
OMB Appropriation Limit Analysis

Background

The purpose of this paper is to summarize recent proposals for appropriation limits. These limits take various forms and each have different methodologies for calculating growth in the limit and for excluding certain budget items from that limit.

The proposed appropriation limits described below are under consideration by the Legislature and are subject to change. The analysis is only accurate to the bills as structured, and the budget as proposed, as of February 20, 2020.

Bill (Sponsor)	HJR7/SJR6 (Gov)	SJR6 (Sen. Jud CS)	HB131 (HFIN)	SB104 (SFIN)	Current Constitutional Limit
Budget Subject to Limit	\$5,462.2	\$4,828.0	\$6,349.5	\$6,163.6	\$6,955.5
Appropriation Limit	\$5,496.6	\$4,978.2	\$5,000.0	\$6,000.0	\$10,536.3
Over/(Under)	(\$34.4)	(\$150.2)	\$1,349.5	\$163.6	(\$3,580.8)

Dollars in millions.

The following pages have further detailed analysis on each appropriation limit proposal.

OMB Appropriation Limit Analysis

HJR 7/SJR 6: CONST AM:APPROP. LIMIT; RESERVE FUND (As introduced by the Governor)

Basis of the limit: Appropriations made for a fiscal year may not exceed the average appropriations in the prior three fiscal years by more than 50% of the cumulative change in inflation and population or 2%, whichever is less.

Growth of the limit: 50% of the cumulative change in inflation and population or 2%, whichever is less.

Exception to the limit: Appropriations of/to:

- the principal of the Alaska Permanent Fund,
- pay debt obligations of the state (General Obligation and Revenue Bonds only),
- proceeds of bond sales,
- reappropriations,
- duplicate authorization,
- funds held in trust,
- federal funds,
- funds restricted by the terms of a gift, bequeath, or contract,
- meet a state of disaster declared by the governor,
- to a state savings account.

Other provisions: The bill mandates that the balance of the General Fund at the end of the year be deposited into the Permanent Fund (up to 50%), budget reserve – renamed savings reserve - (up to the value of next year’s limit) and the Permanent Fund (all remaining).

HJR7 / SJR6 (GOV)	All Funds (\$millions)	
Budget Item	FY2020 Management Plan + Supplementals	FY2021 Governor's Amended
Total Appropriations	14,062.8	13,226.1
Exceptions to Limit		
Appropriations to Permanent Fund Principal/PFDS	(1,884.6)	(2,005.1)
To Meet a State of Disaster*	(94.5)	0.0
Debt of the State/Bond Proceeds	(861.9)	(186.9)
Reappropriations	0.0	0.0
Duplicated Funds	(916.2)	(892.2)
Funds Held in Trust (including Federal)	(4,669.9)	(4,514.1)
Funds Restricted by Terms of Gift/Contract/Bequest	(128.7)	(132.6)
Transfers to State Savings Accounts/Funds	(44.9)	(72.4)
Budget Subject to Limit	5,462.2	5,422.7
Appropriation Limit	5,496.6	5,623.2
Amount Over/(Under) Limit	(34.4)	(200.4)

*Fire disasters declared in FY2020

OMB Appropriation Limit Analysis

SJR6: CONST AM:APPROP. LIMIT; RESERVE FUND (Senate Judiciary Amended)

Basis of the limit: Appropriations made for a fiscal year may not exceed the average appropriations in the prior three fiscal years by more than the cumulative change in inflation based on a 5-year average of historic inflation (CPI-U Anchorage).

Growth of the limit: The limit escalates each year by the cumulative change since July 1, 2019 based on a 5-year average of historic inflation (CPI-U Anchorage).

Exception to the limit: Appropriations to/of:

- the principal of the Alaska Permanent Fund and for Permanent Fund Dividends,
- pay “obligations” of the state (Interpreted to include retirement),
- proceeds of bond sales,
- reappropriations,
- duplicate authorization,
- funds held in trust,
- revenues of corporations and public enterprises,
- a state savings account.

The limit may be exceeded for capital projects up to 10% of that limit.

