



ALASKA · STATE · CAPITOL

Appropriation Limits Overview

House Ways and Means
Committee
Legislative Finance Division
September 8, 2021

Outline

- Overview of current appropriation limits
 - Constitutional limit
 - Statutory limit
- Overview of appropriation limit proposals before the 32nd Alaska Legislature
 - SJR 5/HJR 6 (Governor)
 - SB 75 (Sen. von Imhof)
 - HB 141 (Rep. Spohnholz)
 - HJR 301/SJR 301, HB 3001 (Rep. Kaufman/Sen. Myers)

Current Constitutional Appropriation Limit

- Established in Article IX, §16 of the Alaska Constitution, effective starting in 1982

“Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.”

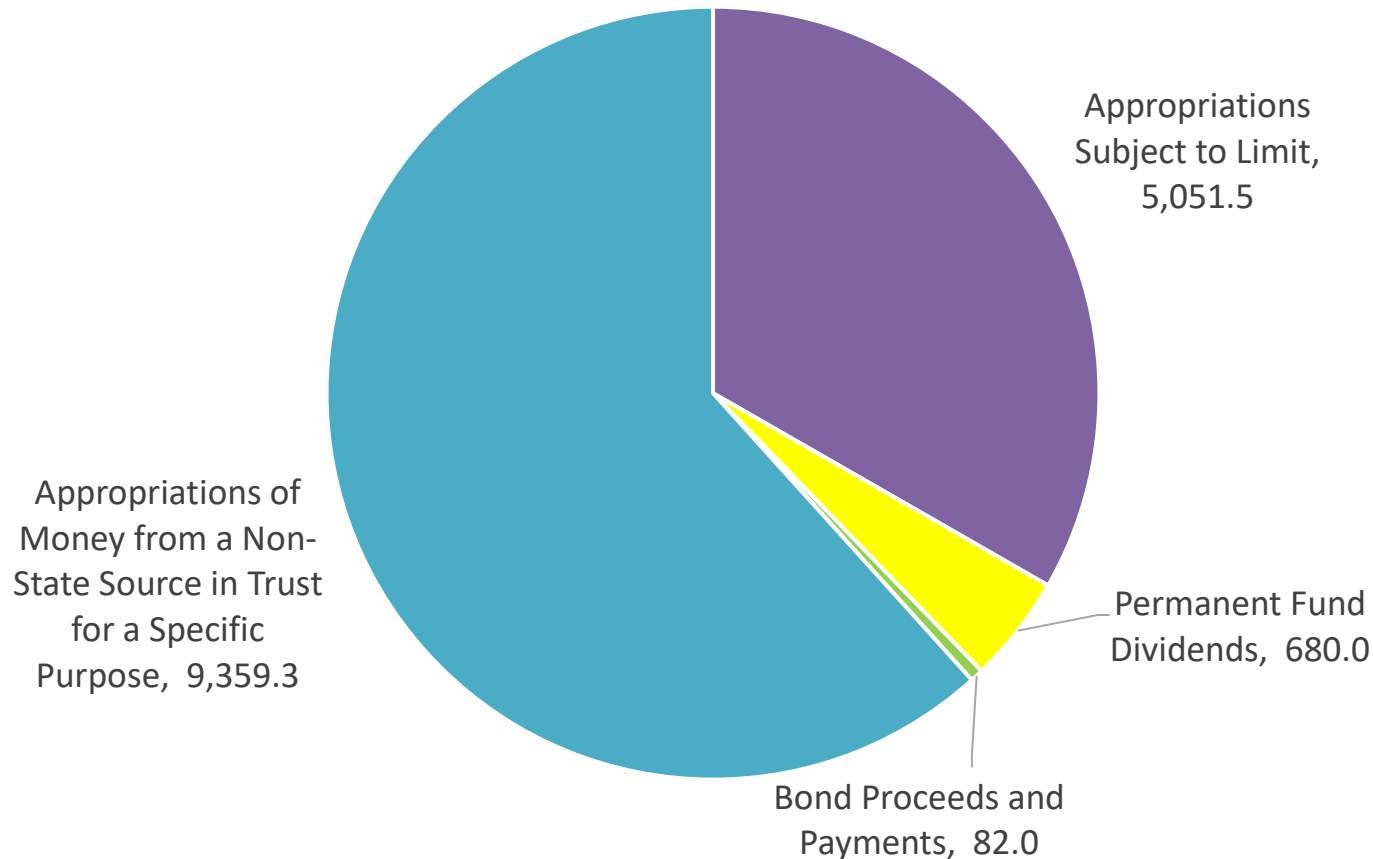
Appropriations Subject to Current Constitutional Limit

- Sets out exceptions to the limit as follows:

“Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds...No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. ”

