



ALASKA · STATE · CAPITOL

HB 38 and HJR 2 Appropriation Limits

Legislative Finance Division

May 8, 2023

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.”

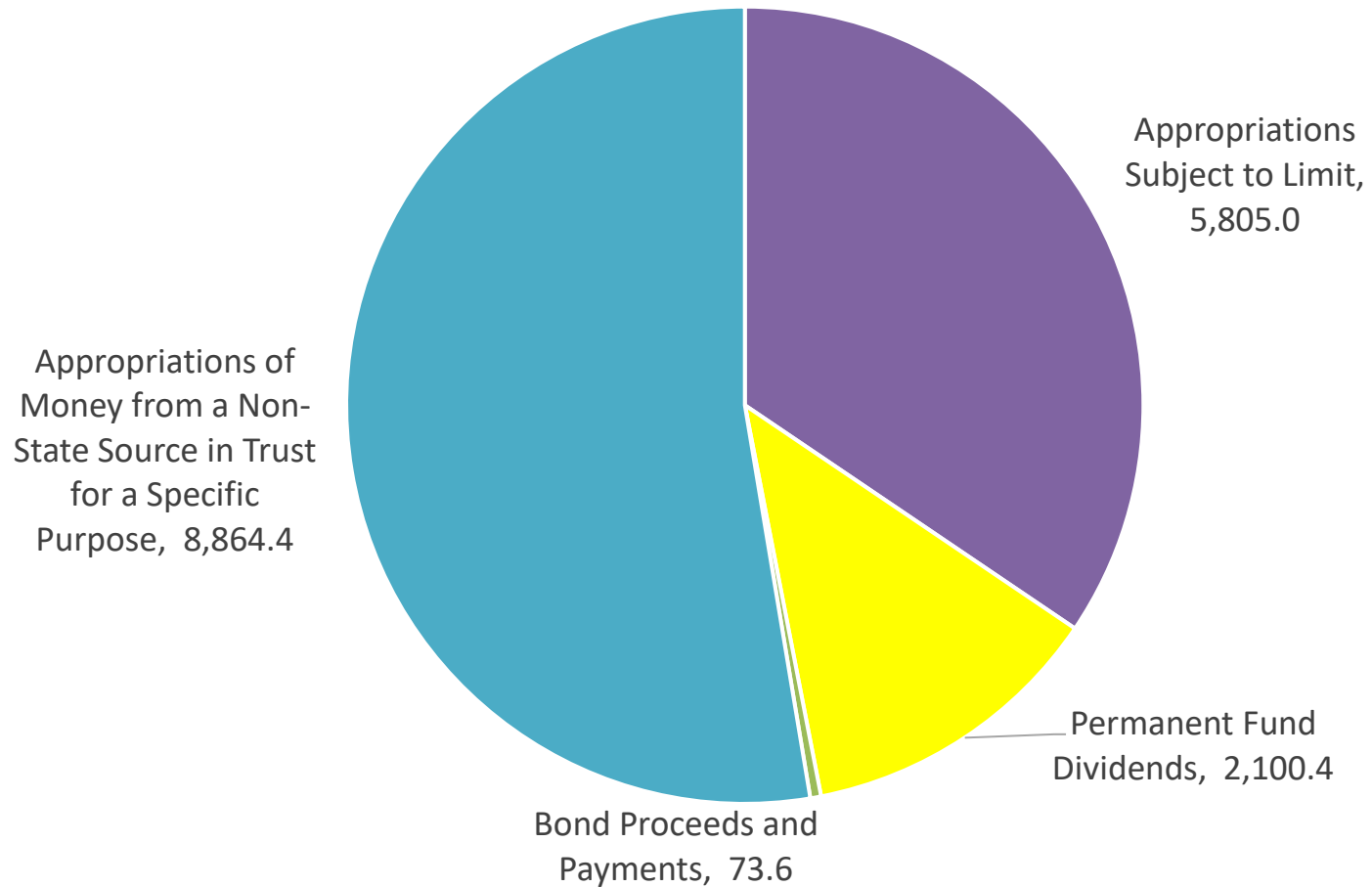
Appropriations Subject to Current Constitutional Limit

