

A black and white photograph of the Alaska State Capitol building. The image shows the grand entrance with four large, fluted columns supporting a pediment. The pediment features the inscription "ALASKA · STATE · CAPITOL". Below the pediment are three sets of double glass doors, each with a small transom window. A wide set of stone steps leads up to the doors, flanked by black metal railings. The building's facade is made of light-colored stone or concrete. Large windows are visible on the upper floors. A semi-transparent white rectangular box is centered over the image, containing the title and event information.

ALASKA · STATE · CAPITOL

Appropriations Limits

House Ways & Means Committee

March 13, 2023

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Legislative Finance Division

Outline of presentation

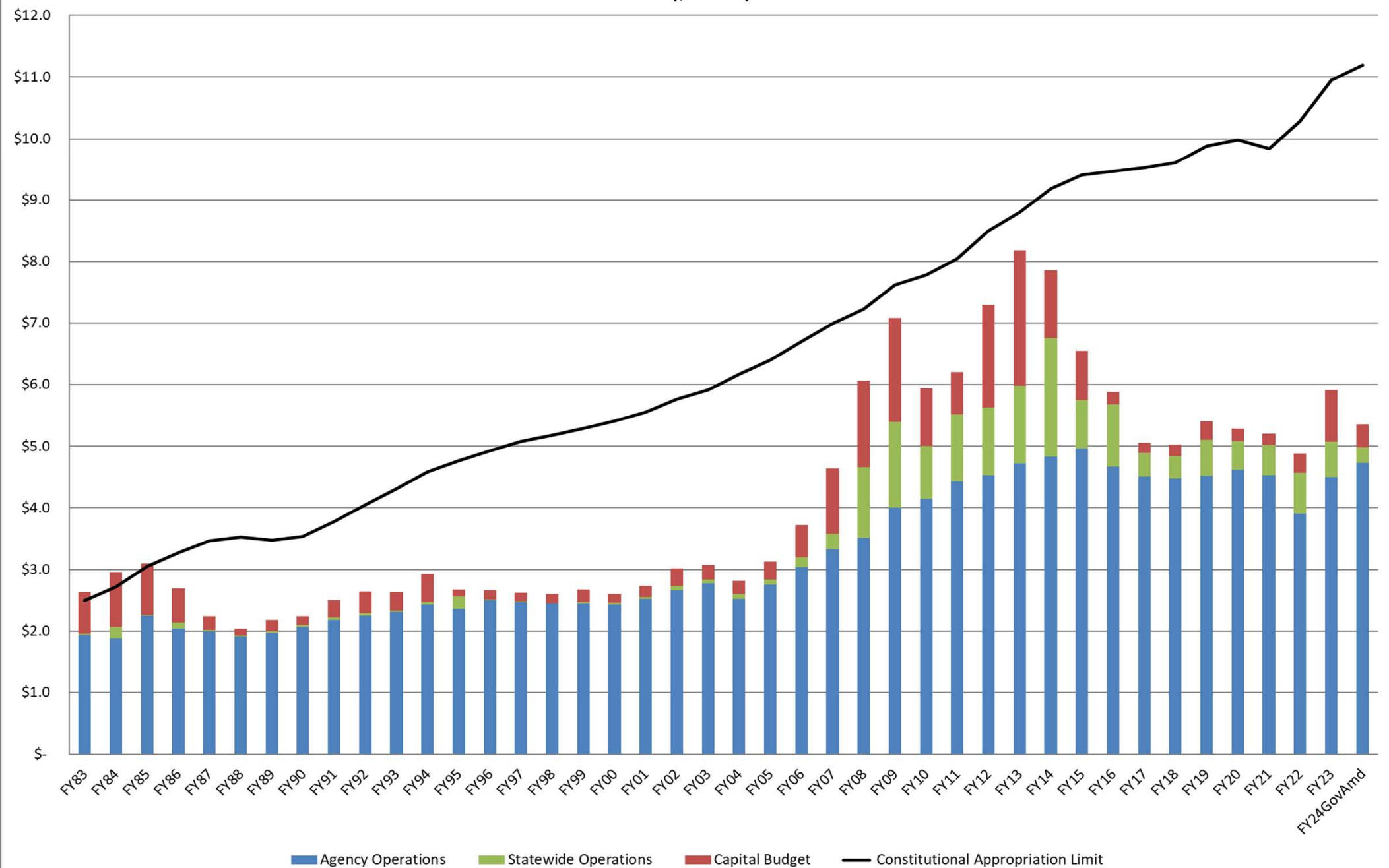
- Current Constitutional Appropriations Limit
- Current Statutory Appropriations Limit
- Calculation and Modeling Assumptions HB 38/HJR 2
- Historical and Projected Modeling HB 38/ HJR 2