- This creates exclusions of both fund sources (revenue bonds, corporate revenues, funds from a non-State source) and purposes (PFDs, bond interest)
- The clause “appropriations of money received from a non-State source in trust for a specific purpose” captures federal revenue and most fund sources categorized as “Other State Funds”
- The legislature may also exceed the limit for appropriations to the Permanent Fund
- An Attorney General’s opinion from 1983 indicates that school debt reimbursement is excluded from the limit

Appropriations Subject to Current Constitutional Limit, FY21

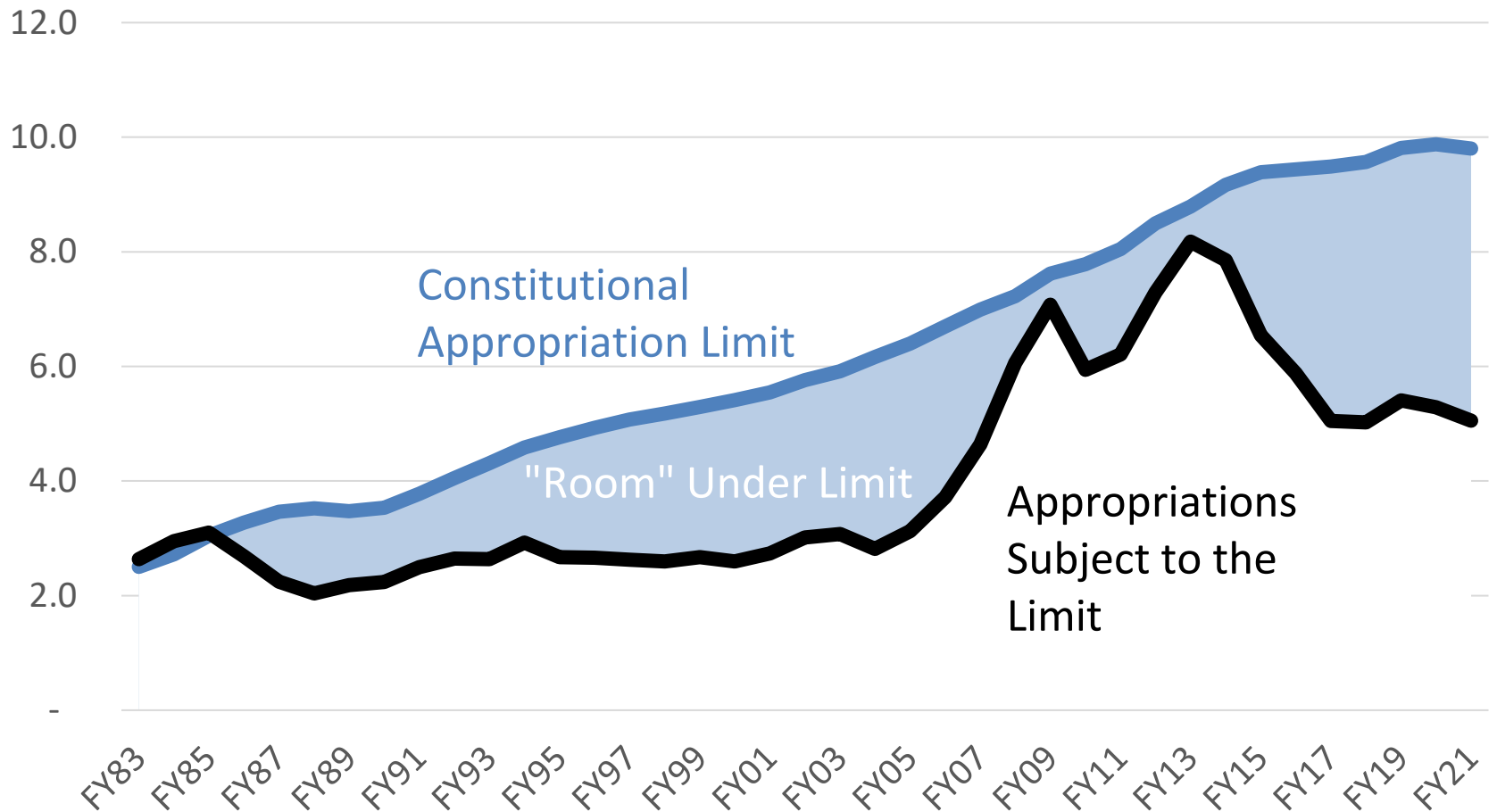


Starting Point and Growth Rate of Current Constitutional Limit

“Appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981.”

- This was slightly below the appropriation level when the limit was adopted in FY82. In FY21, the limit is about \$9.8 billion.