- 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, FY23 Management Plan



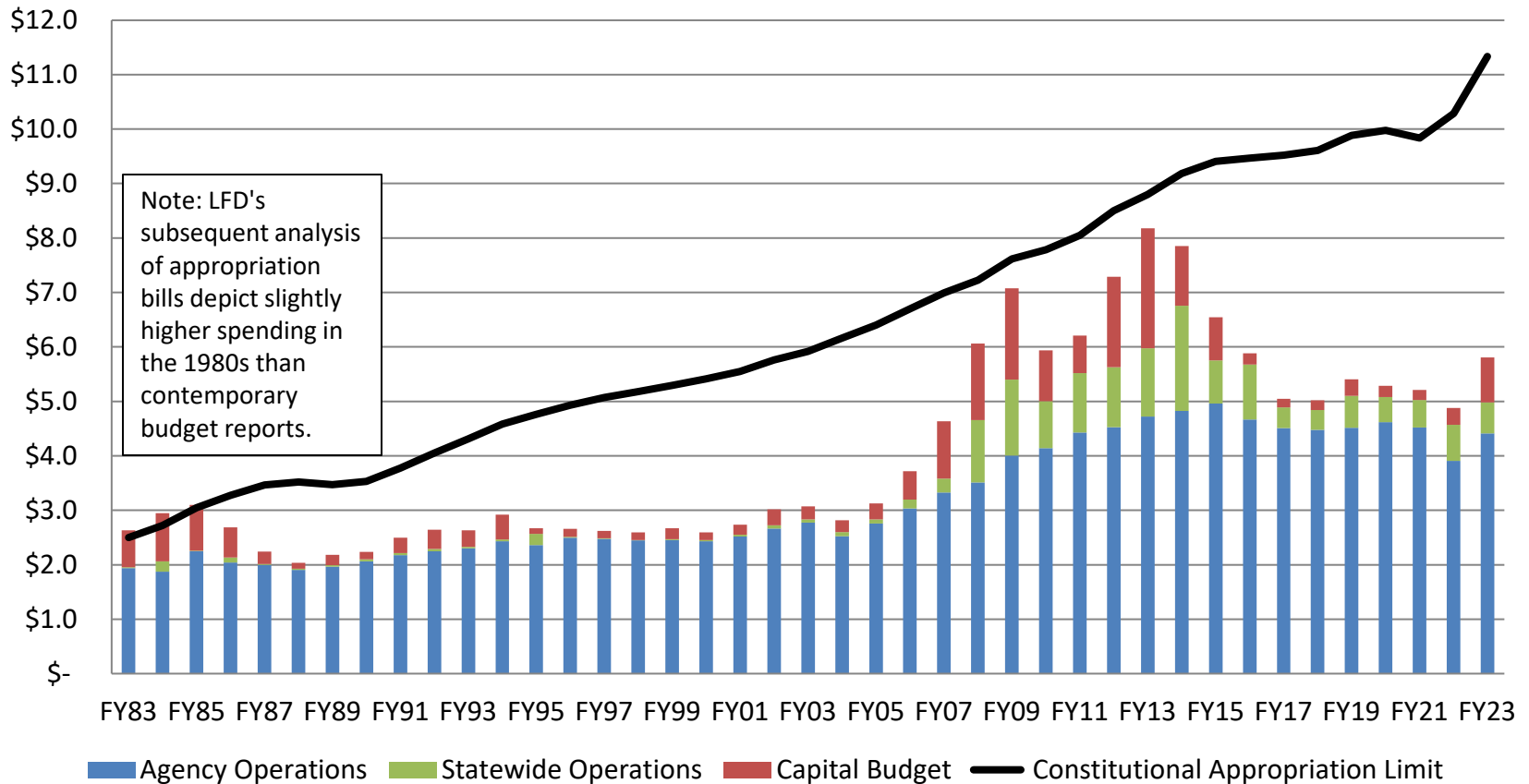
Starting Point and Growth Rate of Current Constitutional Limit

“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 FY23, the limit is about \$11.3 billion.

Constitutional Appropriation Limit (continued)

