

FOLDER NO.

410.9

Constitutional Convention
Style and Drafting/Article IX
(Committee Proposal/9/Enrolled)
January 28, 1956

ALASKA CONSTITUTIONAL CONVENTION
REPORT OF THE COMMITTEE ON STYLE AND DRAFTING

Hon. William A. Egan, President
Alaska Constitutional Convention

Dear President Egan:

Your Committee on Style and Drafting herewith presents its redraft of the Article on Finance and Taxation for consideration by the Convention.

Respectfully submitted,

George Sundborg, Chairman
R. Rolland Armstrong
Edward V. Davis
Victor Fischer
Mildred R. Hermann
James J. Hurley
Maurice T. Johnson
George M. McLaughlin
Katherine D. Nordale

REPORT OF COMMITTEE ON STYLE AND DRAFTING

Constitutional Convention
Style and Drafting/Article IX
January 28, 1956

CONSTITUTIONAL CONVENTION OF ALASKA

RESOLVED, that the following be agreed upon as part of
the Alaska State Constitution:

ARTICLE IX

FINANCE AND TAXATION

1	Section 1. The power of taxation shall never be
2	surrendered. This power shall not be suspended or
3	contracted away, except as provided in this article.
4	Section 2. The lands and other property belong-
5	ing to citizens of the United States residing without
6	the State shall never be taxed at a higher rate than
7	the lands and other property belonging to the resi-
8	dents of the State.
9	Section 3. Standards for appraisal of all pro-
10	perty assessed by the State or its political sub-
11	divisions shall be prescribed by law.
12	Section 4. The real and personal property of the
13	State or its political subdivisions is exempt from
14	taxation under conditions and exceptions which may be
15	provided by law. All or any portion of property used
16	exclusively for non-profit religious, charitable,
17	cemetery or educational purposes, as defined by law,

1 is exempt from taxation. Other exemptions of like or
2 different kind may be granted by general law. All valid
3 existing exemptions are retained until otherwise
4 provided by law.

Interests in
Government
Property

5 Section 5. Private leaseholds, contracts, or
6 other interests in land or property owned or held by
7 the United States, the State or its political sub-
8 divisions, shall be taxable to the extent of the
9 interests.

Public
Purpose

10 Section 6. No tax shall be levied or appropriation
11 of public money made or public property transferred,
12 nor shall the public credit be used, except for a public
13 purpose.

Dedicated
Funds

14 Section 7. The proceeds of any state tax or
15 license shall not be dedicated to any special purpose,
16 except when required by the federal government for
17 state participation in federal programs. This pro-
18 vision shall not prohibit the continuance of any
19 dedication for special purposes existing upon the date
20 of ratification of this constitution by the people of
21 Alaska.

State Debt

22 Section 8. No state debt shall be contracted
23 unless authorized for capital improvements by a
24 majority vote in each house of the legislature with
25 ratification by a majority of the qualified voters

1 of the State who vote on the question. The State may
2 by law contract debt for the purpose of repelling
3 invasion, suppressing insurrection, defending the
4 State in war, meeting natural catastrophes, or re-
5 deeming indebtedness outstanding at the time this
6 constitution becomes effective.

Local Debts

7 Section 9. No debt shall be contracted by any
8 political subdivision of the State unless authorized
9 for capital improvements by its governing body with
10 ratification by a majority vote of those qualified
11 to vote and voting on the question.

Interim
Borrowing

12 Section 10. The State and its political sub-
13 divisions may borrow money to meet appropriations
14 for any fiscal year in anticipation of the collection
15 of the revenues of that year, but all debt so con-
16 tracted shall be paid before the end of the next
17 fiscal year.

Exceptions

18 Section 11. The restrictions on contracting
19 debt do not apply to debt incurred through the
20 issuance of revenue bonds by a public enterprise
21 or public corporation of the state or political
22 subdivision when the only security is the revenues
23 of the enterprise or corporation. The restrictions
24 do not apply to indebtedness to be paid from special
25 assessments on the benefitted property nor do they

1 apply to refunding indebtedness of the state or
2 its political subdivisions.