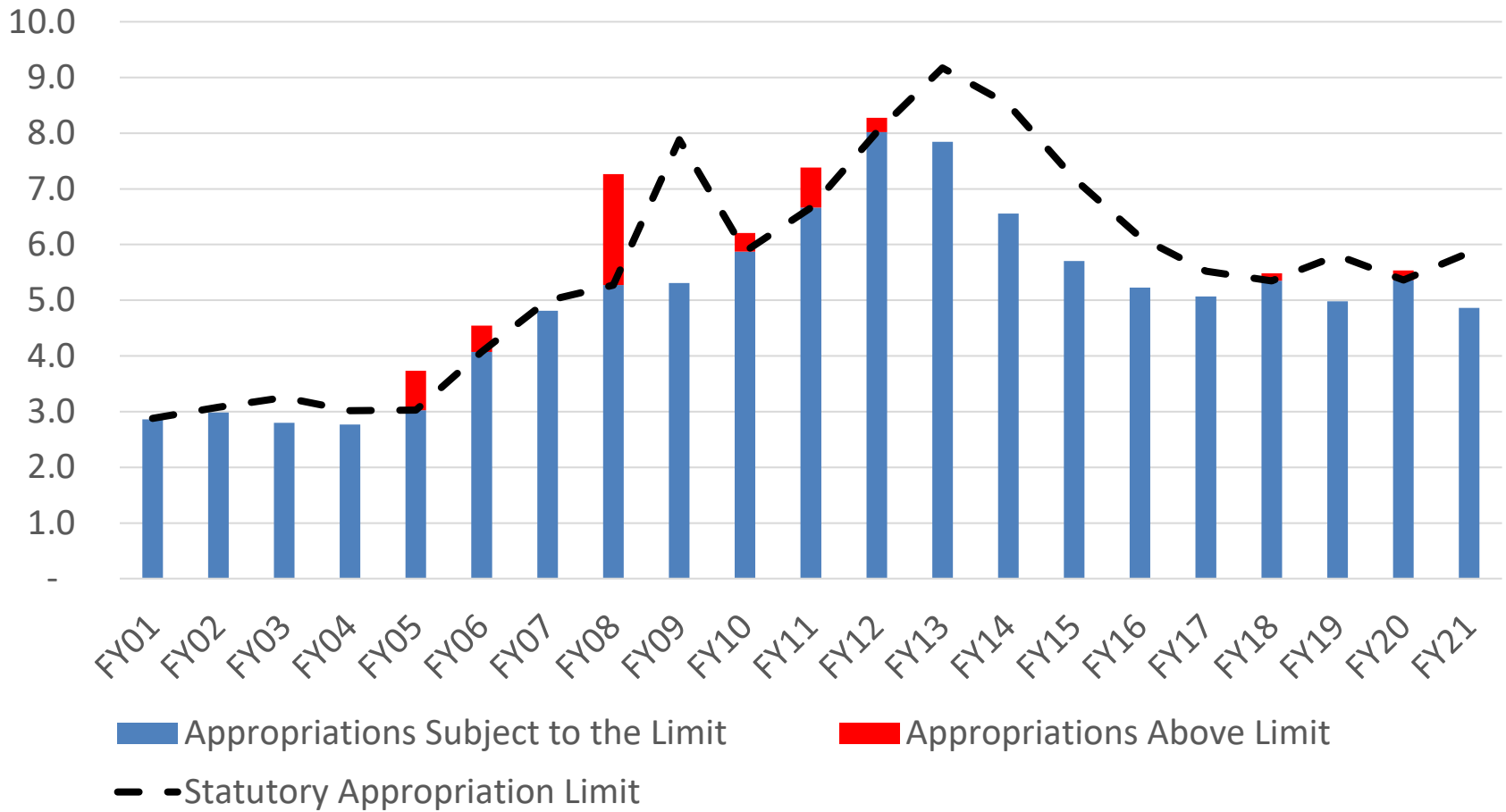
Current Constitutional Appropriation Limit, FY83-FY21 (\$billions)



Current Statutory Appropriation Limit

- Established in AS 37.05.540 (b), enacted in 1986
- Based on appropriations made *in* a fiscal year, not *for* a fiscal year – counts supplementals in the year they are appropriated, not the year they are effective
- Using similar exclusions as the Constitutional limit, limits spending growth to population plus inflation plus 5%
- Since it is in statute, it can be ignored and has been broken repeatedly

Current Statutory Appropriation Limit, FY01-21 (\$billions)



Appropriation Limit Proposals in 32nd Alaska Legislature

Constitutional Amendments

- SJR 5/HJR 6 (Governor)
- HJR 301/SJR 301 (Rep. Kaufman/Sen. Myers)

Statutory Amendments

- SB 75 (Sen. von Imhof)
- HB 141 (Rep. Spohnholz)
- HB 3001 (Rep. Kaufman)

Comparison: Appropriations Subject to the Limits

“Yes” means an appropriation is subject to the limit, “no” means it is excluded from the calculation.

