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1 IN THE SENATE

BY FAIKS, JONES, ELIASON  
AND FISCHER

2

SENATE BILL NO. 79

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to reductions in state budget levels  
7 for certain fiscal years; and providing for an effective date."  
8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. FINDINGS AND PURPOSE. (a) As a result of our state's  
11 rich natural resources, Alaska has enjoyed tremendous wealth. While this  
12 has enabled the state to make great strides in developing its potential, it  
13 has also fueled an economy based on the volatile price of a world commodity.  
14 As a result, Alaska has experienced wide fluctuations in revenue from  
15 year to year. The legislature finds that the resulting peaks and valleys  
16 in state spending must be stabilized and a spending level established that  
17 can be supported by projected state revenue.

18 (b) The legislature finds that Alaska's revenue projections show a  
19 dramatic decline in future years. By fiscal year 1996, projected revenue  
20 shows a 43.9 percent decrease when compared to those received in fiscal  
21 year 1988. Long range revenue projections show a continued decline.

22 (c) Since the first influx of oil dollars in fiscal year 1979, state  
23 spending has increased from \$1,236,000,000 to the current year's  
24 \$2,228,100,000 for an 80 percent increase. Spending peaked in fiscal year  
25 1981 at \$4,498,600,000, reflecting a 264 percent increase from fiscal year  
26 1979. Given the dramatic decreases in projected revenue, it is clear the  
27 state will be unable to afford the same level of state services it has  
28 provided in previous years. For this reason, the legislature finds that  
29 the state must implement an expenditure reduction plan.

1 (d) To implement an expenditure reduction plan, the legislature finds  
2 that it is necessary to establish a spending level that can reasonably be  
3 sustained and that will adequately provide traditional basic services of  
4 state government. Based on per capita spending in the United States  
5 adjusted for cost-of-living in Alaska, a basic services budget for Alaska  
6 would be approximately \$1,360,000,000. This compares to the current fiscal  
7 year 1989 operating and capital budgets of \$2,228,100,000.

8 (e) The legislature finds that it is necessary to mandate the imple-  
9 mentation of an expenditure reduction plan to achieve the basic services  
10 budget level by fiscal year 1996 through annual expenditure reductions.

11 (f) It is the purpose of this Act to begin the process of gradually  
12 reducing levels of state expenditure by establishing feasible state budget  
13 limits for the next two fiscal years.

14 \* Sec. 2. Notwithstanding the appropriation limit under AS 37.05.540,  
15 the legislature shall revise the state budget and general appropriation  
16 bills prepared under AS 37.07.020 so that the operating and capital budget  
17 for fiscal year 1990 is at least 6.5 percent less than the state operating  
18 and capital budget for fiscal year 1989.

19 \* Sec. 3. Notwithstanding the appropriation limit under AS 37.05.540,  
20 the proposed state operating and capital budget and general appropriation  
21 bills for fiscal year 1991 submitted to the legislature by the governor  
22 under AS 37.07.020 and enacted by the legislature must be at least 6.5  
23 percent less than the state operating and capital budget for fiscal year  
24 1990.

25 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).