Constitutional Appropriation Limit

Article IX, §16 of the Alaska Constitution

- Appropriations from the treasury (implies exclusion of transfers and duplicate appropriations) **made for a fiscal year** shall not exceed \$2.5 billion by more than the cumulative change in the population and inflation since July 1, 1981.
- Exceptions: 1) PFD's, 2) Revenue Bond Proceeds, 3) Debt Service on GO Bonds, 4) federal funding, 5) revenue of public enterprises/corporations (that issue revenue bonds), 6) school debt reimbursement (AG opinion).
- Estimated to be \$11.2 billion for FY24
- Also requires that 1/3 of the limit must be reserved for capital projects

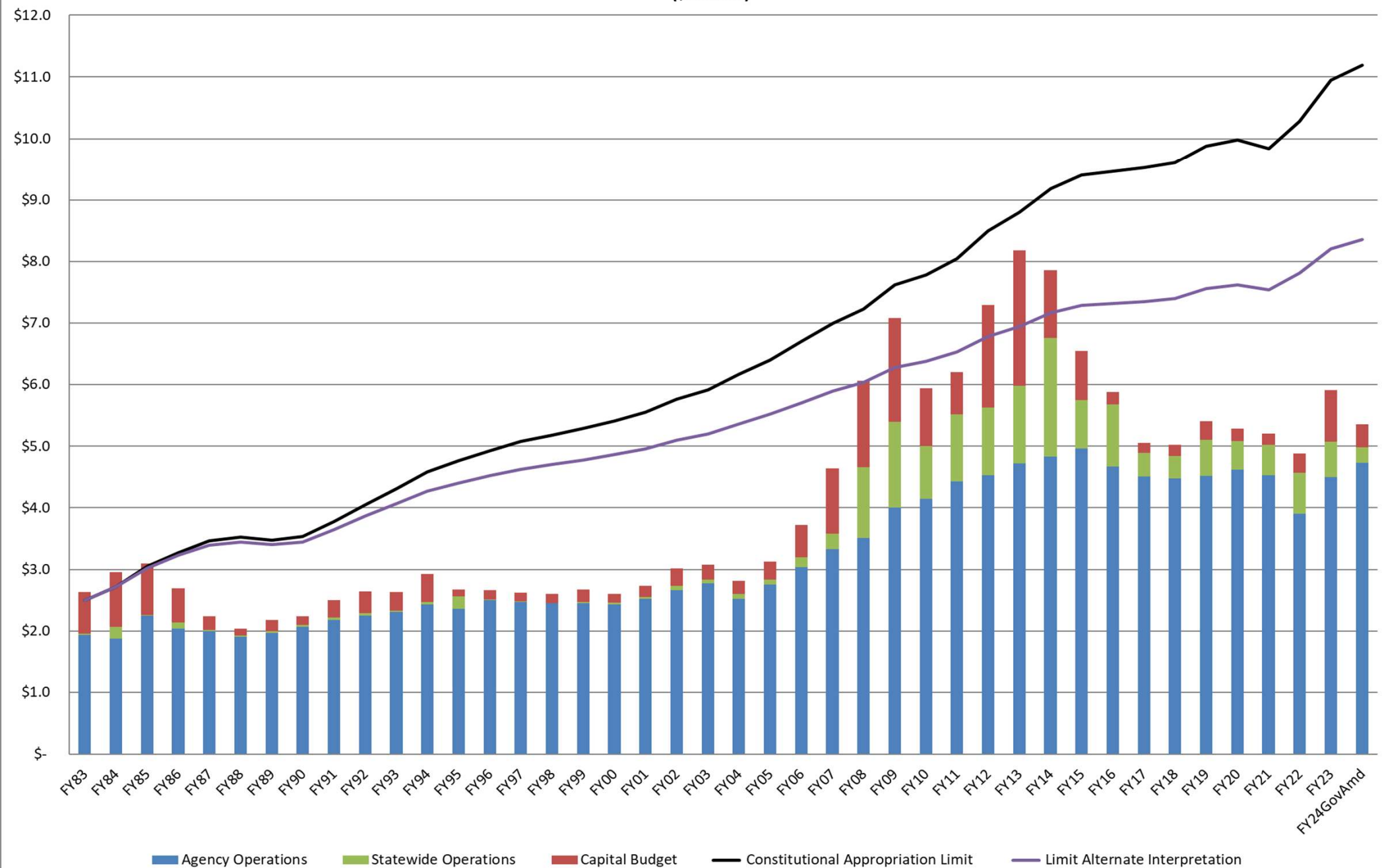
**Constitutional Appropriation Limit (Article 9, Section 16)
and Appropriations Subject to the Limit
(\$billions)**



