# SJR 5: Amending Constitution to Recalibrate Appropriation Limit

# SJR 7: Amending Constitution to Require Voter Approval of a New State Tax

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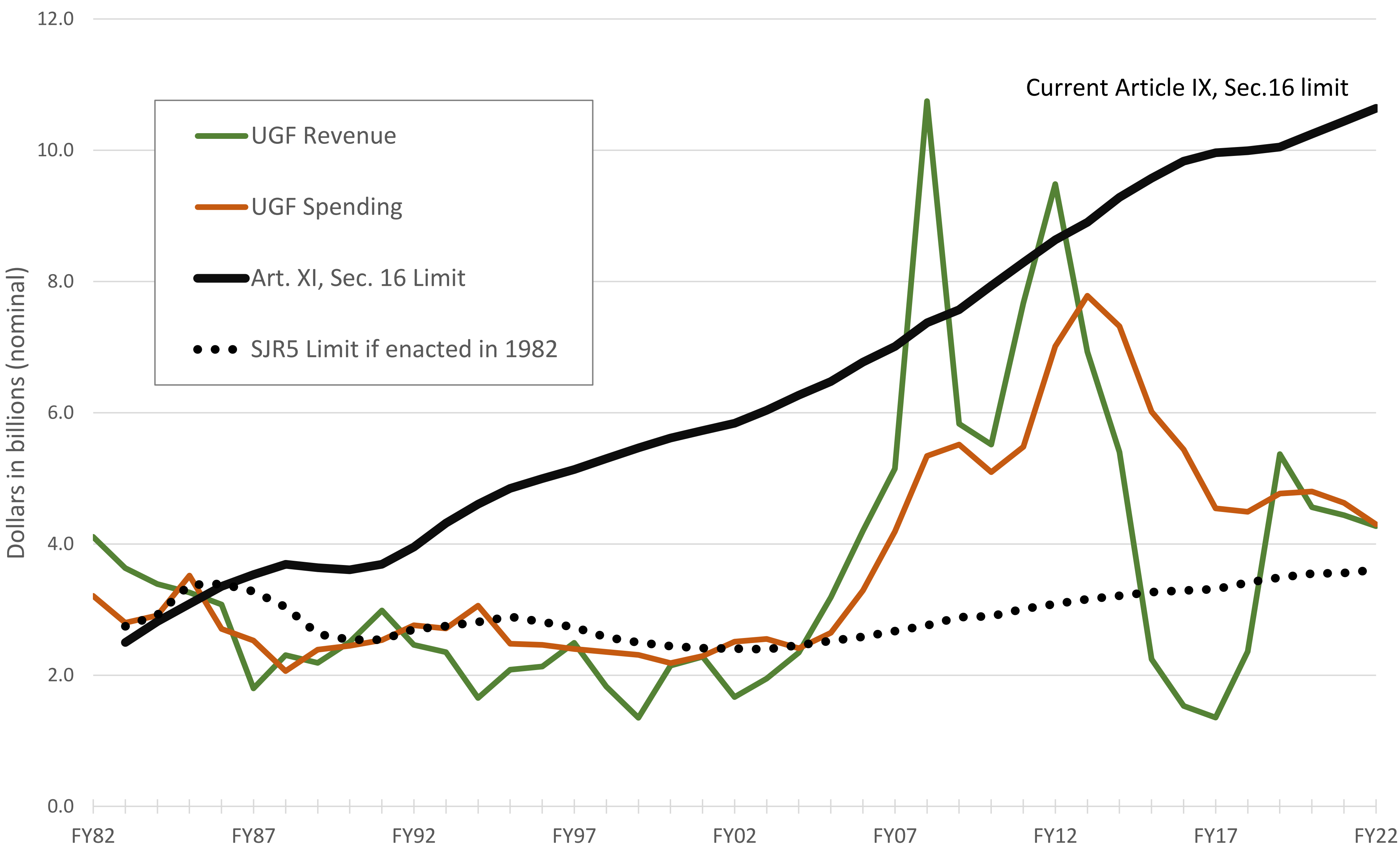
# SJR 5: Amends Article 9, section 16 of the Alaska Constitution