**Constitutional Appropriation Limit (Article 9, Section 16)
and Appropriations Subject to the Limit
(\$billions)**



Capital Budget Exclusion in Current Constitutional Limit

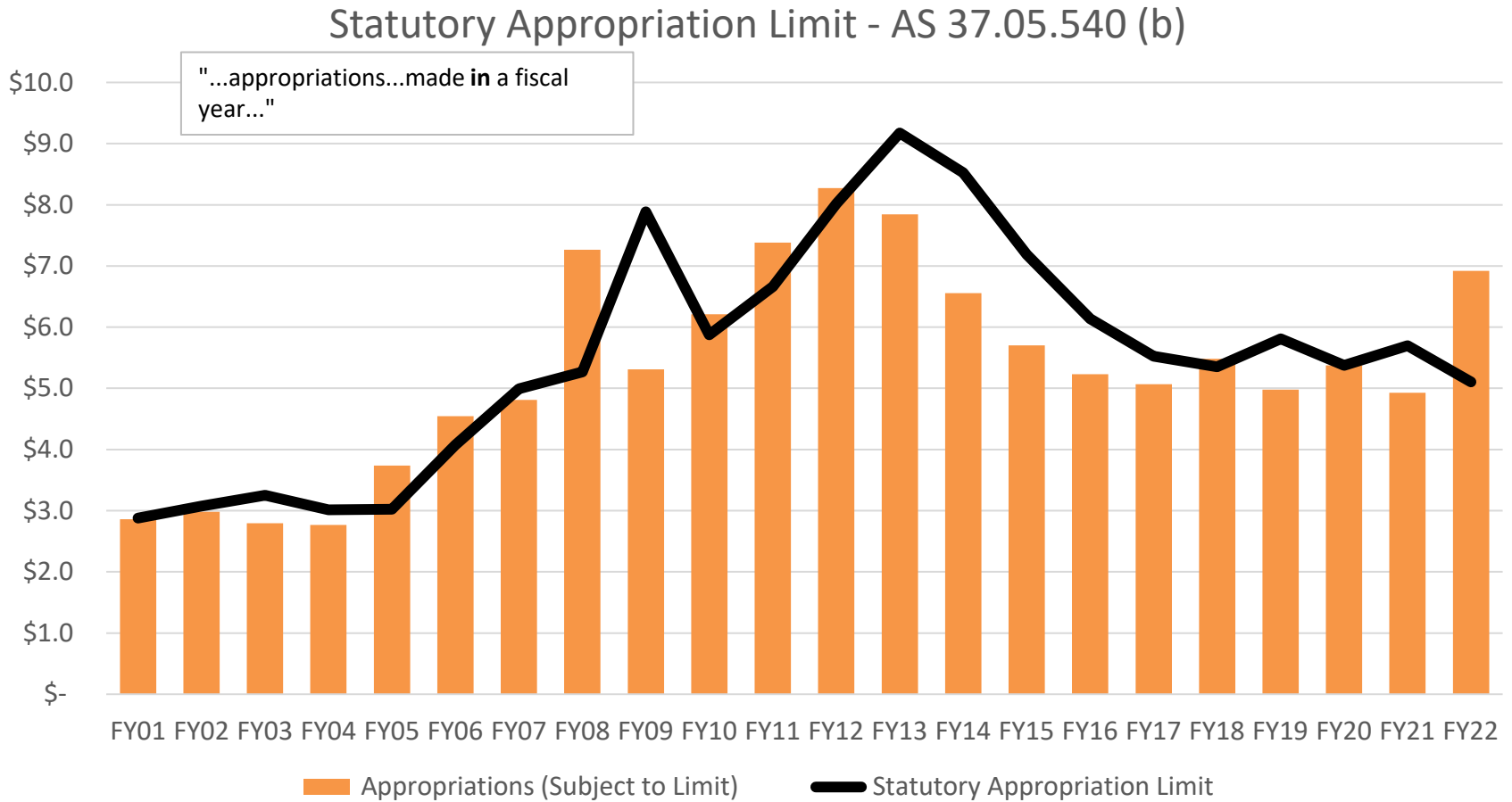
“Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill 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.”

- This provision reserves 1/3 of the limit for capital expenditures. A 1983 Attorney General opinion argued that this provision cannot be enforced in times of constrained revenue.
- It also allows the legislature to exceed the limit for capital projects if voters approve the expenditures. Since General Obligation Bond proceeds and debt service are excluded from the limit, this allows the legislature a non-debt alternative to financing capital projects in excess of the limit.

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%
- Designed to prevent spikes in spending, not to dictate an overall expenditure path
- It has been broken repeatedly with no consequence because it is in statute and cannot override the constitutional power of appropriation

