

State of Alaska Office of Management and Budget

Constitutional Budget Reserve Sweep and Reverse Sweep

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Funds in the Constitution

The Alaska Constitution refers to three distinct funds:

- Permanent Fund (PF) – Article IX, Section 15
 - Includes mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses.
 - Only the income may be appropriated
 - Includes the Earnings Reserve Account (ERA) per Hickel v. Cowper
- Constitutional Budget Reserve Fund (CBR) – Article IX, Section 17
 - Includes money received from the termination of administrative and judicial proceedings involving mineral revenues
- General Fund
 - Includes money received from taxes, fees, and other sources not constitutionally directed to the CBR or PF
 - Includes all designated general fund (DGF) accounts

Constitutional Budget Reserve Fund

The Constitutional Budget Reserve Fund (CBR) was established by constitutional amendment in 1990 in article IX, section 17 of the Alaska Constitution. There are four subsections:

- (a) Revenue into the CBR – money received from the termination of administrative and judicial proceedings involving mineral revenues is deposited into the CBR;
- (b) Expenditures from the CBR by majority vote only if – “the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year” and total appropriations are limited to the amount appropriated in the previous year;
- (c) Expenditures from the CBR by a three-fourths vote of the members of each house – the Legislature can appropriate from the fund for any public purpose if such a supermajority vote is obtained;
- **(d) Repayment requirement – “If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.”**



Repayment Requirement – Commonly Called the “Sweep”

- FY1995 to FY2010 CBR debt required repayment
 - Peak \$5.2B in FY2005
 - Fully repaid in FY2010
- Current debt began FY2015
 - Greater than \$11B currently owed

Sweep Effective Dates:

- Effective midnight on June 30 each year
- Reversed, pending three-quarter vote, 12:01 am July 1

Sweep Mechanics:

- Prior year account transactions closed August 31
- Balances subject to audit

Sweep Application

Subject to Sweep:

- Funds for which the legislature has retained the power to appropriate from and that are not available to pay expenditures without further legislative appropriation
- Funds that list purposes for which money in the fund can be used but still require appropriation to spend

Not Subject to Sweep:

- Money in funds that is already validly appropriated to a particular purpose
- Federal funds
- Other trust funds such as the Public Employees Retirement Fund that can only be used for a specific stated purpose under law or held in trust
- Donations for a particular purpose
- Accounts or funds subject to expenditure without further appropriation
- Receipts subject to refund – eg. Alaska Marine Highway, University tuition or student housing

Sweep Reversal

The sweep is a constitutional requirement, the reverse sweep is a policy decision with significant impacts.

Section 28(a) of the Governor's proposed FY22 operating budget:

- Sec. 28. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2021 that are made from subfunds and accounts of the operating general fund by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which those funds were transferred.

This appropriation is...

- directing all “swept” subfunds to be transferred back to the fund they resided in prior to June 30.
- from the CBR requiring a supermajority vote per Alaska Constitution article IX, section 17(c).
- commonly called the “reverse sweep”.



Sweep Impacts

Without enacting reversal:

- 3 Categories of Impact
 - High impact – Funds with no projected revenues in FY22
 - Impacted programs include scholarships from the higher education fund, the power cost equalization program.
 - Medium impact – Funds with FY22 revenues less than the amount appropriated for FY22
 - Impacted programs include alcohol safety program, chronic disease prevention, substance abuse grants, domestic violence and sexual assault prevention, Marine Highway System operations, and spill prevention and response.
 - No immediate impact – Funds without FY22 appropriations reliant on existing balances.
 - These funds are used for tracking purposes or as general savings accounts. Examples include cruise ship gambling tax and Alaska Housing Capital Corporation.
 - Also includes funds with balances that are already obligated through existing appropriations such as the Alaska comprehensive health insurance fund.

Sweep Impacts

Without enacting reversal:

	FY22 Potential Shortfall
1169 Power Cost Equalization Fund	(57,471.5)
1226 Higher Education Fund	(25,818.7)
1197 AK Capital Income Fund	(17,503.8)
1200 Vehicle Rental Taxes	(5,863.3)
1168 Tobacco Use Education and Cessation	(2,671.1)
1151 Technical Vocational Education Program Fund	(1,261.5)
1180 Alcohol & Other Substance Abuse	(1,042.5)
1254 Marijuana Education and Treatment	(803.7)
1246 Recidivism Reduction Fund	(627.0)
1201 Commercial Fisheries Entry Commission	(597.8)
1054 State Employment and Training Fund	(330.3)

Impacts mitigated by enacting section 28(a) of the Governor's proposed FY22 operating budget.

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