Their research led them to a short segment of Chromosome 1, one of the 23 pairs of chromosomes that make up the human genetic blueprint. That segment contains between 70 and 200 genes, a very small fraction of the 100,000 required to build a human being. The discovery of the actual gene involved with the disease, he added, could occur "next week or next year."

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April 7, 1997

The Honorable Kim Elton
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182

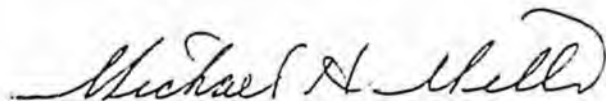
Dear Representative Elton:

As a person prolonging their life with metastatic prostate cancer I wish to join you and your colleagues in sending President Clinton a resolution from the State of Alaska.

In 1997 approximately 290 Alaskan men will be diagnosed with prostate cancer. Nationwide approximately 334,500 men will be diagnosed with prostate cancer. To date, prostate cancer makes up 43 percent of all male cancers with 14 percent responsible for actual deaths. This last statistic should give us an extreme sense of urgency to obtain increased funding for prostate cancer research. While medical treatment for this disease has improved there still is a high mortality rate. Finding a prevention and/or cure will save money as well as lives.

Again, I wish to join you and the Alaska State Legislative body in sending President Clinton and the United States Congress a message that Alaska is very serious about preventative health care and the need to eradicate prostate cancer by increasing funding for research.

Respectfully Submitted,



Michael H. Miller
6737 Gray Street
Juneau, Alaska 99801
(907) 586-2952

SUPPORT

TO: REPRESENTATIVE KIM ELTON

RE: HJR 29

FROM: JAN YOUNG, RN

I am writing this letter of support for HJR 29. I am a nurse who has worked with Prostate Cancer patients for many years and am convinced that patient and professional education, early detection and access to the most current treatment programs are vital to their health and survival.

The American Cancer Society has revised their priorities over the last few years to enable their volunteers to focus on key cancer education and prevention areas as well as target fundraising. The National ACS office has conducted and reviewed research on these priority areas to assure that the funding and education programs can actually make a difference in the outcome for these particular cancer patients. In November of 1996, the National ACS declared Prostate Cancer as it's newest priority. This is the most common cancer among American men, excluding skin cancer and is the second leading cause of cancer death in men, exceeded only by lung cancer. It is time for Americans to take a stand against this dreaded disease and dedicate time and financial support to research and treatment efforts.

Thank you for your help and support,



Jan Young RN
Hospice and Home Care of Juneau Clinical Supervisor
ACS Western Pacific Division Board of Directors



WESTERN PACIFIC DIVISION, ALASKA AREA OFFICE

April 7, 1997

Representative Kim Elton
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Elton,

It is estimated that in the United States 334,500 men will be newly diagnosed with prostate cancer. Mortality is estimated at 41,000 men. Alaska estimates approximately 290 newly diagnosed with an estimated mortality of 40 men to prostate cancer. There has been a significant increase in prostate cancer diagnosis over the past 35 years and continues to rise because of the increase in screening programs, but too many men are still unaware of the risk or are being diagnosed in late stages of the disease.

The American Cancer Society, as a founding member of the National Prostate Cancer Coalition, support all efforts to help in eradicating this prevalent disease. Through proper screening techniques it has been proven to decrease the mortality rate while increasing the rate of those being diagnosed at an earlier stage of the disease when cure rate and survival are significant.

The American Cancer Society supports your HJR 29 asking for President Clinton to support the signature petition which is asking for an increase in federal funding for prostate cancer research programs. With better funding the nationwide outreach, through education, awareness, and screening programs, will significantly impact the unnecessary loss due to prostate cancer.

Sincerely,

A handwritten signature in cursive script, appearing to read "Barbara J Gill".