Constitutional Limit Calculation

- \$2.5 billion by more than the cumulative change in population and inflation
 - Currently calculated as such:
 - $\$2.5B * (1+P)*(1+I)$
 - P = Cumulative change in Population
 - I – Cumulative change in Inflation
 - Reinterpreted calculation:
 - $\$2.5B * (1+(P+I))$
 - “and” typically denotes addition in Mathematics
 - Argument further supported by the MOA tax cap calculation

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



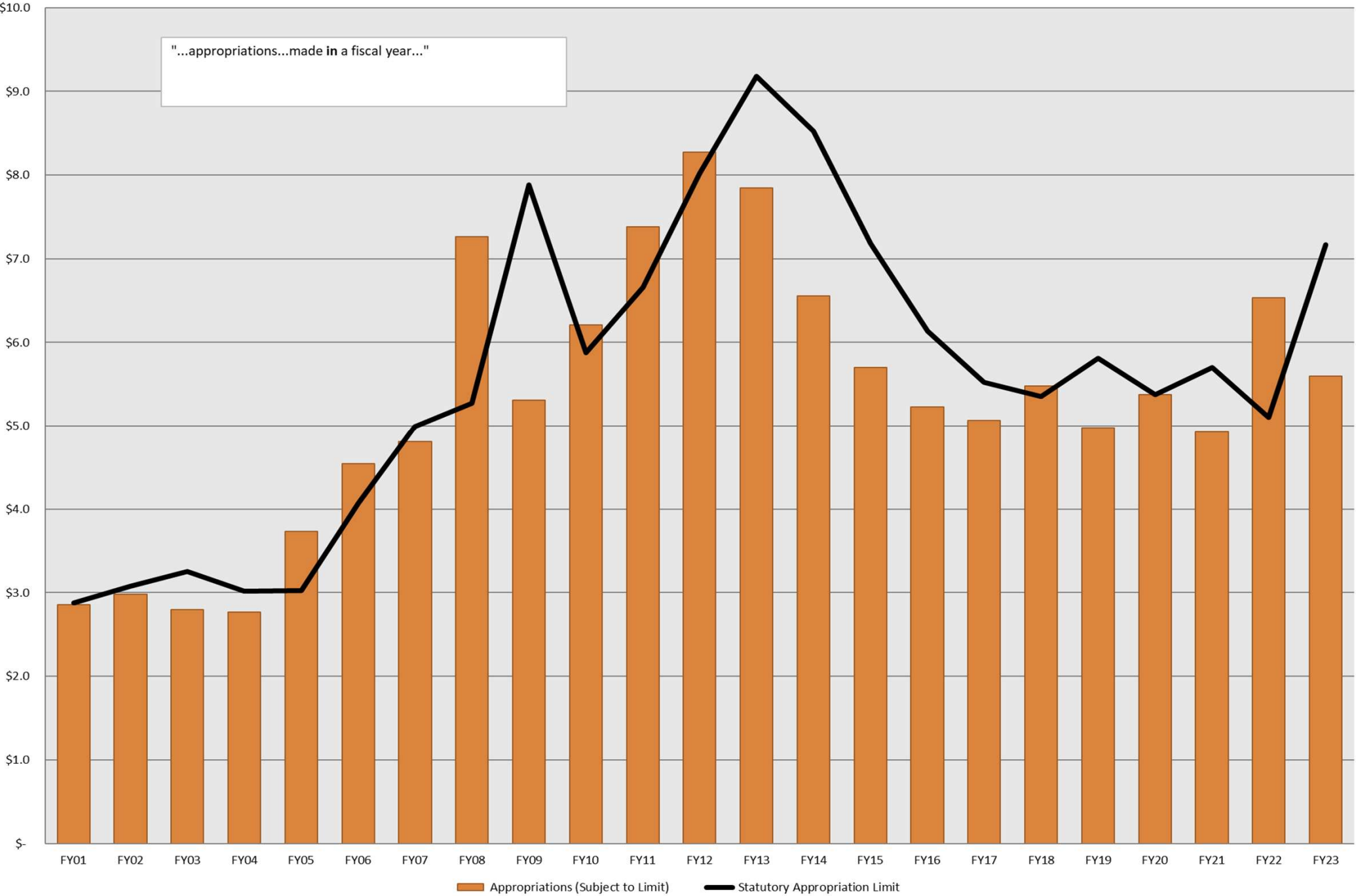
Statutory Appropriation Limit

AS 37.05.540 (b)

- Based on appropriations made *in* a fiscal year versus *for* a fiscal year
 - For example, this limit applies to appropriations made in FY23 (this session) for the FY24 budget and supplemental appropriations for FY23
- Uses similar exclusions as the Constitutional limit
 - LFD does not differentiate for modeling purposes
- Limit - may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year