Budget

3 Section 12. The governor shall submit to the
4 legislature, at a time fixed by law, a budget for
5 the next fiscal year setting forth all proposed
6 expenditures and anticipated income of all depart-
7 ments, offices and agencies of the State. The
8 governor at the same time shall submit a general
9 appropriation bill to authorize the proposed expen-
10 ditures, and a bill or bills covering recommendations
11 in the budget for new or additional revenues.

Expenditures

12 Section 13. No money shall be withdrawn from
13 the treasury except in accordance with appropriations
14 made by law. No obligation for the payment of money
15 shall be incurred except as authorized by law. Un-
16 obligated appropriations outstanding at the end of
17 the period of time specified by law shall be void.

Legislative
Post-audit

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

Territorial
Assets and
Liabilities

23 Section 15. The debts and liabilities of the
24 Territory of Alaska shall be assumed and paid by the
25 State, and debts owed to the Territory shall be
26 collected by the State. Assets of the Territory shall
27 become assets of the State.

F I R S T E N R O L L E D C O P Y

Constitutional Convention
Committee Proposal/9/Enrolled
January 18, 1956

Constitutional Convention of Alaska

COMMITTEE PROPOSAL NO. 9

Introduced by Committee on Finance and Taxation

ARTICLE ON FINANCE AND TAXATION

RESOLVED, that the following be agreed upon as part
of the Alaska State Constitution.

Taxing Power	1	Section 1. The power of taxation shall never be
	2	surrendered; and shall never be suspended or
	3	contracted away, except as provided herein.
Taxation of Non-residents	4	Section 2. The lands and other property belong-
	5	ing to citizens of the United States residing without
	6	the State shall never be taxed at a higher rate than
	7	the lands and other property belonging to the
	8	residents of the State.
Assessment of Property	9	Section 3. The legislature shall establish the
	10	standards for appraisal of all property assessed
	11	locally or by the State.
Exemptions from Taxation	12	Section 4. The real and personal property of the
	13	State and of its political subdivisions shall be ex-
	14	empt from taxation under such conditions and with such
	15	exceptions as the legislature may direct. All or any
	16	portion of property used exclusively for non-profit

1 religious, charitable, cemetery, or educational
2 purposes as defined by law, is exempt from taxation.

3 Other exemptions of like or different kind may
4 be granted by general law; and until otherwise pro-
5 vided by law, all exemptions from taxation validly
6 granted are retained.

Taxation of
Interests in
U.S. Property

7 Section 5. Private leaseholds, contracts, or
8 other interests in land or property owned or held
9 by the United States, ^{the} state, and its political sub-
10 divisions, shall be taxable to the extent of the
11 interests.

Taxation for
Public
Purpose

12 Section 6. No tax shall be levied or appropri-
13 ation of public money made or public property trans-
14 ferred, nor shall the public credit be used, except
15 for a public purpose.

Earmarking
Restricted

16 Section 7. The proceeds of any state tax or
17 license or part thereof shall not be allocated to
18 any special purpose, except where state participa-
19 tion in Federal programs will thereby be denied.
20 This provision shall not prohibit the continuance of
21 any allocation for special purposes existing upon
22 the date of ratification of this Constitution by the
23 people of Alaska.

Debt
Contraction
Restricted

24 Section 8. No debt shall be contracted by or in
25 behalf of the State unless the debt shall be

1 authorized for capital improvements by a majority vote
2 in each house with ratification by a majority of the
3 qualified voters of the state voting on the question,
4 provided that the State may by law contract debt for
5 the purpose of repelling invasion, suppressing insur-
6 rection, defending the State in war, meeting natural
7 catastrophes, or redeeming outstanding indebtedness
8 of the State at the time this Constitution becomes
9 effective.

10 Section 9. Unless authorized by law for capital
11 improvements, no debt shall be contracted by or in be-
12 half of any political subdivision of the State and
13 then only upon approval of not less than a majority of
14 those voting on the question within the respective
15 political subdivision and qualified to vote on the
16 particular issue as prescribed by law. Additional
17 requirements and qualifications of voters may be
18 provided by law.