Barbara J Gill
Medical Affairs/Early Detection Director
Alaska Area

FOR CANCER INFORMATION OR TO MAKE A MEMORIAL DONATION, CALL 1-800-ACS-2345
1057 W. FIREWEED LANE, STE 204, ANCHORAGE, AK 99503-1760
907-277-8696 1-800-478-9355 FAX 907-263-2073 <http://www.cancer.org>



April 2, 1997

The Honorable Kim Elton
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Elton:

On behalf of the American Cancer Society, Western Pacific Division, I want to thank you for giving us the opportunity to voice our enthusiastic support of HJR 29.

The American Cancer Society advocates for increased research funding of all cancers, but prostate cancer is of particular concern due to the high incidence rate and high mortality rate for this disease.

Prostate cancer costs our country billions of dollars in lost productivity and medical treatment. Finding a prevention and/or cure for this disease will, in the future, save money as well as lives.

We applaud your effort to send a message to President Clinton and the United States Congress to commit to eradicating prostate cancer by increasing funding for research and making prostate cancer a national priority.

Sincerely,

Deborah Spence Schiro
Program Manager, Detection
Western Pacific Division
American Cancer Society

April 6, 1997

Representative Kim Elton
State Capitol
Juneau, AK 99801-1182

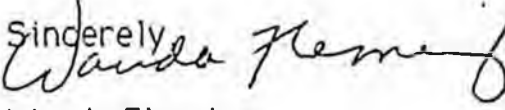
Dear Representative Elton:

I received your letter regarding your request for a letter of support regarding the recently introduced HJR 29 - Funding for Prostrate Cancer Research. I would be honored to write a brief statement of support.

As I am writing this today, I learned this morning of a close friend you has a tumor on his prostrate and will be going in for surgery to determine if it is cancer. I strongly believe that funding should be made available for prostrate cancer research programs. As with breast cancer - which strikes millions of women throughout the United States - I believe that there should be funding for both of these areas. It seems that we have worked on the cancer of the breast, but have put aside the fact that men throughout the United States are also stricken with their own type of cancer, that being prostrate. I urge the Alaska Legislation to support House Joint Resolution 29.

I have been a member of the Juneau Unit of the American Cancer Society for three years and am presently serving as the unit president. I am a seven year survivor of colon cancer and am very interested in fighting all various types of cancer.

If you have any questions, please feel free to contact me at my home 364-3617. I do wish the best to you with this resolution and getting the support it needs here in Alaska and nation wide.

Sincerely,

Wanda Fleming

cc: Mike Miller

Wanda J. Fleming
2192B-Lawson Creek Road
Douglas, Alaska 99824

WHAT ARE THE KEY STATISTICS ABOUT PROSTATE CANCER?

Prostate cancer is the most common cancer among American men, excluding skin cancers.

The American Cancer Society estimates that in 1997 some 334,500 new cases and 41,800 prostate cancer-related deaths will occur in the United States.

Prostate cancer is now the second leading cause of cancer death in men, exceeded only by lung cancer.

Prostate cancer accounts for 43% of all male cancers, and 14% of male cancer-related deaths.

Eighty-seven percent (87%) of men diagnosed with prostate cancer survive at least 5 years and 63% survive at least 10 years. Fifty-eight percent (58%) of all prostate cancers are discovered while still localized, and the 5-year relative survival rate for men with localized prostate cancer is 99%.

The number of prostate cancer cases has increased significantly over the past 35 years. This increase is most likely a result of widespread use of improved screening techniques. However, mortality data also suggest that there has been a small increase in the incidence of this disease due to the aging of the U.S. population.

Now that the prostate-specific antigen (PSA) blood test is widely used to screen for prostate cancer, it is expected that even more cases will be found in the future.

Other prostate cancer statistics

Approximately 1 out of every 5 American men will develop prostate cancer in their lifetime.

Prostate cancer incidence rates are 66% higher for African-American men than for white men. In fact, African-American men have the highest rate of prostate cancer in the world.

Prostate cancer is most common in North America and northwestern Europe. It is rare in Asia, Africa, Central America and South America.