	Current Constitutional Limit	Current Statutory Limit	HJR 6 (Gov)	CSSJR 5 (Gov/SJUD)	HJR 301 (Kaufman)	SB 75 (von Imhof)	HB 141 (Spohnholz)
UGF	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DGF	Yes	Yes	Yes	Yes	Yes	No	Yes
Funds Held in Trust (Other, Federal)	No	No	No	No	No	No	No
Bond Proceeds	No	No	No	No	No	No	No
PFDs	No	No	No	No	No	Yes	No
Approps to the Perm Fund	No	No	No	No	No	No	No
Revenue Bond Payments	Yes	Yes	No	No	No	No	Yes
GO Bond Payments	Yes	Yes	No	No	No	No	No
Retirement Payments	Yes	Yes	Yes	No	Yes	Yes	Yes
Disaster Declarations	No	Yes	No	No	No	No	No
Capital Projects	Partial *	No	No	No	No	Partial **	Partial **
"In" or "for" an FY	For	In	For	For	For	For	For
Total Included, FY21	5,051.5	4,861.9	5,051.1	4,705.5	5,051.1	5,317.9	5,051.5

*Allows additional capital appropriations with a 3/4 vote of the legislature or vote of the public

**Allows additional capital appropriations of up to 5% of the total limit

Comparison: Starting Point and Growth Rate

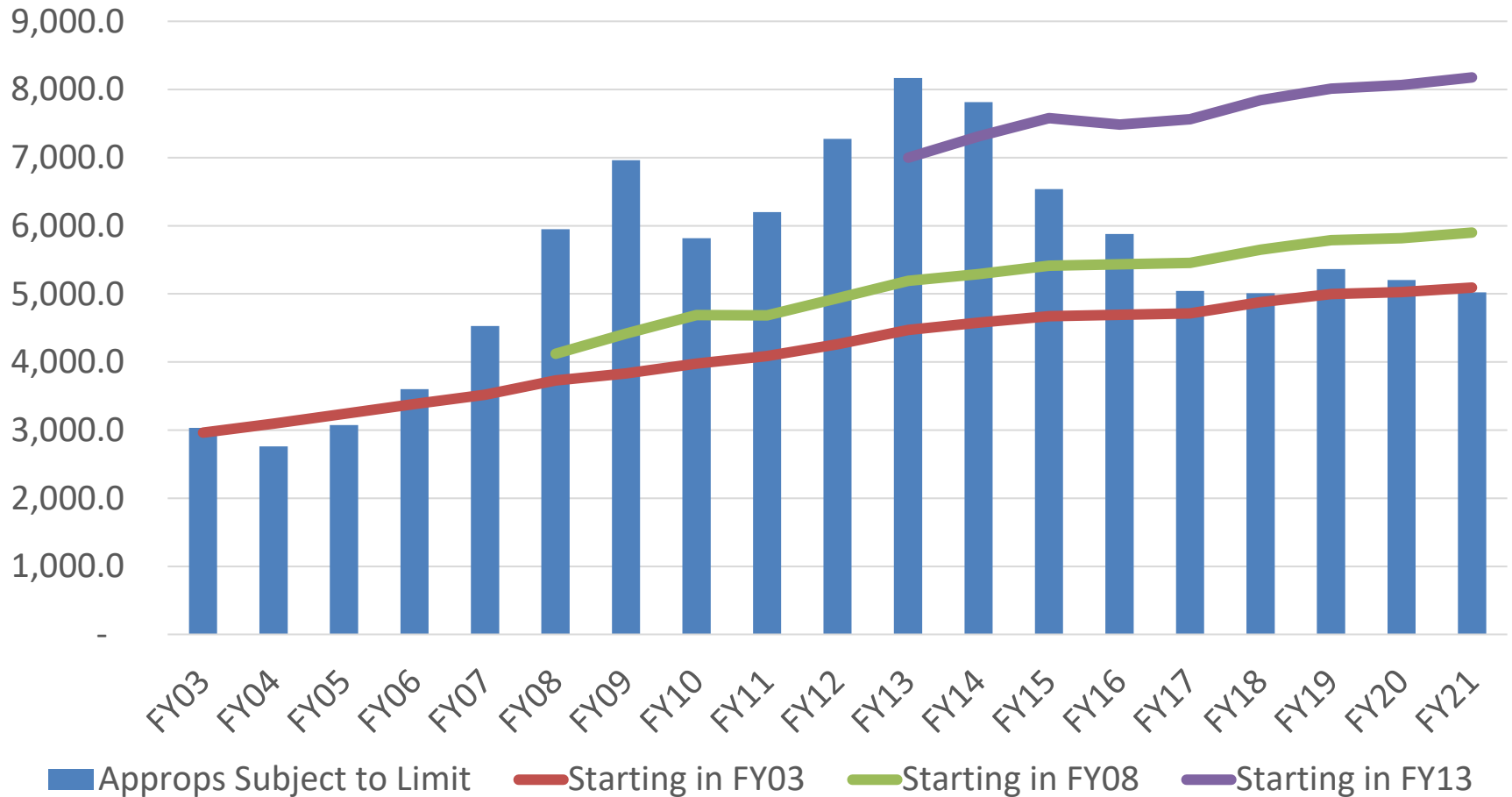
	Current Constitutional Limit	Current Statutory Limit	HJR 6 (Gov)	CSSJR5 (Gov/SJUD)	HJR 301, HB 3001 (Kaufman)	SB 75 (von Imhof)	HB 141 (Spohnholz)
Starting Point	Fixed amount (\$2.5 billion)	Previous year's approps	Average of 3 previous fiscal years	Average of 3 previous fiscal years	14.5% of private sector GDP (HJR 301), 11% of private sector GDP (HB 3001)	Fixed amount (\$6 billion)	Fixed amount (\$5.77 billion) then average of 3 previous fiscal years
Growth Rate	100% of inflation and population	100% of inflation and pop plus 5%	Greater of inflation or pop over 3 years	Greater of inflation or pop over 2 years	Grows with GDP	75% of inflation and 25% of population	Greater of average change in inflation or pop over 3 years