- SJR 5 amends article 9, section 16 of the Alaska Constitution:
  - Amends appropriation limit calculation
    - May not exceed prior three-year average by more than the greater of inflation or population growth
  - Clarifies definition of appropriations subject to cap
    - Appropriations of state funds (UGF, DGF)
    - Excludes the following appropriations:
      - PFD
      - Bond proceeds and debt service costs
      - Deposits to state savings accounts
      - Disaster response
      - Non-state funds for a specific purpose

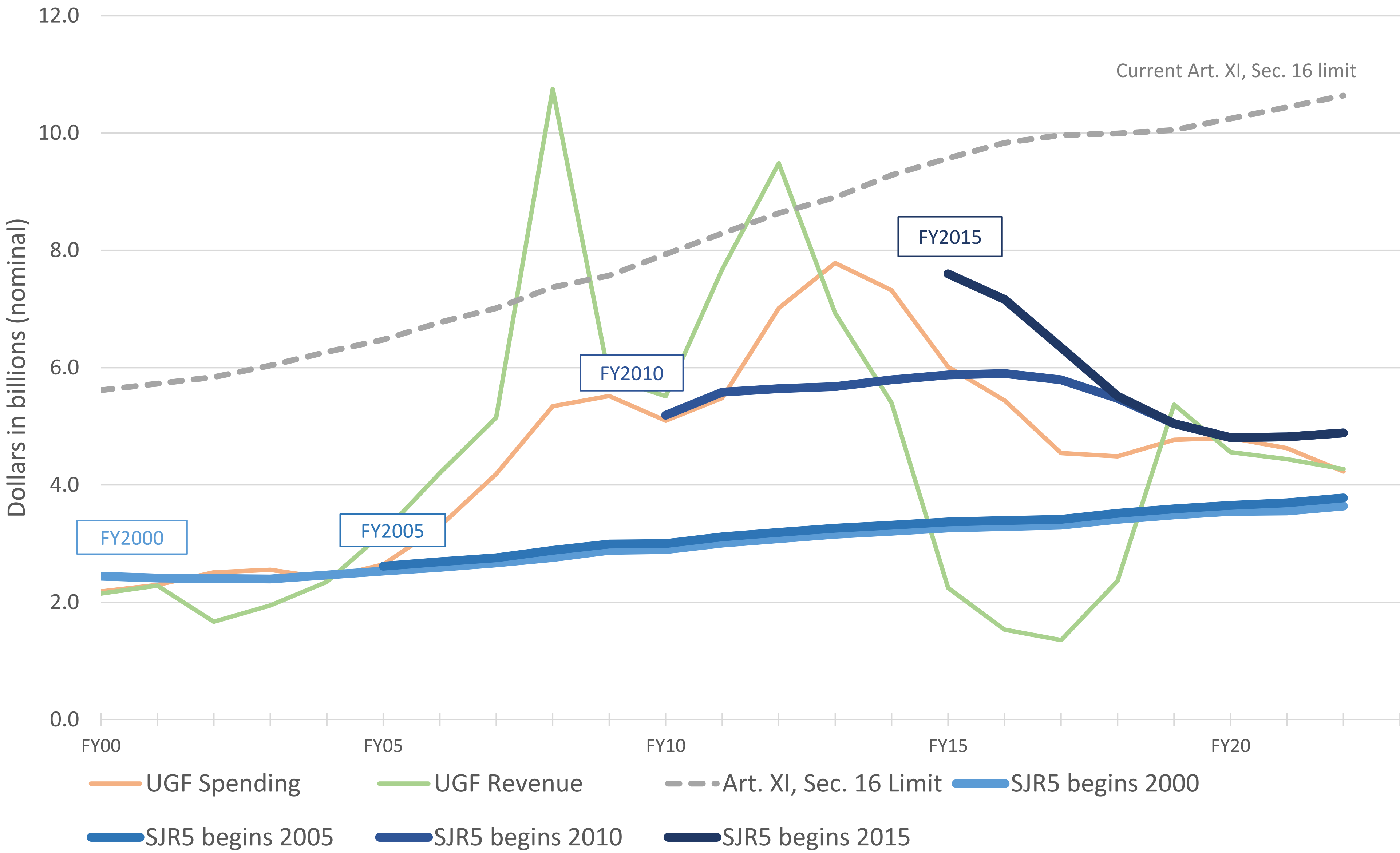
# SJR 5: Amends Article 9, section 17 of the Alaska Constitution