REPRESENTATIVE KIM ELTON

MEMORANDUM

To: Representative Jeannette James, Chairman
House State Affairs Committee

From: Representative Kim Elton

Date: April 14, 1997

RE: Request for a hearing for
HJR 29, Funding for Prostate Cancer Research

I am requesting a hearing for HJR 29. This resolution focuses on the need for increased federal funding for prostate cancer research. The resolution and my sponsor statement are attached.

I am also asking that the hearing be teleconferenced; citizens in Anchorage might be interested in testifying.

I hope the resolution will pass this session. The resolution would strengthen the campaign by the National Prostate Cancer Coalition. This group plans to present a petition with a million signatures on it to President Clinton on Father's Day this year.

Thank you for your consideration.

Attachments

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HJR 29
PUBLISH DATE: _____

Revision Date: _____
Title: Supporting an increase in federal
funding for prostate cancer research.
Sponsor: Representative Elton
Requestor: House HESS

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

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
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: 4/7/97

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 4/7/97

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

HJR

45

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: January 12, 1998

FURTHER REFERRALS:

Judiciary
Finance

Date of Committee Action: 4/30/98

The STATE AFFAIRS Committee considered:

HJR 45

HOUSE JOINT RESOLUTION NO. 45

BIENNIAL STATE BUDGET

Proposing amendments to the Constitution of the State of Alaska relating to a biennial state budget, to the appropriation limit, and to appropriations from the budget reserve fund.

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Data)

fiscal note(s) GOV

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			

CHAIR'S SIGNATURE *[Signature]*

04/30/98
08:37:34

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (TESTIFIERS ONLY)
TCN:80791 SCHEDULED FOR:04/30/98 08:00 TO 10:00
PUBLIC HEARING HOUSE STATE AFFAIRS

LTN1150
BY:JNU
FOR:ALL

LOCATION:ANCHORAGE

HJR 45
HJR 45

KAREN
CHERYL

COWART
FRASCA

THE ALLIANCE

TESTIFY
TESTIFY

LOCATION:KENAI LIO
HB 303 MS.

JODY

JOHNSTON

WRCC

TESTIFY

LOCATION:KODIAK
HB 303 MS

DIANA

BUFFINGTON

TESTIFY

Alaska State Legislature



Official Business
Fax: (907) 465-3472

State Capitol
Juneau, AK 99801-1182
(907) 465-3720
(907) 465-2689

Speaker of the House of Representatives

Sponsor Statement HJR 45 "Biennial State Budget"

Representative Gail Phillips

Beginning in December of one year and ending near the middle of May the next, Alaska's annual budget cycle is an arduous process. Every year, countless hours are spent preparing for hearings, closeouts and floor debates. Without a doubt, the budget is the single most important piece of legislation the Legislature produces.

By shifting to a biennial budget, all legislators could spend one session deliberating the budget and the next session focussed exclusively on substantive legislation. Further, state agencies would have the chance to do advance planning; something the current annual system makes very difficult. A biennial budget process could also work hand-in-hand with the results based budget concept the legislature pursued this year.

Twenty other states operate under a biennial budget system. HJR 45 proposes an amendment to Alaska's Constitution to allow for biennial budgeting. As written, the first session of a Legislature could be dedicated to writing a two-year budget. HJR 45 authorizes the governor to present the legislature with a budget encompassing two fiscal years.