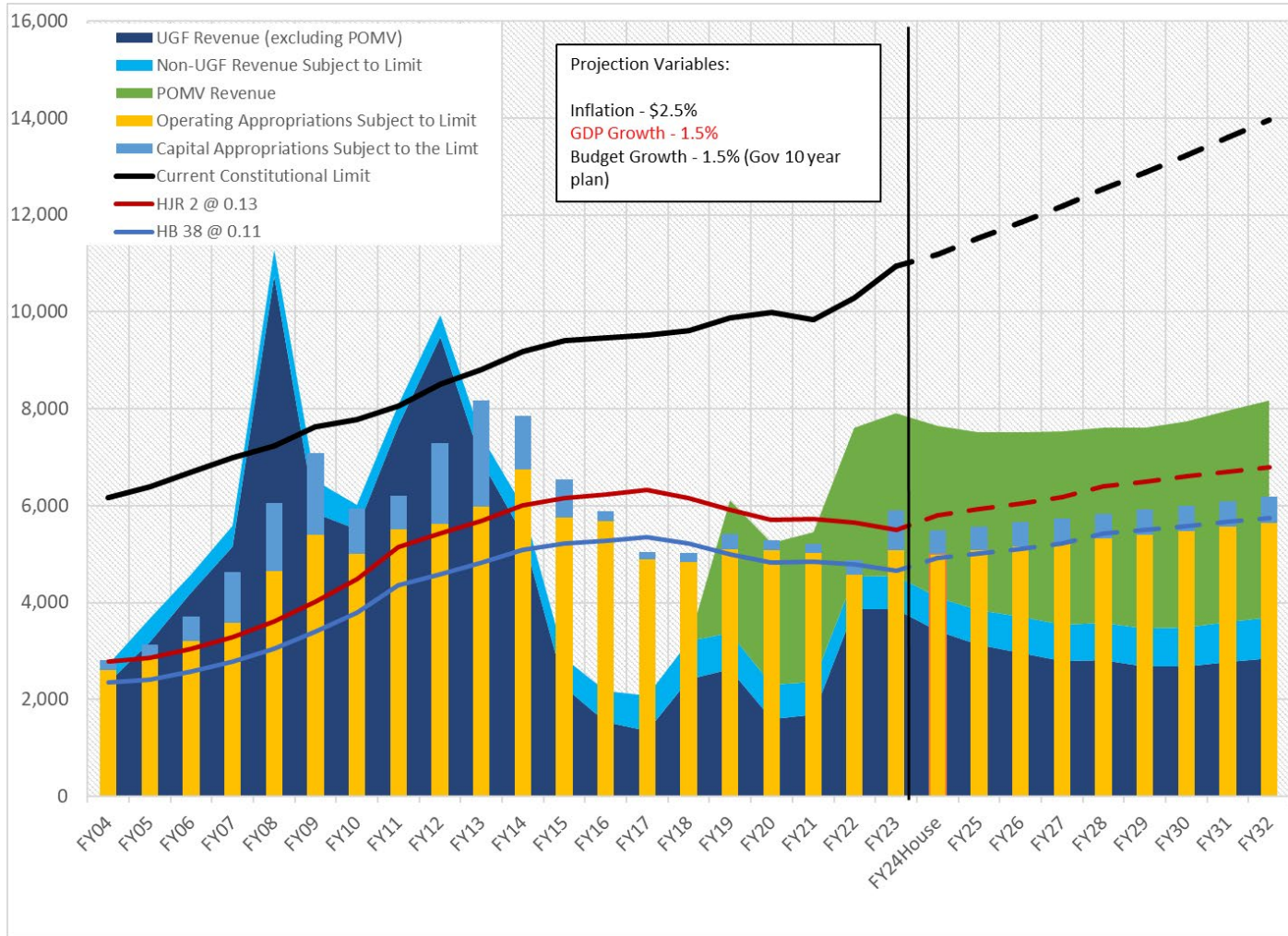
Current Statutory Appropriation Limit (continued)