- SJR 5 amends article 9, section 17 of the Alaska Constitution:
  - Amends budget reserve fund (CBR) access provisions
    - Appropriations from CBR may be made by a majority vote if there are inadequate general fund revenues to meet expenditures
  - Removes general fund liability to CBR (CBR “sweep”)

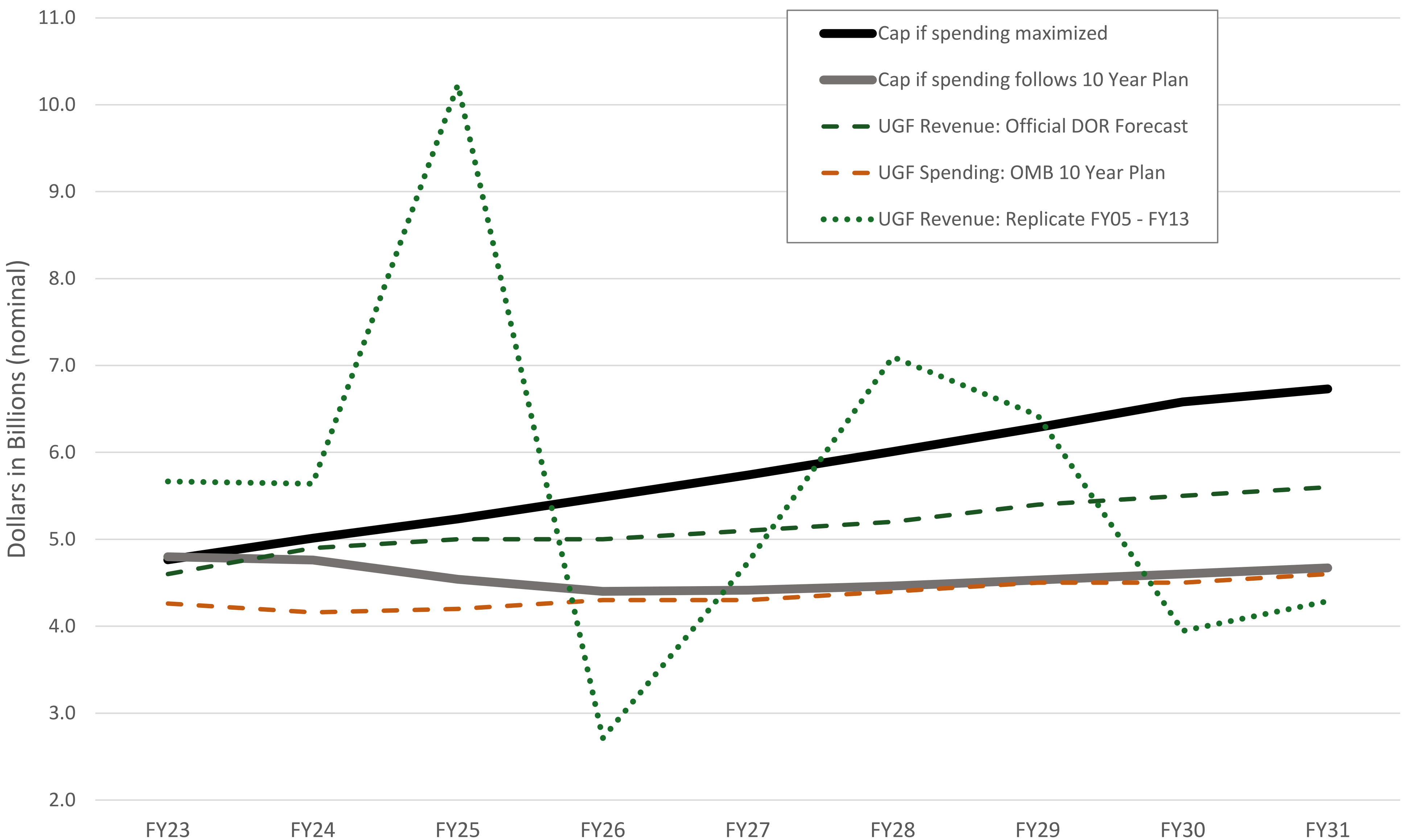
# Current appropriation limit is ineffective