- Given the constitutional power of appropriation, this limit has largely been ignored

Statutory Appropriation Limit - AS 37.05.540 (b)

"...appropriations...made in a fiscal year..."



HB 38/HJR2 Calculations and Modeling Assumptions

- Applicability – “for the five calendar years immediately preceding the previous fiscal year.”
 - The previous fiscal year is intended to be the year prior to the year the limit applies.
 - E.g. – Today we are working on appropriations FOR FY24 where the limit would apply.
 - The previous fiscal year is therefore FY23
 - The 5 calendar years preceding FY23:
 - FY23 began July 1, 2022
 - Therefore applies to the calendar years 2022 back to 2017

HB 38/HJR2 Calculations and Modeling Assumptions (cont.)

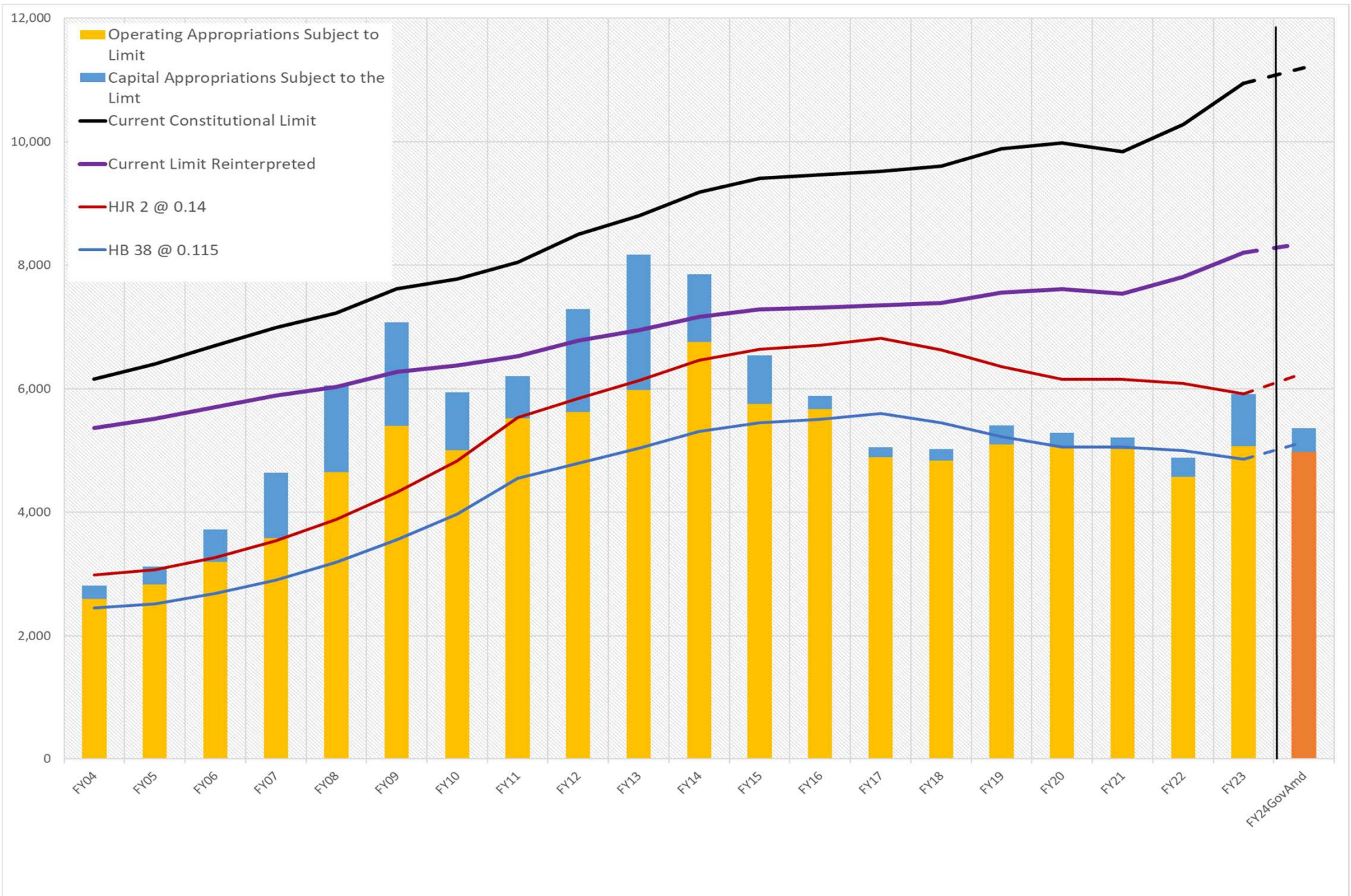
- Limits Calculation for FY24
 - Average value of
 - **real** gross domestic product
 - for calendar years 2017 to 2022
 - less government spending
 - Multiply by 11.5% or 14%