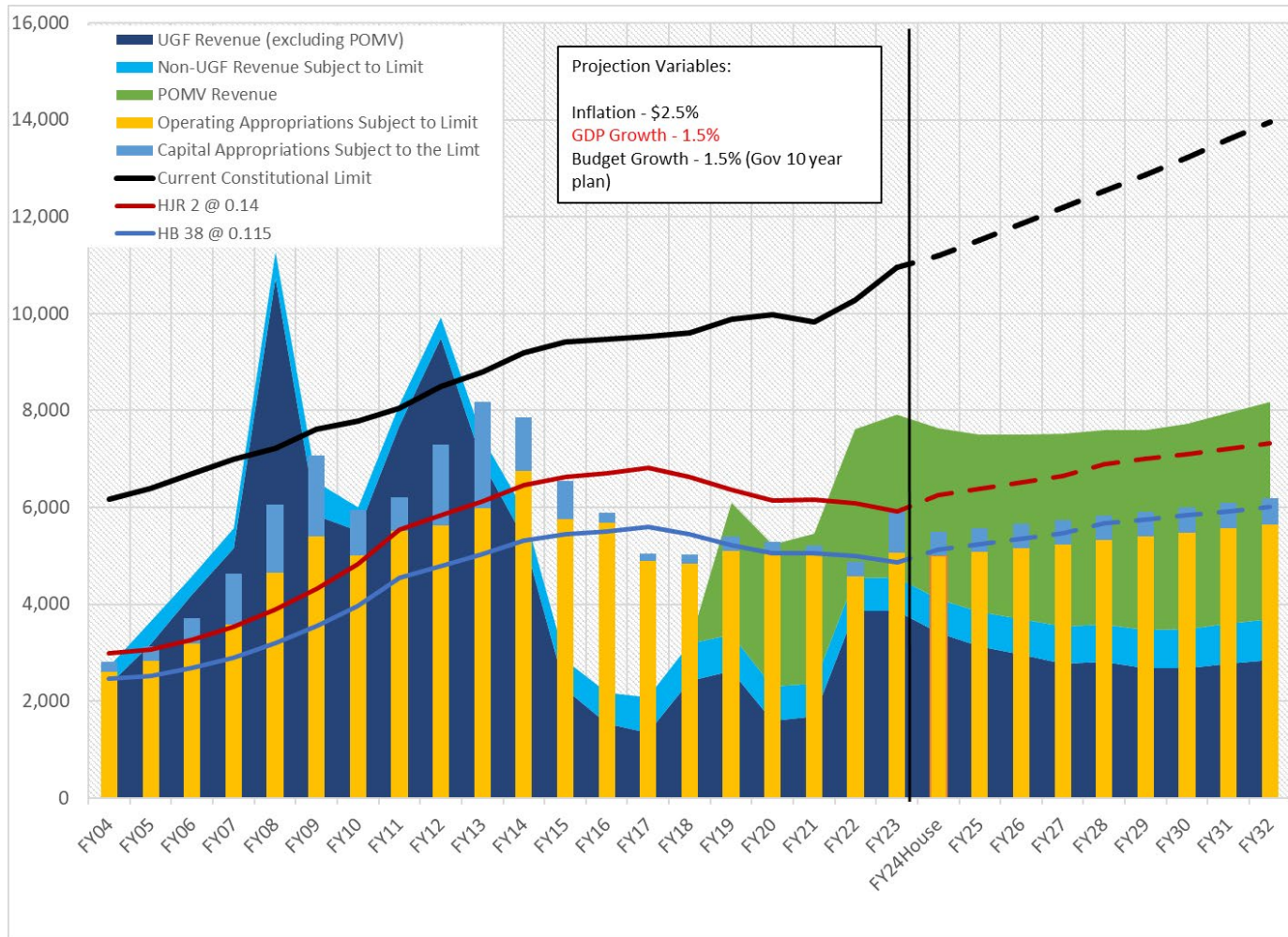
HB 38 and HJR 2

- Uses similar appropriations included and excluded as current limits
- Sets limit as percentage of private sector GDP for both constitutional and statutory limits – current CS is 11% for HB 38 and 13% for HJR 2
- Each percentage in the limit equals \$475 million of spending in FY24

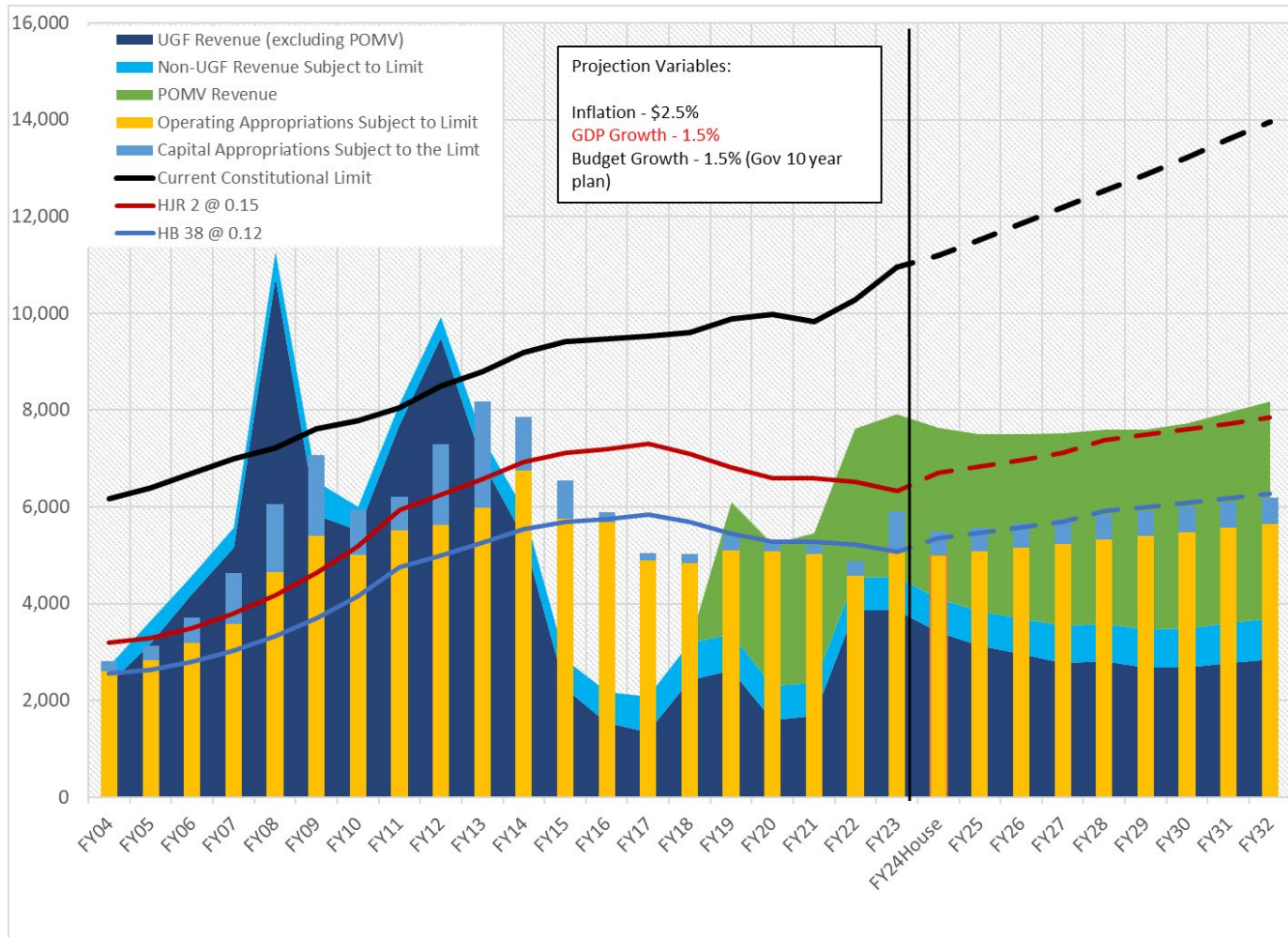
HB 38 and HJR 2 – Current CS (11% and 13% of GDP)