Table 6.1
STATE BUDGETARY CALENDARS

State	Budget guidelines to agencies	Agency requests submitted to governor	Agency hearings held	Governor's budget sent to legislature	Legislature adopts budget	Fiscal year begins	Frequency of legislative/budget cycles
Alabama	September	Nov/Dec	January	February	Feb/May	October	Annual/Annual
Alaska	July	October	November	December	May	July	Annual/Annual
Arizona	June 1	September 1	Nov/Dec	January	Jan/April	July	Annual/Annual (a)
Arkansas	March	July	August	Sept/Dec	Jan/April	July	Biennial/Biennial
California	July/Nov	Aug/Sept	August/Nov	January 10	June 15	July	Annual/Annual
Colorado	June	August 1-15	August/Sept	January 15	May	July	Annual/Annual
Connecticut	July	September	February	February	May/June (b)	July	Annual/Biennial
Delaware	August	Oct/Nov	Oct/Nov	January	June 30	July	Annual/Annual
Florida	June	September	November	December	March	July	Annual/Annual
Georgia	May	September	Nov/Dec	January	March	July	Annual/Annual
Hawaii	July/Aug	September	November	December	April	July	Annual/Biennial
Idaho	June	September	...	January	March	July	Annual/Annual
Illinois	September	Nov/Dec	Nov/Dec	March	June	July	Annual/Annual
Indiana	July	Annual/Biennial
Iowa	June	September	Nov/Dec	January	April/May	July	Annual/Annual
Kansas	June	September	November	January	May	July	Annual/Annual (c)
Kentucky	July	October	...	January	April	July	Biennial/Biennial
Louisiana	September	November	February	February	June	July	Annual/Annual
Maine	July	September	Oct/Dec	January	June	July	Biennial/Biennial
Maryland	June	August 31	Oct/Nov	January	April	July	Annual/Annual
Massachusetts	August	October	October	January	June	July	Annual/Annual
Michigan	October	November	December	(d)	July	October	Annual/Annual
Minnesota	May/June	October 15	Sept/Oct	January (e)	May	July	Annual/Biennial
Mississippi	June	August	...	November 11	...	July	Annual/Annual
Missouri	July	October	...	January	April/May	July	Annual/Annual (f)
Montana	Dec/August	May/Oct	May/Oct	January	April	July	Biennial/Biennial
Nebraska	July	September	Jan/Feb	January	April	July	Annual/Biennial
Nevada	May/June	September	Sept/Dec	January	June	July	Biennial/Biennial
New Hampshire	August	October	November	February	May	July	Annual/Biennial
New Jersey	July/August	October	...	January	June	July	Annual/Annual
New Mexico	July	September	Sept/Dec	January	Feb/March	July	Annual/Annual
New York	July	September	Oct/Nov	January	March	April	Annual/Annual
North Carolina	January	August	Sept/Nov	February	June	July	Biennial/Biennial
North Dakota	March	June/July	July/Oct	December	Jan/April	July	Biennial/Biennial
Ohio	July	Sept/Oct	Oct/Nov	February (g)	June	July	Annual/Biennial
Oklahoma	July	October	Oct/Dec	February (h)	May (i)	July	Annual/Annual
Oregon	Jan/June	September	Sept/Nov	January	Jan/June	July	Biennial/Biennial
Pennsylvania	August	October	Dec/Jan	February (j)	June	July	Annual/Annual
Rhode Island	July	October	Nov/Dec	February	June	July	Annual/Annual
South Carolina	August	September	...	January	June	July	Annual/Annual
South Dakota	June/July	September	Sept/Oct	December	March	July	Annual/Annual
Tennessee	August	October	November	January (j)	April/May	July	Annual/Annual
Texas	March	July/Nov	July/Sept	January	May	September	Biennial/Biennial
Utah	July	September	Oct/Nov	December	February	July	Annual/Annual
Vermont	September	October	Nov/Dec	January	May	July	Annual/Annual (k)
Virginia	April/August	June/Sept	Sept/Oct	December	March/April	July	Annual/Biennial
Washington	April	September	October	December	May	July	Annual/Biennial
West Virginia	July	September	Oct/Nov	January	March	July	Annual/Annual
Wisconsin	June	September	...	January	June/July	July	Biennial/Biennial
Wyoming	May 15	September	November	December	March	July	Annual/Biennial

Source: National Association of State Budget Officers, *Budgetary Processes in the States* (February 1995).

Key:

... — Not applicable

(a) Agencies are divided into major budget units and other budget units. Major budget units submit annual budget requests. Other budget units submit biennial budget requests.