Comparing Impact of Proposed Limits

- Projecting limits forward is challenging and highly dependent on assumptions. Applying proposed limits historically gives a clearer view of how they may operate
- Appropriations data prior to FY00 is less reliable, so these focus on implementation after that
- We provide three scenarios: implementation in Fiscal Years 2003, 2008, and 2013. This gives a variety of spending levels for a starting point.

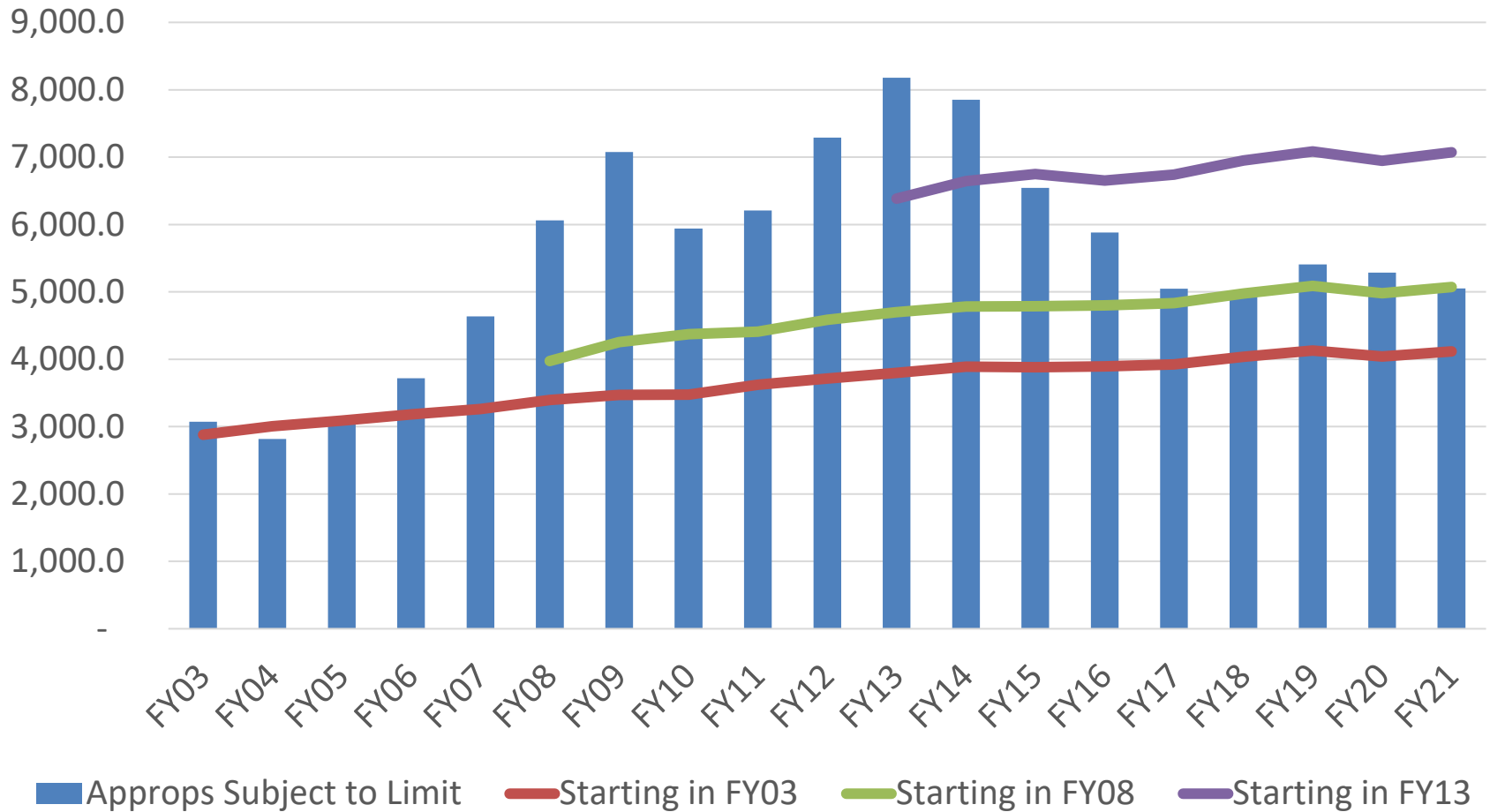
HJR 6 (Governor) if Enacted Historically