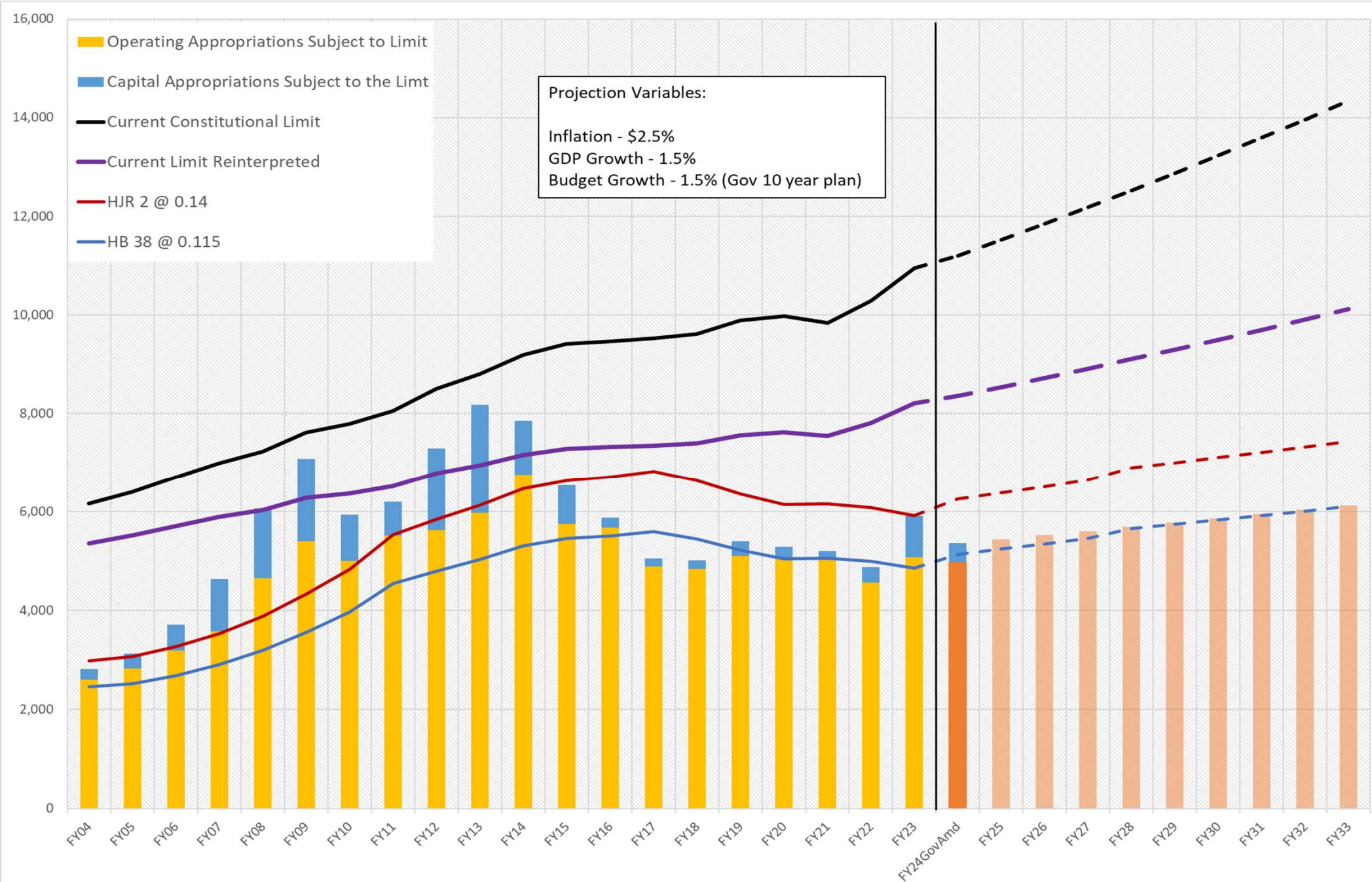
HB 38 -

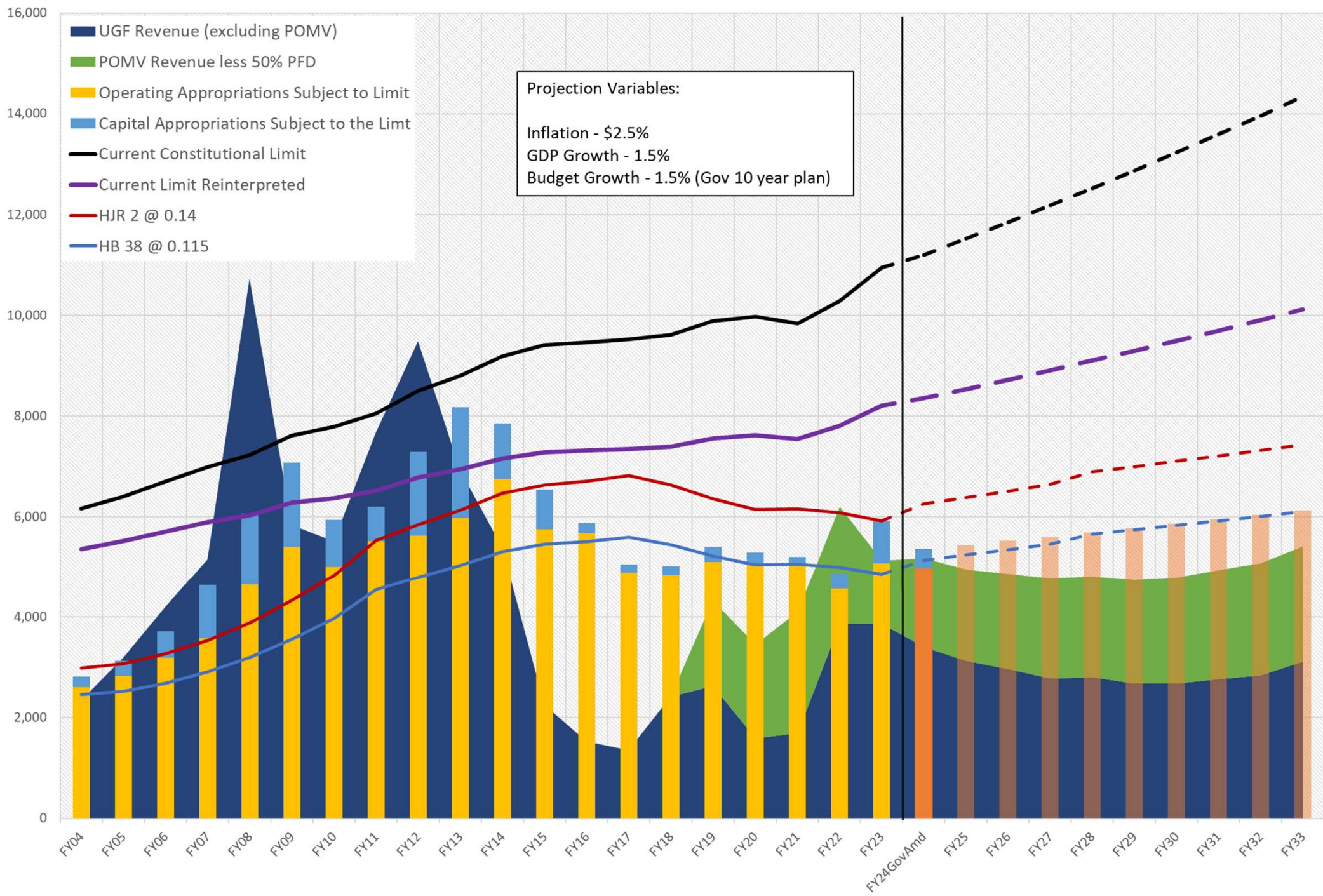
2017	46,047.6
2018	45,805.2
2019	45,008.5
2020	41,052.6
2021	45,506.9
Average	44,684.2
11.5%	5,138.7