(b) Legislature adopts budget during June of odd years, May of even years.

(c) Twenty agencies are on a biennial budget cycle. The rest are still on an annual cycle.

(d) Within 30 days after legislature convenes in regular session, except when a newly elected governor is inaugurated when presentation must occur within 60 days after legislature convenes.

(e) Fourth Tuesday.

(f) There is a constitutional authority to do annual and biennial budgeting. Beginning in Fiscal 1994, the operating budget has been on an annual basis while the capital budget has been on a biennial basis.

(g) Budget submission delayed to mid-March for new governors.

(h) First Monday.

(i) Last Friday.

(j) Budget is submitted in March when governor has been elected for first full term. In Tennessee, budget may be submitted by March 1 during the first year of a governor's term.

(k) State Constitution prescribes a biennial legislature; in practice, legislature meets annually, in regular and adjourned sessions.

**THE
BOOK
OF THE
STATES**

VOLUME 31



REFERNCE
327

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HJR45

Revision Date (Note if correction) _____ Dept. Affected Office of the Governor
 Title Const Amend Biennial state budget BRU Elective Operations
 Component General and Primary
 Sponsor Representative Phillips
 Requester House State Affairs Committee Component Serial No #22

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual	3.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	3.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF	3.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	3.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58, and the programming costs for counting votes cast on the measure. However, only four measures can be printed on a single ballot card. If this measure requires printing an additional ballot card, the costs will increase by \$56.0.

Prepared by Gail Fenwick Phone 465-3935
 Division Division of Elections Date 4/24/98
 Approved by John Edelbach Lt. Governor Fran Ulmer Date 4/24/98
 Agency Office of the Lieutenant Governor

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HJR

50

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 21, 1998

FURTHER REFERRALS:

Judiciary
Finance

Date of Committee Action: 2/17/98

The STATE AFFAIRS Committee considered:

HJR 50

HOUSE JOINT RESOLUTION NO. 50

PERMANENT FUND PUBLIC CORPORATION

Proposing amendments to the Constitution of the State of Alaska relating to a public corporation established to manage the permanent fund.

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) GOV

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Frank Payne</i>	<input checked="" type="checkbox"/>			
<i>Al Wenzel</i>			<input checked="" type="checkbox"/>	
<i>Michael H. ...</i>			<input checked="" type="checkbox"/>	
<i>Lee M. ...</i>			<input checked="" type="checkbox"/>	

Vice CHAIR'S SIGNATURE *Lee M. ...*

Alaska State Legislature

REPRESENTATIVE
JEANNETTE JAMES

P.O. Box 56622
North Pole, Alaska 99705
(907) 488-1546
FAX (907) 488-4271

While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3743
FAX (907) 465-2381

House Of Representatives

House District 34

Statement of Intent

HJR 50, "Proposing amendments to the Constitution of the State of Alaska relating to a public corporation established to manage the permanent fund."

HJR 50 is in direct response to the Administration's constitutional concerns regarding HB 81, "An Act relating to the board and staff of the Alaska Permanent Fund Corporation."

The Department of Law explained that the Permanent Fund Board was created by statute to administer a constitutionally established fund, thus the only way to provide removal for cause would be through a constitutional amendment.

HJR 50 addresses this matter on point while striving for the goal of continuity, a reasonable practice to pursue when dealing with the State of Alaska's largest and most important asset.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HJR50 | _____

Revision Date (Note if correction) _____ Dept. Affected Office of the Governor
 Title Const. Amend: Relating to a public BRU Elective Operations
corporation to manage the permanent fund Component Elections
 Sponsor Representative James
 Requester House State Affairs Committee Component Serial No. #21

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual	3.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	3.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	3.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	3.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58, and the programming costs for counting votes cast on the measure. However, only four measures can be printed on a single ballot card. If this measure requires printing an additional ballot card, the costs will increase by \$56.0.