SJR6 (SJUD)	All Funds (\$millions)	
Budget Item	FY2020 Management Plan + Supplementals	FY2021 Governor's Amended
Total Appropriations	14,062.8	13,226.1
Exceptions to Limit		
Appropriations to Permanent Fund Principal/PFDS	(1,884.6)	(2,005.1)
To Meet a State of Disaster*	(94.5)	0.0
Debt of the State/Bond Proceeds	(1,169.8)	(532.5)
Reappropriations	0.0	0.0
Duplicated Funds	(916.2)	(892.2)
Funds Held in Trust (Including Federal)	(5,124.8)	(4,973.0)
Transfers to State Savings Accounts/Funds	(44.9)	(72.4)
Budget Subject to Limit	4,828.0	4,751.0
Appropriation Limit	4,978.2	4,992.7
Amount Over/(Under) Limit	(150.2)	(241.7)

*Fire disasters declared in FY2020

This limit does not begin until FY2022 so 1.28% has been used to estimate the 5-year average inflation in both FY2020 and FY2021.

OMB Appropriation Limit Analysis

HB131: APPROPRIATION LIMIT (House Finance)

Basis of the limit: \$5.0 billion, Unrestricted General Fund appropriations only

Growth of the limit: The limit escalates each year by the average change in inflation in the previous five fiscal years. The Limit for FY2021 is \$5.0 billion. Growth in the limit begins FY2022.

Exception to the limit: Appropriations to/of:

- the principal of the Alaska Permanent Fund,
- pay debt obligations of the state (but not retirement obligations),
- meet a state of disaster declared by the governor,
- to a state savings account.

HB131 (HFIN)	Unrestricted General Fund (\$millions)	
Budget Item	FY2020 Management Plan + Supplementals	FY2021 Governor's Amended
Agency Operating	4,003.7	3,887.9
Debt Service	149.8	190.0
Retirement System	307.9	345.6
Fund Capitalizations	22.3	18.4
Net Fund Transfers	41.7	69.2
Judgements and Claims	5.9	0.0
Capital	185.9	140.3
PFD	1,884.6	2,005.1
Total Appropriations	6,601.8	6,656.4
Exceptions to Limit		
Appropriations to Permanent Fund Principal	0.0	0.0
To Meet a State of Disaster*	(94.5)	0.0
Debt of the State**	(116.1)	(154.5)
Transfers to State Savings Accounts/Funds	(41.7)	(69.2)
Budget Subject to Limit	6,349.5	6,432.7
Appropriation Limit	5,000.0	5,000.0
Amount Over/(Under) Limit	1,349.5	1,432.7

*Fire disasters declared in FY2020

**Debt paid on behalf of other entities is excluded from this figure

OMB Appropriation Limit Analysis

SB104: APPROPRIATION LIMIT (Senate Finance)

Basis of the limit: \$6.0 billion, Unrestricted General Fund appropriations only

Growth of the limit: The limit escalates each year by the cumulative change since July 1, 2019 based on a 5-year average of historic inflation (CPI-U Anchorage). The Limit for FY2021 is \$6.0 billion. Growth in the limit begins FY2022.

Exception to the limit: Appropriations to/of:

- the principal of the Alaska Permanent Fund,
- pay debt obligations of the state (but not retirement obligations),
- meet a state of disaster declared by the governor,
- to a state savings account.

The limit may be exceeded by 5% for capital improvements.

SB104 (SFIN)	Unrestricted General Fund (\$millions)	
Budget Item	FY2020 Management Plan + Supplementals	FY2021 Governor's Amended
Agency Operating	4,003.7	3,887.9
Debt Service	149.8	190.0
Retirement System	307.9	345.6
Fund Capitalizations	22.3	18.4
Net Fund Transfers	41.7	69.2
Judgements and Claims	5.9	0.0
PFD	1,884.6	2,005.1
Total Appropriations	6,415.9	6,516.1
Exceptions to Limit		
Appropriations to Permanent Fund Principal	0.0	0.0
To Meet a State of Disaster*	(94.5)	0.0
Debt of the State**	(116.1)	(154.5)
Transfers to State Savings Accounts/Funds	(41.7)	(69.2)
Budget Subject to Limit	6,163.6	6,292.4
Appropriation Limit	6,000.0	6,000.0
Amount Over/(Under) Limit	163.6	292.4
5% Limit Exception for Capital	300.0	300.0
Actual Capital Appropriations	185.9	140.3
Amount Over/(Under) Limit	(114.1)	(159.7)

*Fire disasters declared in FY2020

**Debt paid on behalf of other entities is excluded from this figure