

State of Alaska

Office of Management and Budget

Senate Finance Committee

SJR 5: Constitutional Spending Limit

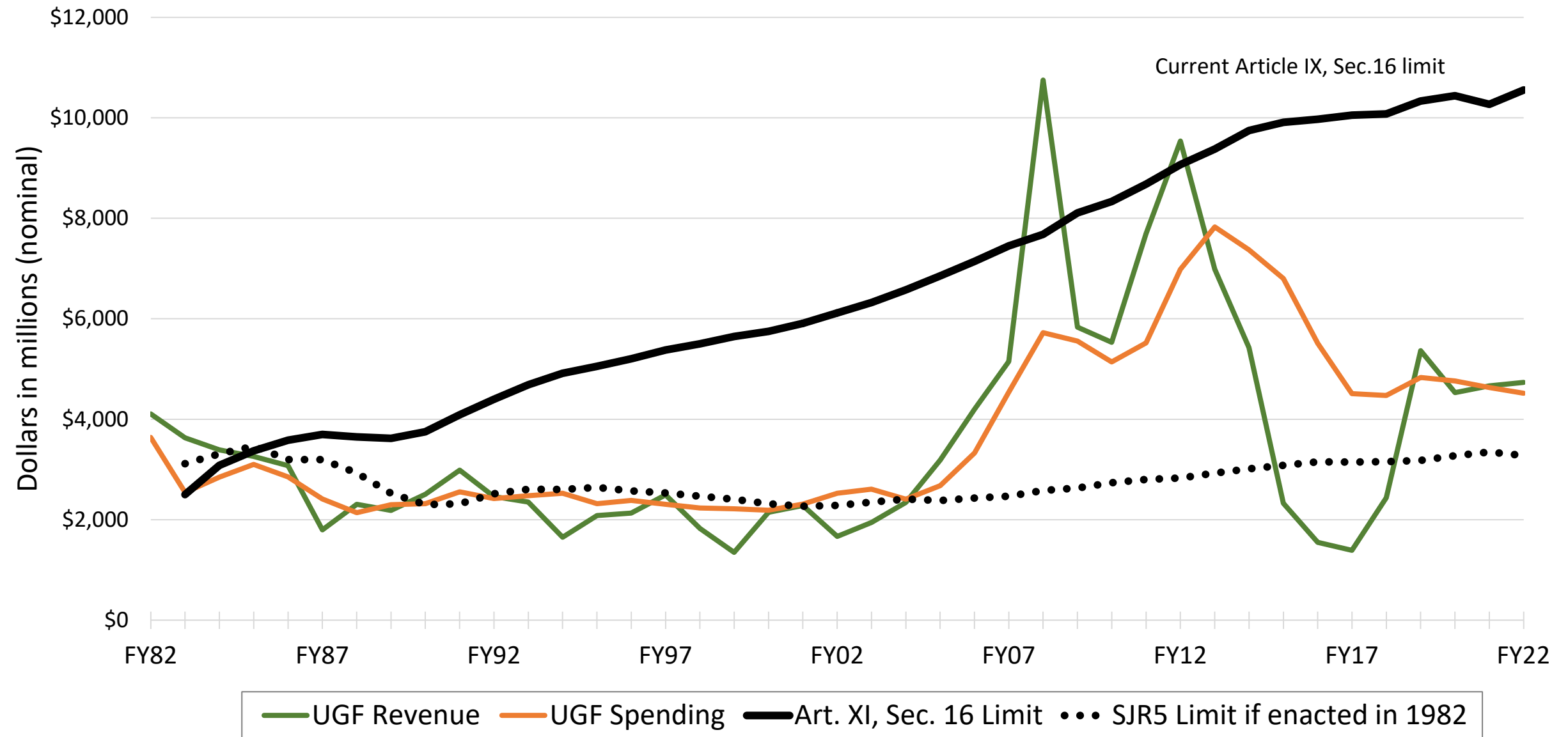
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Neil Steinger, Director
Caroline Schultz, Policy Analyst