Prepared by Gail Fenumiai *Gail Fenumiai* Phone 465-3935
 Division Division of Elections Date 1/23/98
 Approved by C. Lt. Governor Fran Ulmer *Fran Ulmer* Date 1/23/98
 Agency Office of the Lieutenant Governor

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 81 | _____

Revision Date _____ Dept. Affected Office of the Governor
 Title "An Act relating to the members of the board BRU Executive Operations
and staff of the Alaska Permanent Fund Corporation." Component Executive Office
 Sponsor Representative James
 Requester House State Affairs Component Serial No. 6

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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						
-----------------------------	--	--	--	--	--	--

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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would not have a fiscal impact on the Office of the Governor.

Prepared by Michael A. Nizich, Administrative Director *MN* Phone 465-3876
 Division Administrative Services Date 2/2/98
 Approved by Jim Ayers, Chief of Staff *J Ayers* Date 2/2/98
 Agency Office of the Governor

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HJR

59

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 12, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/5/98

The STATE AFFAIRS Committee considered:

HJR 59

HOUSE JOINT RESOLUTION NO. 59

DESECRATION OF U.S. FLAG

Relating to an amendment to the Constitution of the United States prohibiting desecration of the Flag of the United States.

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Janette James</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			

CHAIR'S SIGNATURE *Janette James*

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

HOUSE JOINT RESOLUTION NO. 59

SPONSOR STATEMENT

This resolution urges the Congress of the United States to present a constitutional amendment to the states that would authorize Congress to prohibit the physical desecration of the American flag.

The flag has long been enshrined as the symbol of what is right with America and is a most worthy emblem of our nation. The law, as interpreted by the United States Supreme Court no longer accords to the Stars and Stripes that reverence, respect and dignity befitting the banner of our noble experiment of a nation state, "the last, best hope of mankind." (A. Lincoln).

The Resolution supports Congressional House Resolution 54 or Senate Joint Resolution 40 providing Congress the authority to prohibit the physical desecration of the flag.

I urge your support for this Resolution.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



Ted Stevens

United States Senator For Alaska



February 4, 1998
FOR IMMEDIATE RELEASE

Contact: Press Office
(202) 224-5209

STEVENS JOINS IN SPONSORING RESOLUTION PROPOSING FLAG DESECRATION AMENDMENT

Senator Stevens today joined in sponsoring a Senate Resolution proposing a Constitutional Amendment that would give Congress the power to prohibit the physical desecration of the flag.

Noting that Alaskans are strong in their belief that our flag should not be desecrated, Stevens said, "The power to amend the Constitution demands a cautious respect. It is a considerable power - one that has helped to chart the course of our history. We should not jump headlong into amendments. But we should not be afraid to act on our beliefs, either.

"The Supreme Court has given us a choice," the Senator said. "We can accept that the First Amendment allows the desecration of America's flag, or we can change the law to prevent it."

The Senator pointed out that 48 states had laws preventing flag desecration before those laws were struck down in a Supreme Court decision.

For those who serve overseas, in peacetime as well as conflict, the flag serves as a special reminder and symbol of the freedom Americans enjoy more than any other nation, Stevens said. The Senator, who was closely involved in the Statehood movement when he served as assistant to the Secretary of the Interior and Solicitor of the Department, recalled, "I remember the day the 49th star was pinned on our flag. It was one of the proudest moments of my life."

###

Alaska Offices: Anchorage: 271-5815 Fairbanks: 458-0287 Juneau: 588-7400
Kenai: 283-5808 Ketchikan: 228-5500

105TH CONGRESS
1ST SESSION

H. J. RES. 54

JOINT RESOLUTION

Proposing an amendment to the Constitution of the United States authorizing the Congress to prohibit the physical desecration of the flag of the United States.

- 1 *Resolved by the Senate and House of Representatives*
- 2 *of the United States of America in Congress assembled*
- 3 *(two-thirds of each House concurring therein), That the fol-*

2

1 lowing article is proposed as an amendment to the Con-

2 stitution of the United States, which shall be valid to all
3 intents and purposes as part of the Constitution when
4 ratified by the legislatures of three-fourths of the several
5 States within seven years after the date of its submission
6 for ratification:

7 "ARTICLE —

8 "The Congress shall have power to prohibit the phys-
9 ical desecration of the flag of the United States."