# SJR 5 provides for a more nimble appropriation limit



# SJR 5 allows for modest budget growth; prevents excesses




Projections assume 0.5% annual population growth and 2.25% inflation.

# SJR 7: Amends Article 9, section 1 of the Alaska Constitution

- SJR 7 amends article 9, section 1 of the Alaska Constitution:
  - Requires voter approval for any new tax enacted by the legislature
    - Article 9, section 1(b)
    - A form of direct democracy
    - Functionally, authorizes an automatic referendum on new taxes
  - Requires legislative approval for any new tax enacted by initiative
    - Article 9, section 1(c)
    - Amends the people's constitutional initiative power
    - Functionally, a form of checks and balances

# SJR 7: Voter Approval in Other States

- Other States That Require Voter Approval of New or Increased Taxes:
  - Colorado (1992)
    - “Taxpayer Bill of Rights” (TABOR)
    - Requires voter approval of new taxes and increases to existing taxes at state and local level
    - Colorado voters approved marijuana tax in 2013, tobacco tax increases in 2020
  - Missouri (1996)
    - Requires voter approval of tax increases of $50mm (adj. for inflation)
    - 2018 Proposition D, $400mm increase to gasoline tax, defeated at polls
  - Washington (2001)
    - Requires voter approval of certain increases to real and personal property tax (“levy lid lifts”)
    - In recent years, 75% of levy lid lifts have been approved by voters

# SJR 7: Considerations

- Considerations:
  - Make government more accountable and efficient
  - Public prioritization of programs and services
  - Voter consent to new taxes may increase tax compliance
    - *Hug & Sporri, "Referendums, Trust and Tax Evasion," European J. of Pol. Econ. (Mar. 2011)*
  - More difficult to raise new revenue
  - Requirement of voter consent can delay implementation and collection of new revenues
  - Shifts fiscal decision making away from elected representatives
  - National Council of State Legislatures has considered generally the pros and cons of "tax and expenditure limitations"

# SJR 7: Considerations

Pros of "Tax and Expenditure Limitations"

- Make government more accountable;
- Force more discipline over budget and tax practices;
- Make government more efficient;
- Make governments think of creative ways to generate revenues—for example, advertising on state-owned facilities;
- Control the growth of government;
- Enable citizens to vote on tax increases and determine their desired level of government service;
- Force government to evaluate programs and prioritize services;
- Raise questions about the advisability of some functions provided by state government;
- Help citizens feel empowered and result in more taxpayer satisfaction;
- Help diffuse the power of special interests;

# SJR 7: Considerations

## Cons of "Tax and Expenditure Limitations"

- Shift fiscal decision making away from elected representatives;
- Cause disproportional cuts for non-mandated or general revenue fund programs;
- Fail to account for disproportionate growth of intensive government service populations like the elderly and school-age children;
- Make it harder for states to raise new revenue so that scarce resources may be shifted between programs;
- Cause a "ratchet-down" effect where the limit causes the spending base to decrease so that maximum allowable growth will not bring it up to the original level;
- Result in excess revenues that are difficult to refund in an equitable or cost-effective manner;
- Result in declining government service levels over time;
- Fail to provide enough revenues to meet continuing levels of spending in hard economic times;
- Shift the state tax base away from the income tax to the more popular (but regressive) sales tax if voter approval is required;
- Shift the tax base away from broad taxes (property, sales and income) to narrowly defined sources such as lotteries and user fees.

Source: https://www.ncsl.org/research/fiscal-policy/state-tax-and-expenditure-limits-2010.aspx