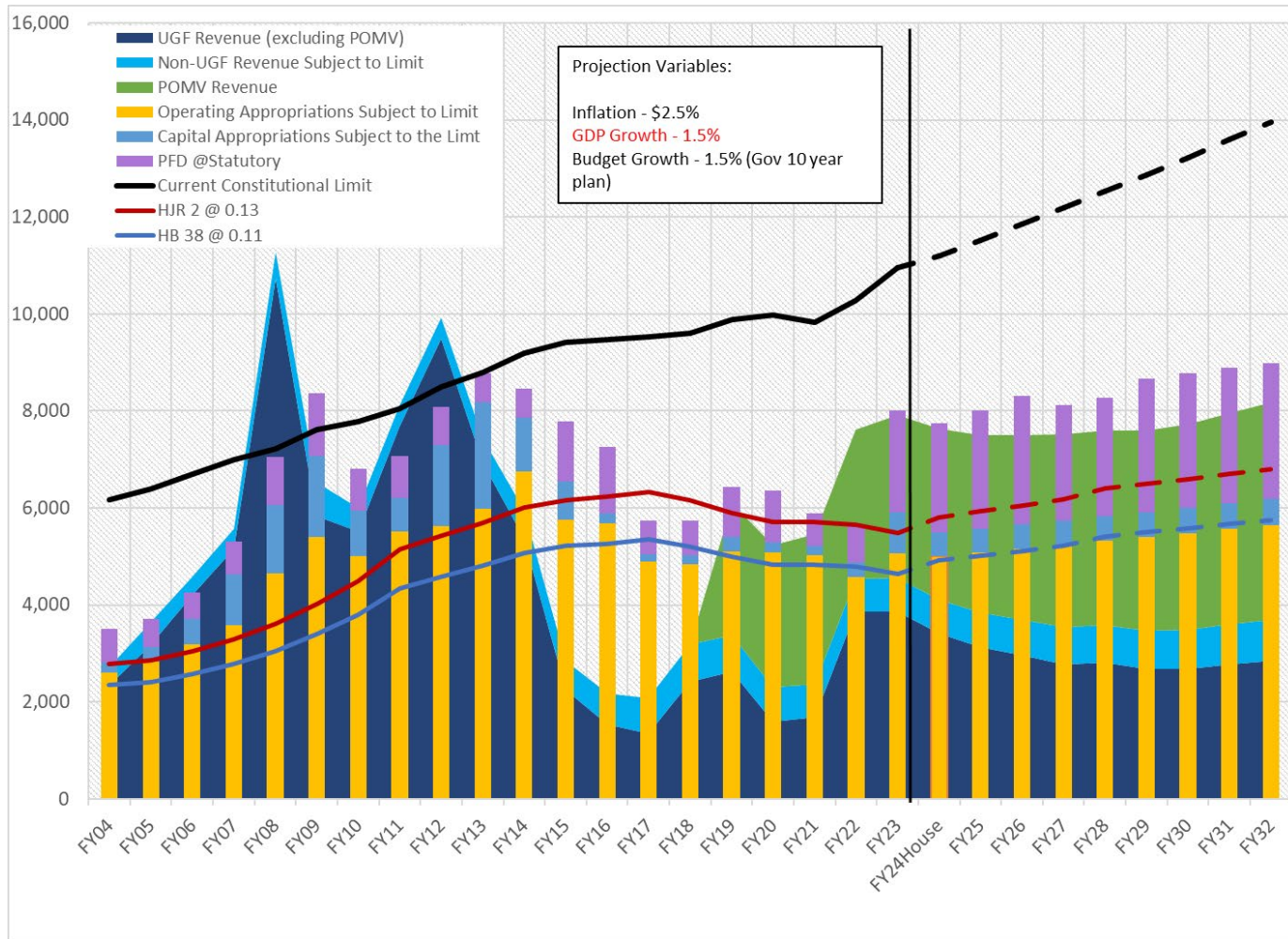
HB 38 and HJR 2 – Original Version (11.5% and 14% of GDP)