(\$millions)



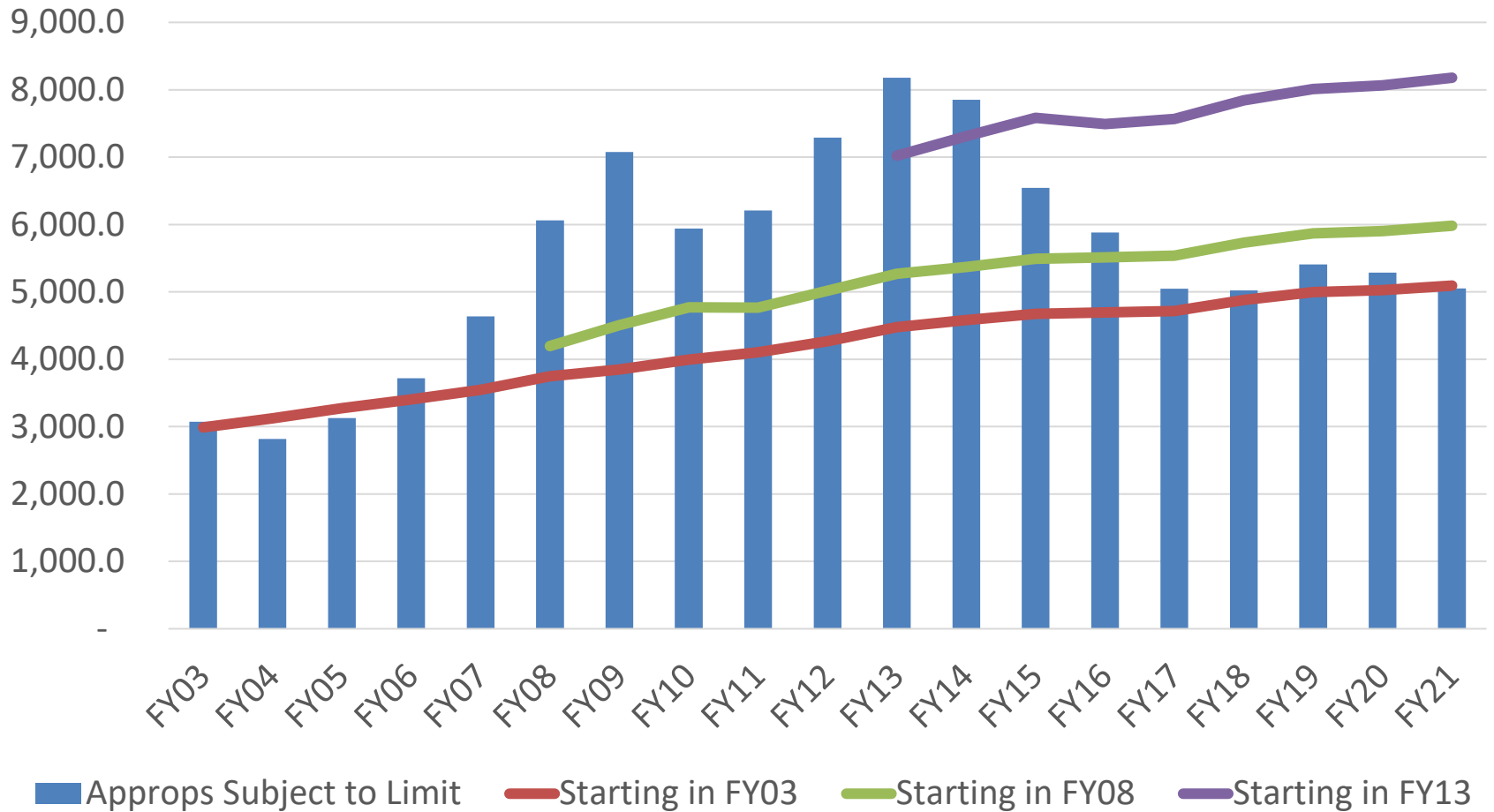
CSSJR 5 (Governor/Senate Judiciary) if Enacted Historically