Tax
Anticipation
Notes

19 Section 10. The State and its political subdivi-
20 sions may by law borrow money to meet appropriations
21 for any fiscal year in anticipation of the collection
22 of the revenues of that year, but all debt so con-
23 tracted shall be paid prior to the end of the next
24 fiscal year.

Revenue
Debt

1 Section 11. The restrictions in this Constitu-
2 tion on the contraction of debt do not apply to re-
3 funding indebtedness of the State or any political
4 subdivision thereof; to indebtedness incurred under
5 revenue bond statutes by a public enterprise of the
6 state or political subdivision, or by a public cor-
7 poration, when the only security for such indebted-
8 ness is the revenues of the enterprise or public
9 corporation; or to special assessments.

Governor's
Budget

10 Section 12. At such time as may be prescribed
11 by law, the governor shall submit to the legislature
12 a budget setting forth a complete plan of proposed
13 expenditures and anticipated income of all departments,
14 offices and agencies of the State for the next fiscal
15 year. At the time of submitting the budget to the
16 legislature, the governor shall also submit a general
17 appropriation bill to authorize all proposed expendi-
18 tures set forth in the budget. At the same time he
19 shall submit to the legislature a bill or bills cover-
20 ing all recommendations in the budget for new or
21 additional revenues.

Expenditure
of Money

22 Section 13. No money shall be withdrawn from the
23 treasury except in accordance with appropriations made
24 by law, nor shall any obligation for the payment of
25 money be incurred except as authorized by law. All

1 unobligated appropriations outstanding at the end of
2 a period of time specified by law shall be void.

Legislative
Post-audit

3 Section 14. The legislature shall appoint an
4 auditor who is a certified public accountant and who
5 shall serve during its pleasure. It is the duty of
6 the auditor to conduct such post-audits as may be pre-
7 scribed by law and to report to the legislature and
8 the governor.

Territorial
Debt Assumed

9 Section 15. The debts and liabilities of the
10 Territory of Alaska shall be assumed and paid by the
11 State of Alaska, and debts owed to the Territory of
12 Alaska shall be collected by the State. Assets of
13 the Territory of Alaska shall become assets of the
14 State.

Constitutional Convention
Committee Proposal/9
December 16, 1955

ALASKA CONSTITUTIONAL CONVENTION
REPORT OF THE COMMITTEE ON
FINANCE AND TAXATION

Hon. William A. Egan
President, Alaska Constitutional Convention

My dear Mr. President:

Your Committee on Finance and Taxation presents for consideration of the Convention its proposed article on Finance and Taxation.

Your Committee considered and incorporated in this report many of the ideas contained in Convention proposals numbered 3, 4, 6 (Sections 8, 10, 11, and 12), 20 and 41.

We include a section-by-section commentary on the proposed article.

Respectfully submitted,

Leslie Nerland, Chairman

Dorothy J. Awes

Frank Barr

James Nolan

Frank Peratrovich

Chris Poulsen

Barrie M. White, Jr.

Constitutional Convention of Alaska

COMMITTEE PROPOSAL NO. 9

Introduced by Committee on Finance and Taxation

ARTICLE ON FINANCE AND TAXATION

RESOLVED, that the following be agreed upon as part
of the Alaska State Constitution

Taxing Power 1 Section 1. The power of taxation shall never be
2 surrendered; and shall never be suspended or con-
3 tracted away, except as provided herein.

Taxation of 4 Section 2. The lands and other property belonging
non-residents 5 to citizens of the United States residing without the
6 State shall never be taxed at a higher rate than the
7 lands and other property belonging to the residents
8 of the State.

Assessment of 9 Section 3. The legislature shall establish the
Property 10 standards for assessment of all property assessed
11 locally or by the State.

Exemptions 12 Section 4. The real and personal property of the
from 13 State and of its political subdivisions shall be ex-
Taxation 14 empt from taxation under such conditions and with
15 such exceptions as the legislature may direct. All
16 or any portion of property used exclusively for

1 non-profit religious, charitable, cemetery, or educa-
2 tional purposes as defined by law, is exempt from
3 taxation.