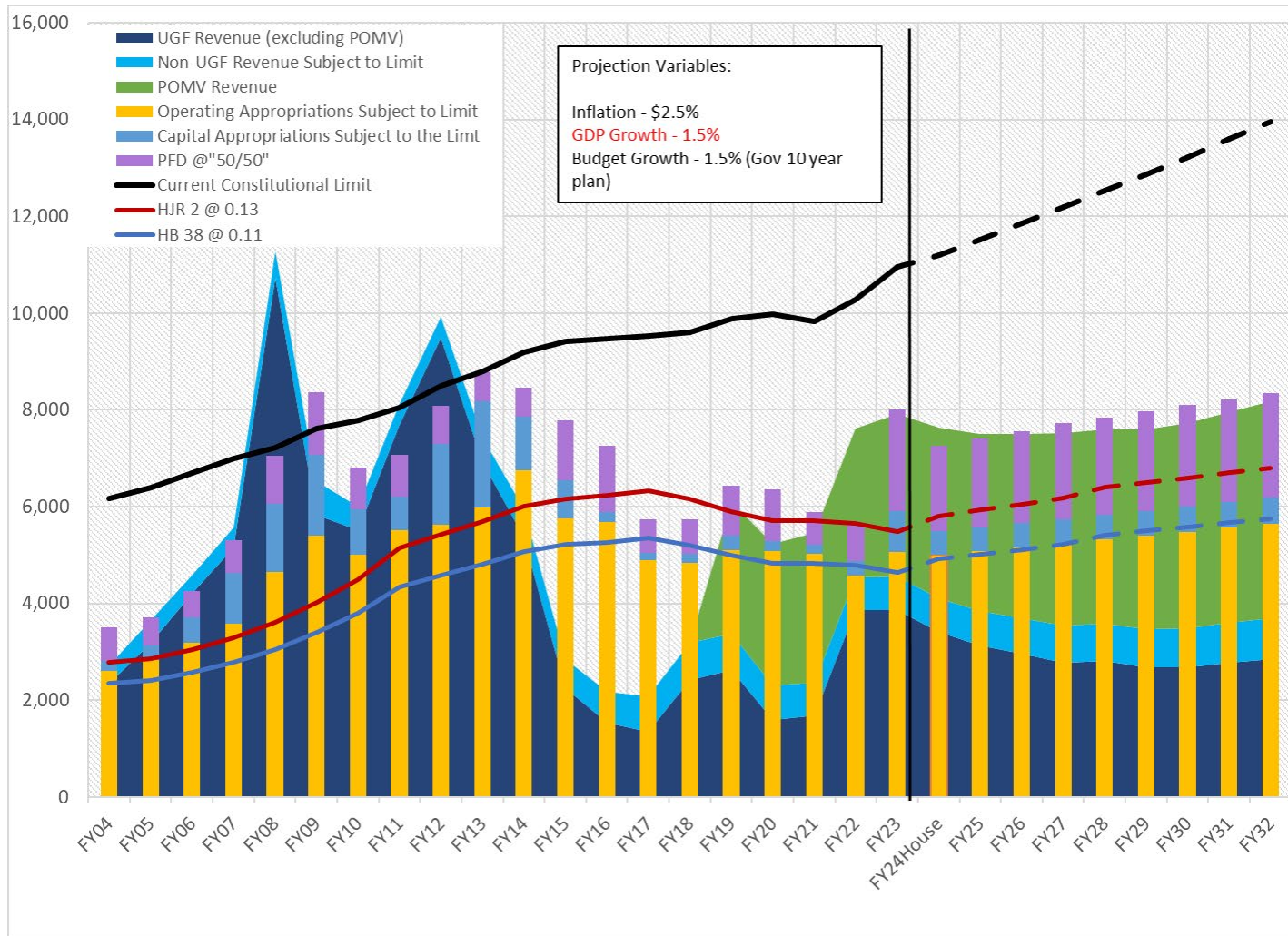
SB 20 and HJR 4 (12% and 15% of GDP)