Office of Governor
MIKE DUNLEAVY

Current Limit: Article IX, Section 16



Key Aspects of an Effective Appropriation Limit

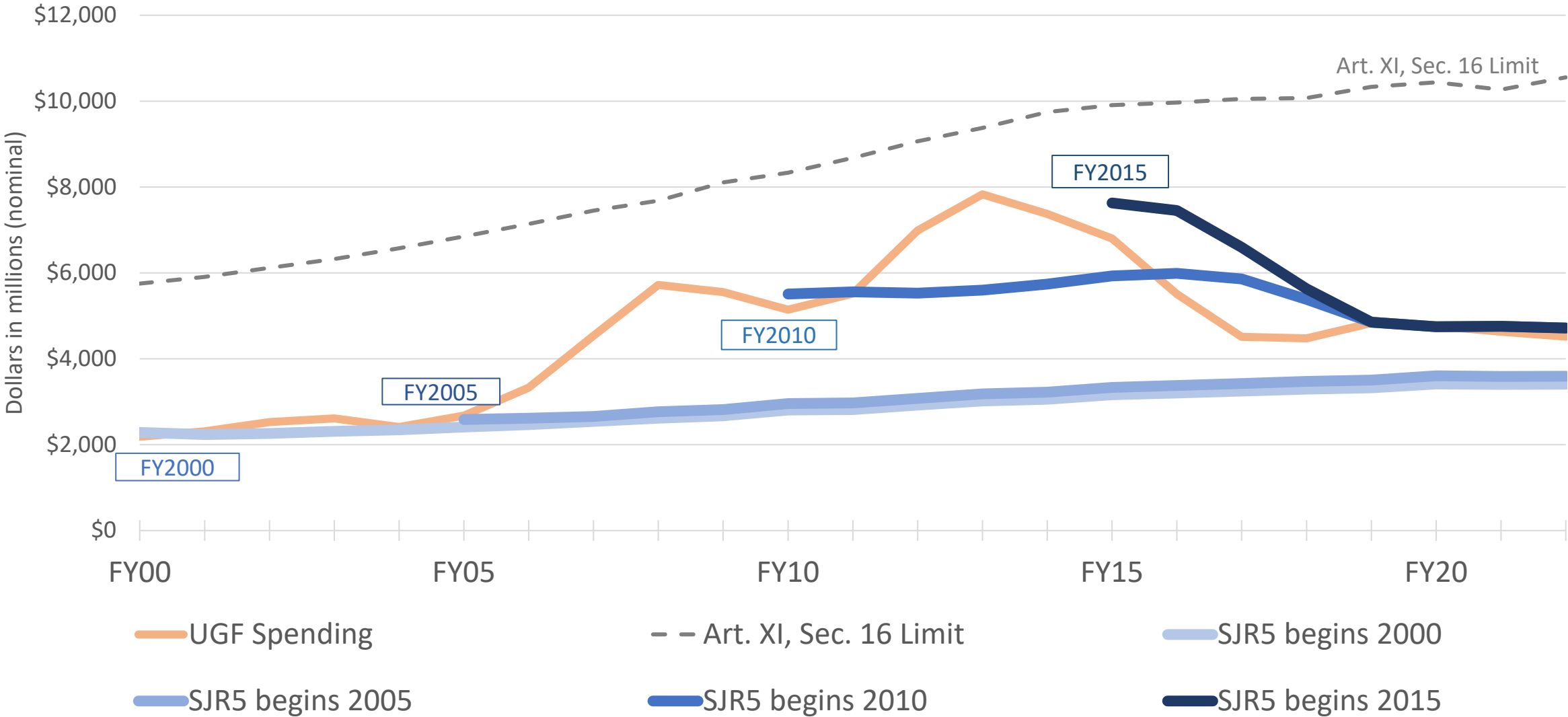
- Inhibit excess spending in high revenue years
- Practical considerations for calculation
 - Timely data availability
 - Can be calculated in advance of budget deadlines
 - Clearly understood formula
- Responsive to long-term and unanticipated changes
- Avoids unintended consequences or disincentives for short-term savings