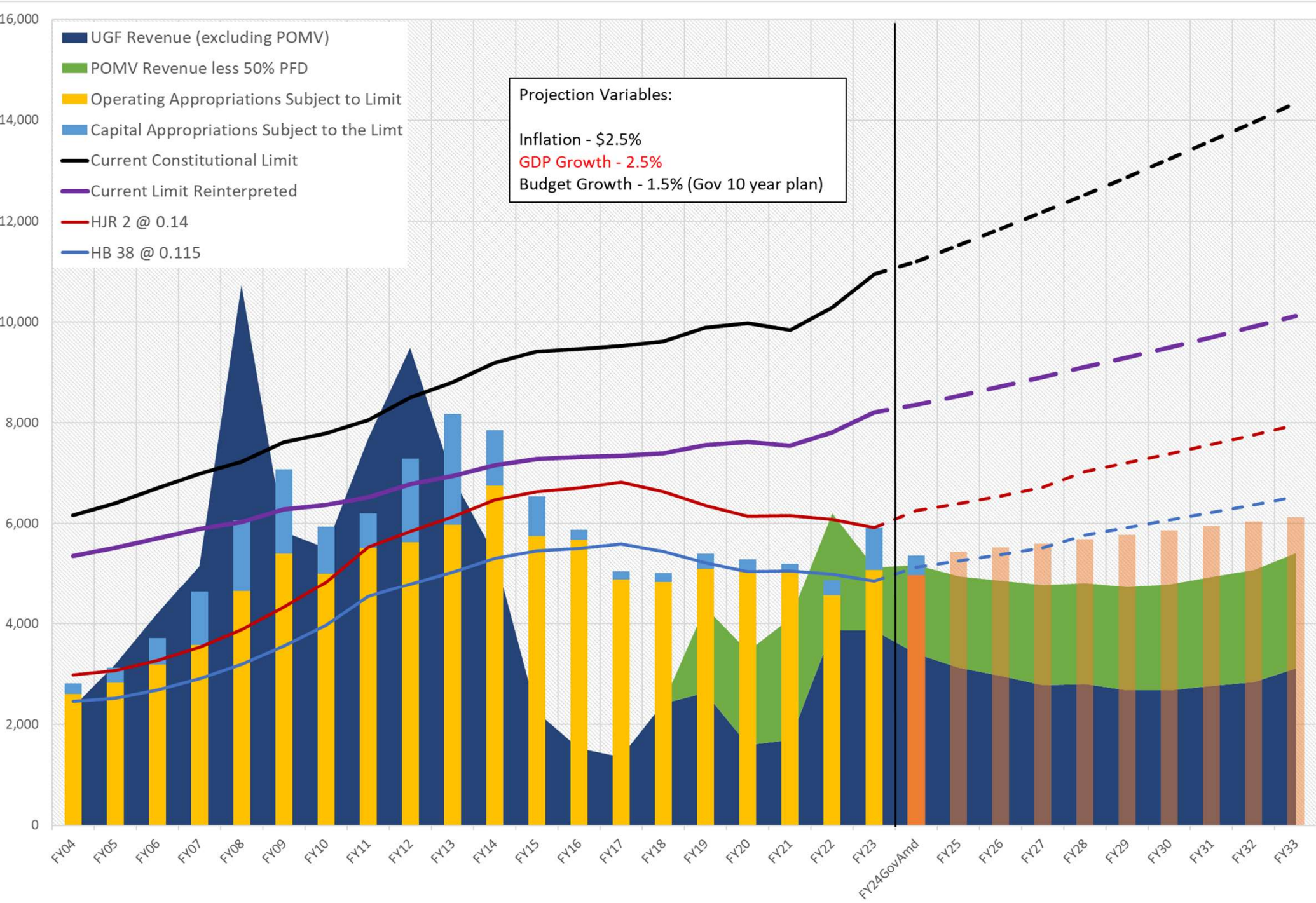
HJR2 -

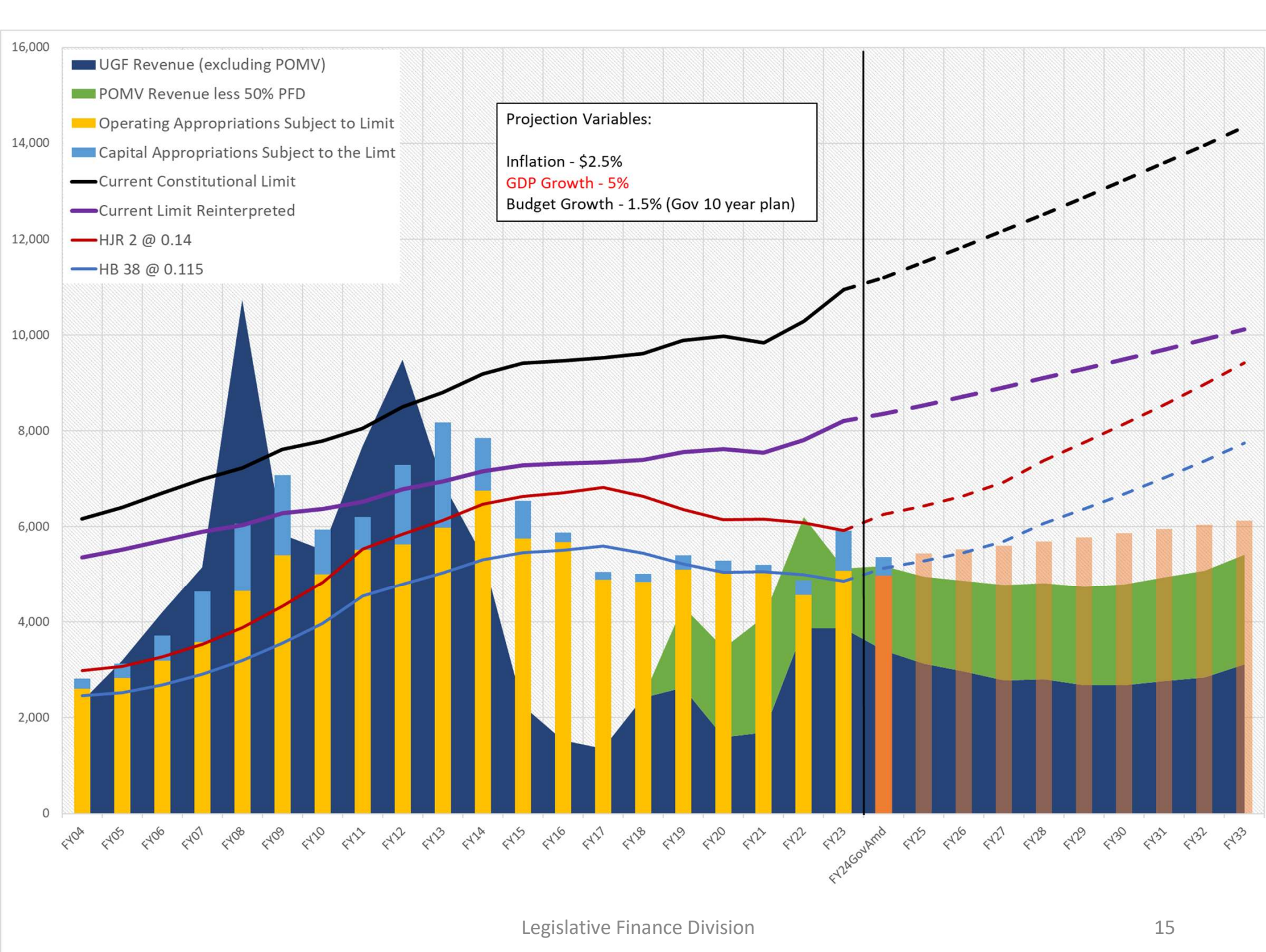
2017	46,047.6
2018	45,805.2
2019	45,008.5
2020	41,052.6
2021	45,506.9
Average	44,684.2
14.0%	6,255.8











Questions?

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