Passed the House of Representatives June 12, 1997.

Attest:

Clerk.

II

105TH CONGRESS
2D SESSION**S. J. RES. 40**

Proposing an amendment to the Constitution of the United States authorizing Congress to prohibit the physical desecration of the flag of the United States.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4, 1998

Mr. HATCH (for himself, Mr. CLELAND, Mr. HAGEL, Mr. STEVENS, Mr. FORD, Mr. LOTT, Mr. COVERDELL, Mr. KEMPTHORNE, Mr. ALLARD, Mr. ASHCROFT, Mr. BOND, Mr. BROWNBACK, Mr. BURNS, Mr. CAMPBELL, Mr. COATS, Mr. COCHRAN, Mr. COLLINS, Mr. CRAIG, Mr. D'AMATO, Mr. DEWINE, Mr. DOMENICI, Mr. ENZI, Mr. FAIRCLOTH, Mr. FRIST, Mr. GRAMM, Mr. GRAMS, Mr. GRASSLEY, Mr. GREGG, Mr. HELMS, Mr. HUTCHINSON, Mrs. HUTCHISON, Mr. INHOFE, Mr. KYL, Mr. LUGAR, Mr. MACK, Mr. MCCAIN, Mr. MURKOWSKI, Mr. ROBERTS, Mr. ROTH, Mr. SANTORUM, Mr. SESSIONS, Mr. SHELBY, Mr. SMITH of New Hampshire, Mr. SMITH of Oregon, Ms. SNOWE, Mr. THOMPSON, Mr. THURMOND, Mr. WARNER, Mr. BAUCUS, Mr. BREAUX, Mrs. FEINSTEIN, Mr. HOLLINGS, Mr. REID, Mr. ROCKEFELLER, and Mr. JOHNSON) introduced the following joint resolution; which was read twice and referred to the Committee on the Judiciary

JOINT RESOLUTION

Proposing an amendment to the Constitution of the United States authorizing Congress to prohibit the physical desecration of the flag of the United States.

- 1 *Resolved by the Senate and House of Representatives*
- 2 *of the United States of America in Congress assembled,*
- 3 That the following article is proposed as an amendment
- 4 to the Constitution of the United States, which shall be

2

1 valid to all intents and purposes as part of the Constitu-
2 tion when ratified by the legislatures of three-fourths of
3 the several States within 7 years after the date of its sub-
4 mission for ratification:

5

“ARTICLE —

6 “The Congress shall have power to prohibit the phys-
7 ical desecration of the flag of the United States.”.

○

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

February 16, 1998

To: Rep. Jeannette James, Chair State Affairs
From: James Hornaday % Rep. Pete Kott

Please schedule a committee hearing on HJR59. *and Hornaday 50th!*

Thank you

Yes



Representative Pete Kott

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HR 59

Revision Date: _____
 Title: Relating to an amendment to the Constitution of the United States prohibiting desecration of the Flag of the United States
 Sponsor: Representative Kott
 Requester: _____

Dept. Affected _____
 BRU _____
 Component _____
 Component Serial No. _____

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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						
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CHANGE IN REVENUES []						
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FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: _____

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by House State Affairs Committee
 Division _____
 Approved by Rep. Jeannette J. Miller
 Agency 7100

Phone _____
 Date _____
 Date 3/5/98

Author: Barbara Cotting at LAA_TRANS
Date: 2/26/98 1:34 PM
Priority: Normal
TO: shari_kociman@gov.state.ak.us at CC2MHS1
Subject: details

I have scheduled the following for hearing on Tuesday, March 3, 1998,
and need fiscal notes.