(\$millions)



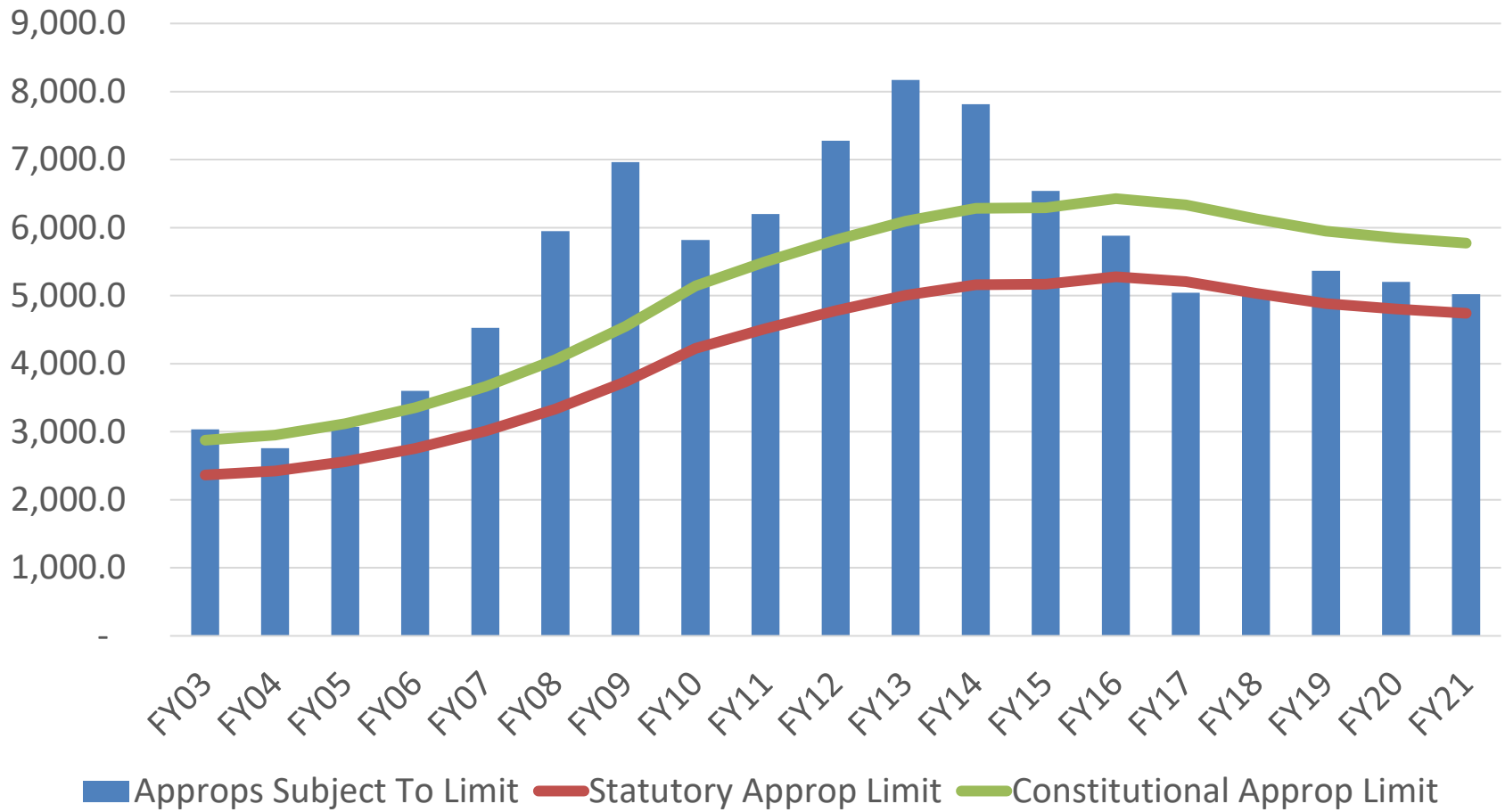
HB 141 (Rep. Spohnholz) if Enacted Historically

(\$millions)



