



HJR 7 Sectional

(Constitutional Amendment: Appropriation Limit; Savings Reserve Fund)

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Section 1: This section would repeal and reenact the appropriation limit amendment in the Alaska Constitution. It would divide the appropriation limit into three subsections. Subsection (a) would establish a new appropriation limit, subsection (b) would require that excess revenues in the general fund at the end of each fiscal year be placed into either the permanent fund or the savings reserve fund (which is currently known as the budget reserve fund), and subsection (c) would ensure the excess revenues would move into savings automatically.

Subsection (a) would set a new calculation for the appropriation limit. The new limit would require that appropriations for a fiscal year not exceed the average of the appropriations for the last three years plus the lesser of the following: (1) 50 percent of inflation and population over the past year, or (2) two percent. The amendment also provides a list of appropriations that would be exempted from the appropriations limit cap. The exemptions include, among others, any money going into the permanent fund, money for permanent fund dividends, money to pay out general obligation bond and revenue bond proceeds, money going out of trust funds, and any appropriation of federal funds.

Subsection (b) would require that any unexpended, unobligated, and unappropriated money (i.e., excess revenue) left in the general fund at the end of each fiscal year be transferred to the following savings accounts in the sums and priority order listed: (1) into the permanent fund in an amount equal to 50 percent of the income produced from the permanent fund during the fiscal year; (2) into the savings reserve fund in an amount necessary to bring the balance equal to the appropriation limit; and (3) into the permanent fund.

Subsection (c) would specify that any transfers of money in subsection (b) are not subject to the dedicated fund prohibition in Section 7 of Article IX.

Section 2: This section would change the name of the budget reserve fund in Section 17 of Article IX to the savings reserve fund and clarify some of the existing language.

The section would also amend subsection (b) to only allow an appropriation from the savings reserve fund if the amount in the general fund available for appropriation is less than the appropriation limit. The existing budget reserve fund takes into account all funds available for appropriation, which includes the earnings reserve account of the permanent fund. Under the proposed amendments, the calculation would only take money in the general fund into account. The proposed amendments would also require that the amount of money that could be appropriated from the savings reserve fund would be limited to the gap between the amount in the general fund available for appropriation and the appropriation limit. This appropriation could take place with a majority vote of the legislature. The legislature could not appropriate amounts any larger than the amount necessary to fill the gap.

Section 3: This section would provide for transition provisions to ensure a smooth transition between the existing appropriation limit and budget reserve fund to the new limit and the newly established savings reserve fund.

Section 4: This section would repeal subsections (c) and (d) of the budget reserve fund. Subsection (c) currently allows the legislature to appropriate any amount from the budget reserve fund with a 3/4 vote for any public purpose. Subsection (d) currently requires that money in the general fund available for appropriation at the end of each fiscal year is swept back into the budget reserve fund to re-pay any amounts that were appropriated from the fund.

Section 5: This section would require that this amendment be placed on the ballot in the 2020 general election.