4 Other exemptions of like or different kind may be
5 granted by general law; and until otherwise provided
6 by law, all exemptions from taxation validly granted
7 are retained.

Taxation of U.S. Property Prohibited 8 Section 5. No tax shall be imposed upon any lands
9 or other property owned or acquired by the United
10 States, except as allowed by Federal law. Immunity to
11 taxation extends to all property owned by natives which
12 is held in trust by the United States, or over which
13 the United States has complete jurisdiction. Immunity
14 to taxation does not apply to property of individual
15 natives when held in fee without restrictions on
16 alienation.

Taxation of Interests in U.S. property 17 Section 6. Private leaseholds, contracts, or other
18 interests in land or property owned or held by the
19 United States shall be taxable to the extent of the
20 interests.

Taxation for Public Purpose 21 Section 7. No tax shall be levied or appropriation
22 of public money made or public property transferred,
23 nor shall the public credit be used, except for a
24 public purpose.

Earmarking Restricted 25 Section 8. All revenues shall be deposited in the
26 State treasury without allocation for special purposes,

1 except where state participation in Federal programs
2 will thereby be denied. This provision shall not pro-
3 hibit the continuance of any allocation for special
4 purposes existing upon the date of ratification of this
5 Constitution by the people of Alaska.

Debt 6 Section 9. No debt shall be contracted by or in
Contraction 7 behalf of the State, or any political subdivision
Restricted 8 thereof, unless the debt shall be authorized by law
 9 for capital improvements specified therein and be
10 10 approved by a majority of the qualified voters of the
11 11 State or of the respective political subdivision voting
12 12 on the question, provided that the State may by law
13 13 contract debt for the purpose of repelling invasion,
14 14 suppressing insurrection, defending the State in war,
15 15 meeting national catastrophies, or redeeming outstand-
16 16 ing indebtedness of the State at the time this
17 17 Constitution becomes effective.

Tax 18 Section 10. The State may by law borrow money to
Anticipation 19 meet appropriations for any fiscal year in anticipation
Notes 20 of the collection of the revenues of that year, but all
 21 debt so contracted shall be paid within one year.

Revenue Debt 22 Section 11. The restrictions in this Constitution
 23 on the contraction of debt do not apply to refunding
 24 indebtedness of the State or any political subdivision
 25 thereof; to indebtedness incurred under revenue bond

1 statutes by a public enterprise of the state or politi-
2 cal subdivision, or by a public corporation, when the
3 only security for such indebtedness is the revenues of
4 the enterprise or public corporation; or to indebted-
5 ness incurred under special improvement statutes when
6 the only security for such indebtedness is the pro-
7 perties benefited or improved or the assessments
8 thereon.

Governor's
Budget

9 Section 12. At such time as may be prescribed by
10 law, the governor shall submit to the legislature a
11 budget setting forth a complete plan of proposed ex-
12 penditures and anticipated income of all departments,
13 offices and agencies of the State for the next fiscal
14 year. At the time of submitting the budget to the
15 legislature, the governor shall also submit a general
16 appropriation bill to authorize all proposed expendi-
17 tures set forth in the budget. At the same time he
18 shall submit to the legislature a bill or bills cover-
19 ing all recommendations in the budget for new or
20 additional revenues.

Expenditure
of Money

21 Section 13. No money shall be withdrawn from the
22 treasury except in accordance with appropriations
23 made by law, nor shall any obligation for the payment
24 of money be incurred except as authorized by law. All
25 appropriated funds unexpended at the end of a period of

1 time specified by law shall be returned to the state
2 treasury.

Legislative

3 Section 14. The legislature shall appoint an audi-
4 tor who is a certified public accountant and who shall
5 serve during its pleasure. It is the duty of the
6 auditor to conduct such post-audits as may be pre-
7 scribed by law and to report to the governor and the
8 legislature.