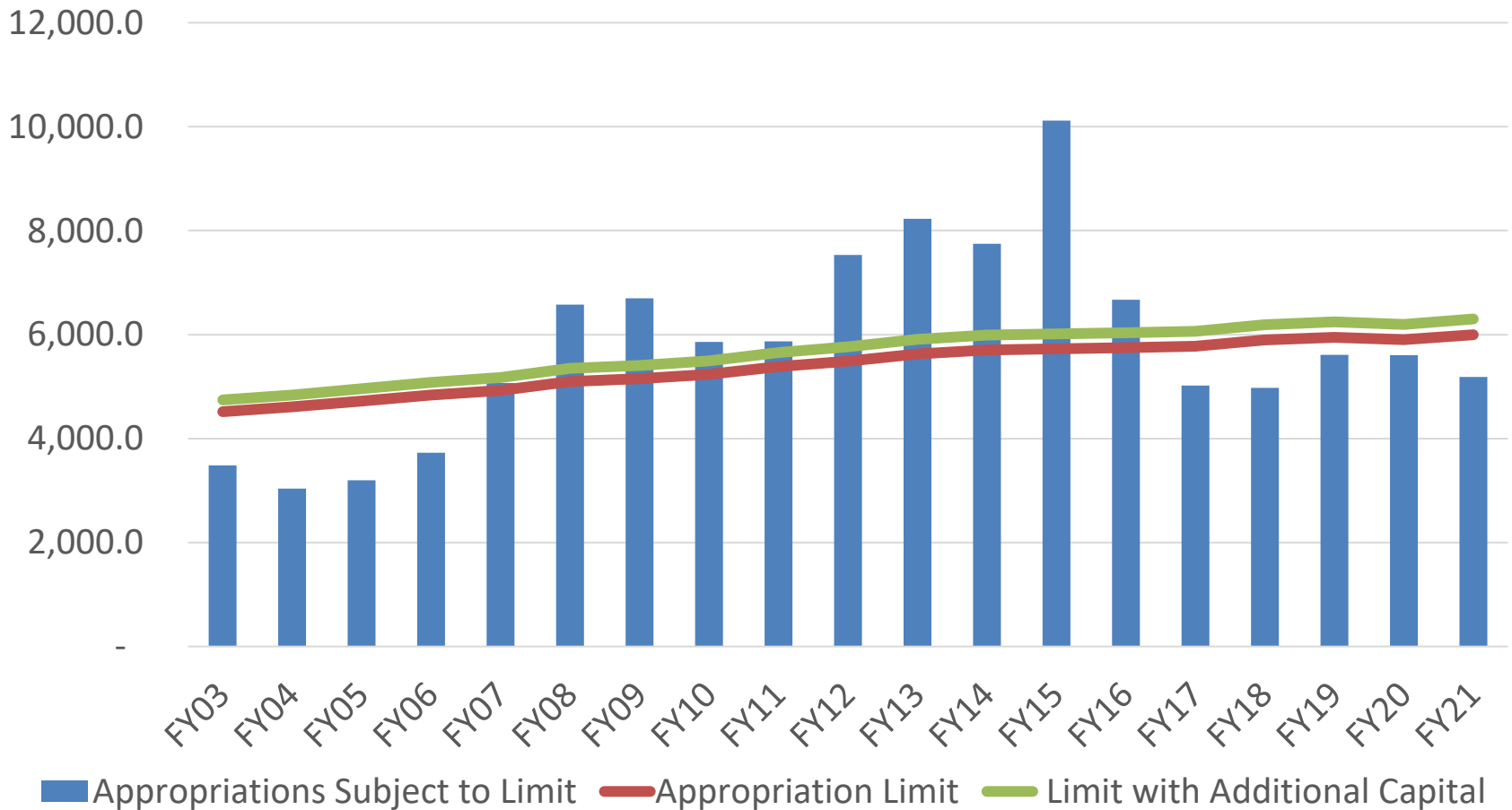
HB 3001 and HJR 301 (Rep. Kaufman) if Enacted Historically

(Note: this limit does not change based on year enacted) (\$millions)



SB 75 (Sen. von Imhof) Adjusted Backwards

(Note: this limit starts with a fixed dollar amount, so this analysis imputes what the limit would be in past years) (\$millions)



Other Considerations

- Who calculates the limit?
 - Current constitutional limit is calculated in the ACFR after the close of the fiscal year by Division of Finance
 - Statutory limit is not formally calculated by any entity (though Legislative Finance does calculate it each year)
 - HB 3001, HB 141, and SB 75 require the Governor to calculate it as part of the 10-year plan. SB 75 also requires the Legislative Finance Division to review the limit every three years
- Should there be special treatment of capital projects?
 - The current constitutional limit sets aside $\frac{1}{3}$ of the limit for capital. In practice, this has not been followed. An AG opinion indicated that this provision could be ignored in times of constrained revenue, but even in the oil boom years in the 2000s this was not followed.

Questions?

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