Policy Considerations for Appropriation Limit Calculations

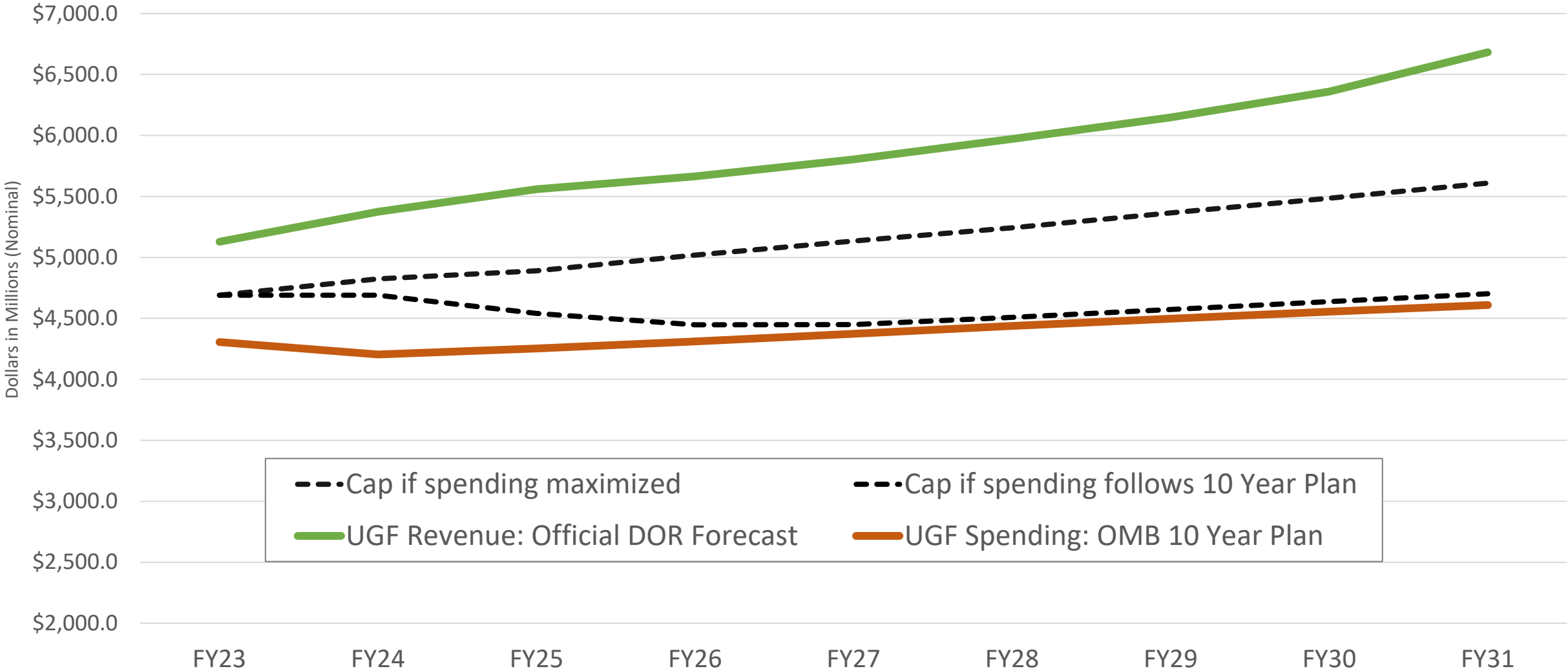
There are three critical policy considerations when establishing a spending limit calculation:

	Current Article IX, Section 16 Limit	CS SJR 5 (JUD) Proposed
What is excluded?	PFDs, deposits to PF, bond proceeds, GO bond debt service, disaster spending, non-state money received in trust, revenues of a public enterprise, certain capital appropriations	PFDs, deposits to PF or other state savings accounts , retirement unfunded liability payments , bond proceeds, GO & revenue bond debt service, disaster spending, non-state money received in trust, revenues of a public enterprise, certain capital appropriations
What is the base?	\$2.5 B in 1982 (fixed)	Previous average 3 years (moving)
How does it grow?	Inflation * population (cumulative)	Greater of inflation or population (over previous two years)

SJR 5 Constitutional Appropriation Limit – Timing Matters



SJR 5 Constitutional Appropriation Limit – Looking Forward



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

SJR 5 Constitutional Appropriation Limit – As Amended by Senate Judiciary

SJR 5 amends article 9, section 16 of the Alaska Constitution:

Fixing the calculation to limit spending

- May not exceed prior three-year average by more than the greater of inflation or population growth

Clarifies definition of appropriations subject to cap

- Includes appropriations of state funds (UGF, DGF)
- Excludes the following appropriations:
 - PFD
 - Bond proceeds and debt service costs
 - Deposits to state savings accounts
 - Payments toward retirement unfunded liability
 - Disaster response
 - Non-state funds for a specific purpose
 - Capital projects if approved by voters

SJR 5 Constitutional Appropriation Limit – As Amended by Senate Judiciary

SJR 5 amends article 9, section 17 of the Alaska Constitution:

- Amends section 17(a) to clarify deposits to the fund
- Removes section 17(b) which currently allows simple majority access under certain circumstances

Retains access through $\frac{3}{4}$ vote and repayment provisions