Post-audit

Territorial

9 Section 15. The debts and liabilities of the Terri-
10 tory of Alaska shall be assumed and paid by the State
11 of Alaska, and debts owed to the Territory of Alaska
12 shall be collected by the State. Assets of the
13 Territory of Alaska shall become assets of the State.

Debt Assumed

ALASKA CONSTITUTIONAL CONVENTION

Commentary on the Article on Finance and Taxation

(Sec. 1 Taxing Power)

The power to tax is never to be surrendered, but under terms that may be established by the legislature, it may be suspended or temporarily contracted away. This could include industrial incentives, for example.

(Sec. 2 Taxation of Non-residents)

This section and its wording is required by the latest proposed enabling act, H.R. 2535.

(Sec. 3 Uniform Standards for Assessment)

The legislature is authorized to set up, notwithstanding home rule or any system for the selection of assessors, uniform standards of assessment.

(Sec. 4 Exemptions from Taxation)

All property owned by the state and its subdivisions is exempt from taxation unless the legislature directs otherwise. An exception from tax immunity might be appropriate if a government engaged in what is normally a private business, such as operating a ski resort, a moving picture theater, or a swimming pool.

The second sentence of this section is intended to exempt from taxation that part of the property of religious, charitable, cemetery, or educational organizations which is actually used for these purposes, as the legislature may direct. But their property used for other

purposes would be taxable, for example, an office building owned by a college as part of its endowment.

The legislature is authorized to make further tax emptions to encourage, among other purposes, new industry, and all valid current exemptions are continued.

(Sec. 5 Taxation of United States Property)

This section is required by the latest proposed enabling act, H.R. 2535. Even if it were not included, the state could not, under a long line of U.S. Supreme Court cases, tax federal property.

(Sec. 6 Taxation of Private Interests in U.S. Property)

Taxation is permitted of private interests in land or property owned or held by the United States.

(Sec. 7 Public Purpose Clause)

Public purpose clauses are common to most constitutions, and are included to prevent appropriation of public funds for private purposes.

(Sec. 8 Earmarking of Revenues Restricted)

The allocation of certain revenues to special purposes is prohibited, with two exceptions: (1) if required in order to participate in a federal program or (2) if the earmarking is in existence at the time of ratification of the constitution. Even those persons or interests who seek the dedication of revenues for their own projects will admit that the earmarking of taxes or fees for other interests is a fiscal evil. But if allocation is permitted for one interest the denial of it to another is difficult, and the more special funds are set up the more difficult it becomes to deny other requests until the point is reached where neither the governor nor the legislature has any real control over the finances of the state. In one Rocky Mountain state the legislature

is free to appropriate only 17 per cent of the tax collections; the rest are dedicated. In Alaska at present, 27% of territorial funds are earmarked, primarily for school construction and roads.

(Sec. 9 Debt Contraction)

This section forbids state or local debt except in special emergencies or for the purpose of making capital improvements, the proposals for which must be approved by the voters.

(Sec. 10 Tax Anticipation Notes)

This section permits the state to borrow in anticipation of taxes in any fiscal year money to meet appropriations.

(Sec. 11 Refunding and Revenue Debt)

In a period when interest rates fall, a government may save large amounts of money if it can pay off its old high-rate obligations with new funds borrowed at lower rates. This process, here permitted, is called refunding, and the restrictions on the contraction of original debt are unnecessary; they are here made inapplicable. When the state or its subdivisions can contract debts for special purposes (for example, to build a toll bridge) without pledging more than the improvement or the revenues from the enterprise, such debt is permitted without referendum. This provision is sometimes necessary if a state is to take advantage of federal loans at particularly favorable rates.

(Sec. 12 Budget)

This section requires the governor to submit a complete budget and an appropriation bill to authorize the expenditures he proposes. This process is now standard.

(Sec. 13 Expenditures)

The requirement of appropriation before expenditure is also standard. The second sentence requires the recapture of unexpended balances.

(Sec. 14 Auditor)

The auditor is commonly regarded as a legislative officer, and his appointment is here vested in the legislature.

(Sec. 15 Debts and Assets)

This section provides for the state to take over the debts to and of the Territory of Alaska, as well as its assets.