HJR 1	Limit session to 90 days	Elections
HB 359	Health Insurance Regulation	Commerce
HJR 59	Desecration of U.S. Flag	Admin
HB 338	Annul All Admin Regs; Repeal APA	Admin
HB 413	Initiative Petition Comp.	Elections

at 9:30 a.m. Monday 3/2/98
when packets must be prepared,
none of the requested been
fiscal notes had been
received.
B. Cotting

S B

6 8

FINAL

HCS FOR CS FOR SENATE BILL NO. 68()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WARD, Wilken

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Task Force on Privatization; and providing for an
2 effective date."

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

4 * Section 1. FINDINGS AND INTENT. (a) The legislature finds that

5 (1) the annual cost of state government is exceeding the annual revenue of the
6 state;

7 (2) there may be functions of state government that could be performed more
8 efficiently by individuals or businesses in the private sector;

9 (3) other states are considering privatization of some of their governmental
10 functions;

11 (4) more information is needed before the legislature can determine whether
12 privatization is a feasible alternative for this state to pursue in controlling its fiscal problems.

13 (b) The legislature intends to consider all reasonable methods to deal with the state
14 revenue shortfall and control excess growth in government.

1 * **Sec. 2. TASK FORCE ON PRIVATIZATION ESTABLISHED.** (a) There is established
2 in the legislative branch the Task Force on Privatization consisting of

3 (1) three members appointed by the governor, one of whom shall be a public
4 member selected from a list of nominees submitted by labor organizations that represent state
5 employees primarily engaged in building or other trades, and one of whom shall be a public
6 member selected from a list of nominees submitted by labor organizations that represent state
7 employees that are not primarily engaged in building or other trades;

8 (2) three members of the senate appointed by the president of the senate; two
9 shall be members of the majority and one shall be a member of the minority;

10 (3) three members of the house of representatives appointed by the speaker of
11 the house; two shall be members of the majority and one shall be a member of the minority;

12 (4) two public members appointed by the president of the senate; and

13 (5) two public members appointed by the speaker of the house.

14 (b) The president of the senate shall select a member from among those appointed to
15 the task force by the president of the senate to serve as co-chair of the task force. The
16 speaker of the house of representatives shall select a member from among those appointed to
17 the task force by the speaker of the house of representatives to serve as co-chair of the task
18 force.

19 * **Sec. 3. COMPENSATION OF PUBLIC MEMBERS.** The public members of the Task
20 Force on Privatization are not eligible for compensation but are entitled to per diem and travel
21 expenses authorized for boards and commissions under AS 39.20.180.

22 * **Sec. 4. MEETINGS; OATH.** (a) The Task Force on Privatization shall meet as
23 frequently as the task force determines necessary to perform its work and may meet during
24 the interim as well as during legislative sessions. The task force may meet and vote by
25 teleconference.

26 (b) A co-chair of the task force may administer an oath to a witness appearing before
27 the task force.

28 * **Sec. 5. DUTIES.** The Task Force on Privatization shall

29 (1) review and evaluate the policies and recommendations of the other states
30 that are studying or have implemented recommendations to privatize any of their governmental
31 functions;

1 (2) review state contracting policy and procedures, including competitive
2 bidding procedures;

3 (3) identify functions of our state government that could economically and
4 appropriately be privatized, if any;

5 (4) solicit public comment about its subjects of consideration;

6 (5) submit a written report of its findings and recommendations to the governor
7 and the legislature by November 15, 1997, concerning state contracting policy and procedures
8 and privatization of state government functions in the Department of Transportation and Public
9 Facilities, the Department of Corrections, and the Department of Health and Social Services;
10 the report shall suggest legislation that may be needed to accomplish the recommendations;
11 and

12 (6) submit a written report of its findings and recommendations to the governor
13 and the legislature by November 15, 1998, concerning privatization of government functions
14 of state agencies not addressed in the first report; the report shall suggest legislation that may
15 be needed to accomplish the recommendations.

16 * Sec. 6. This Act is repealed on December 1, 1998.

17 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).