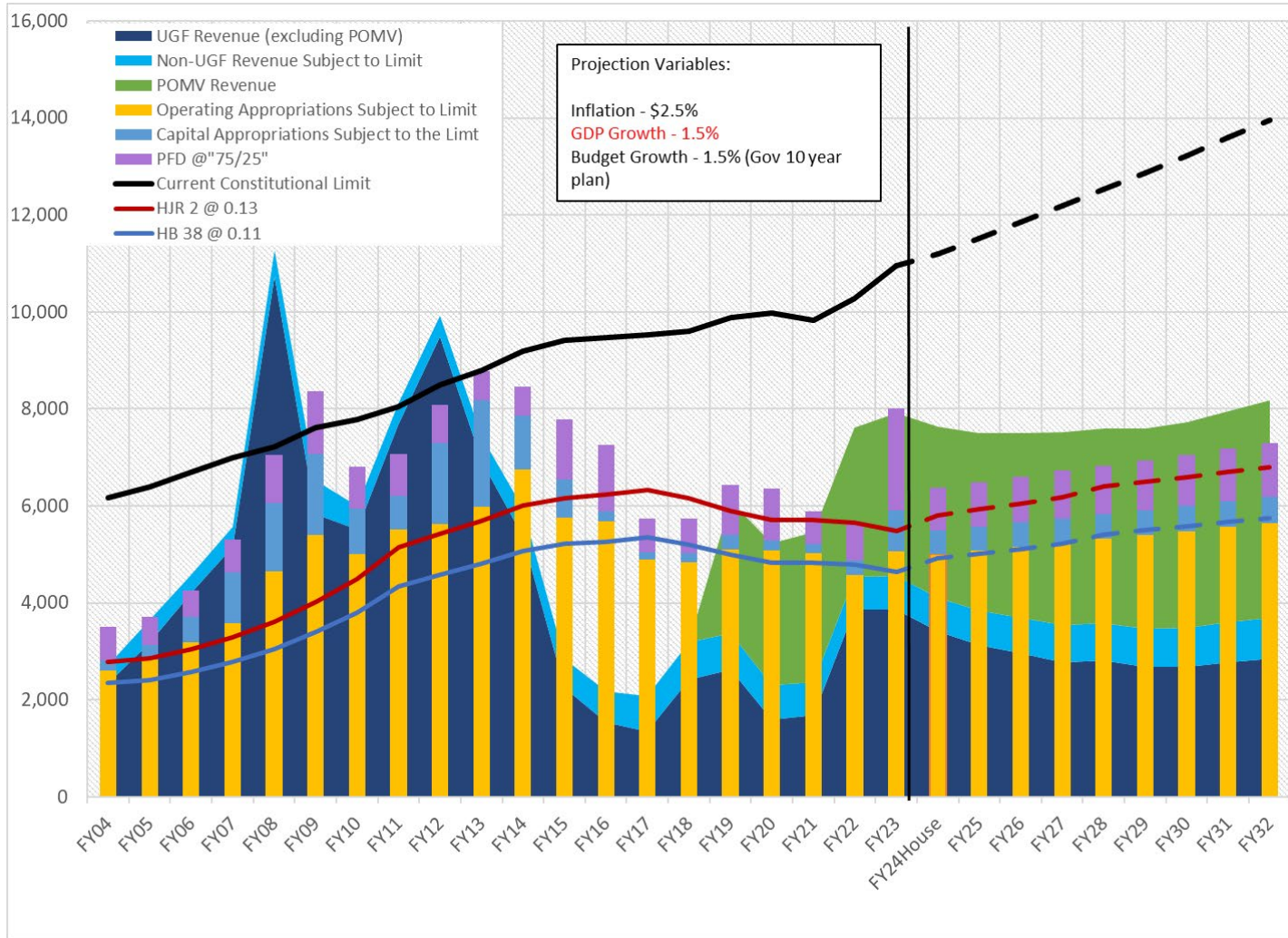
HB 38 and HJR2 – Current CS with Statutory PFD (11% and 13% of GDP)



HB 38 and HJR 2 – Current CS with 50/50 PFD (11% and 13% of GDP)



HB 38 and HJR 2 – Current CS with 75/25 PFD (11% and 13% of GDP)



Questions?

Contact Information

Alexei Painter
Director, LFD
(907) 465-5413
Alexei.Painter@akleg.gov

Rob Carpenter
Deputy Director, LFD
(907) 465-3821
Rob.Carpenter@akleg.gov

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