



## 25<sup>th</sup> ALASKA STATE LEGISLATURE SENATE REPUBLICAN CAUCUS

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**Fact Sheet for: Senate Bill 134**

**Contact: Sheila Peterson, 465-3709**

**Bill Version: SB 134**

**Sponsor: Senator Gary Wilken**

**Short Title: FUNDING SHORTFALL POLICY**

### **Summary:**

- Adds a statement to the Executive Budget Act that "It is the policy of the state to formulate a responsible, sustainable budget on a consistent basis, given the extreme fluctuations that occur in the price of oil and mineral resources. In recognition of these unforeseeable fluctuations, it is also the policy of the state that the amounts necessary to cover a projected shortfall in general fund revenue during a fiscal year be appropriated equally from the constitutional budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) and the earnings reserve account (AS 37.13.145).

### **Benefits:**

- Bridges potential gaps between general fund expenditures and general fund revenues until Alaska's natural resources can be further developed.
- Fills the gap, when a shortfall exists, in a manner that minimizes the financial impact on Alaska's families.
- Establishes accountability by forming a spending partnership with all Alaskans.
- Allows Alaskans to share in the power of earnings from our reserve funds.
- Doubles the life expectancy of the Constitutional Budget Reserve fund.
- Strengthens Alaska's bond rating.
- Provides fiscal certainty when general fund revenue is insufficient to fully fund the state budget.

### **Background:**

- The annual revenue generated from taxes and royalties levied on and collected from the petroleum industry varies directly with the price of oil and the amount of oil produced in the state. Because of this uncertainty, the state will face recurring shortfalls in general fund revenue. Senate Bill 134 gives future legislatures a guideline for addressing the shortfall by specifying that half will be appropriated from the constitutional budget reserve and half from the permanent fund earnings reserve account. The \$4.7 billion earnings reserve account, which is accessible to the legislature by a majority vote, is separate and distinct from the \$32.1 billion permanent fund principal, which is constitutionally protected. Drawing equally from the constitutional budget reserve and the permanent fund earnings reserve would provide the state a "Bridge to a Gasline," when state services can be supported by new revenues from gas field development.

SKILLED

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