

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CS HB 513 (FIN)
 Title : Appropriation Limit of
Budget Reserve Fund

 Sponsor : Governor
 Requestor : House Finance Committee
 Date of Request : 4/24/86

FISCAL DETAIL

Agency Affected : ALL
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL		-0-	-0-	-0-	-0-	-0-
CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
SUPPLIES		-0-	-0-	-0-	-0-	-0-
EQUIPMENT		-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS		-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL		-0-	-0-	-0-	-0-	-0-
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REVENUE		-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS		-0-	-0-	-0-	-0-	-0-
OTHER		-0-	-0-	-0-	-0-	-0-
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

APA

Prepared by : Representative Adams - Chairman Phone : 465-3706
 Division : House Finance Committee Date : 4/24/86

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 513 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to a budget limitation and to re-
serve funds; and providing for an effective date."

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

9 * Section 1. AS 37.05.159 is repealed and reenacted to read:

Sec. 37.05.159. BUDGET RESERVE FUND. (a) There is established
as a separate fund in the state treasury the budget reserve fund. The
budget reserve fund consists of money appropriated to that fund and of
the balance of the reserve for emergency operating expenses account as
of July 1, 1986.

(b) Not more than 25 percent of the budget reserve fund balance
may be appropriated for any fiscal year. However, additional amounts
may be appropriated from the fund to meet a state emergency declared
by the governor as prescribed by law. For purposes of this subsection
"emergency" means the events set out in AS 26.23.230(1) or a reduction
of the revenue from nonstate sources that seriously impairs the abili-
ty of the state to perform essential functions.

22 * Sec. 2. AS 37.07.020(c) is amended to read:

(c) Proposed expenditures other than deposits to the permanent
fund may not exceed appropriations made from state sources in the
preceding calendar year by more than 15 percent. Estimated revenue
that exceeds that budget limit shall be shown as available for
appropriation to the budget reserve fund established under
AS 37.05.159 [ESTIMATED REVENUES FOR THE SUCCEEDING FISCAL YEAR. THE
EXPENDITURES PROPOSED IN THE SIX-YEAR CAPITAL IMPROVEMENTS PROGRAM AND

1 FINANCIAL PLAN SHALL NOT EXCEED THE ESTIMATED REVENUES AND BOND
2 AUTHORIZATIONS PASSED AND PROPOSED].

3 * Sec. 3. AS 37.07.020 is amended by adding new subsections to read:

(a) For the purpose of determining the amount of the budget
limit under (c) of this section

(1) an appropriation is considered to be made in the calen-
dar year in which it is enacted; and

(2) the amount of revenue received by the state from state
sources includes the amount carried forward from the preceding fiscal
year.

(b) In this section "state source" means

(1) the undistributed income account in the permanent fund;
and

(2) all sources of money in the state general fund except

(A) federal sources;

(B) bond proceeds;

(C) sources from which money is received in trust for
a specific purpose; and

(D) the dividend fund established under AS 43.23.045.

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20 * Sec. 4. This Act takes effect July 1, 1986.
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STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

File
2/27/86

Page 1 of 2

Revision Date : _____

REQUEST

Bill/Resolution No. : CS HB513/HJR 62
 Title : Appropriation Limit of
Budget Reserve Fund

Sponsor : Governor
 Requestor : House Judiciary
 Date of Request : 2/27/86

FISCAL DETAIL

Agency Affected : ALL
 BRU : N/A

Components : N/A

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Neither bill will require additional state expenditures.
 See attached summary for an explanation of the appropriation limit
 and the budget reserve fund.

Prepared by : Gordon Harrison *Gordon S. Harrison* Phone : 465-3568
 Division : Division of Strategic Planning Date : 2/27/86

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Office of Management and Budget
Division of Strategic Planning
January 31, 1986

CSHB 513/HJR 62 - Page 2 of 2

SUMMARY--BUDGET RESERVE FUND

The basic principles of Governor Sheffield's proposed Budget Reserve Fund (BRF) may be summarized as follows:

- o The BRF replaces the Rainy Day Fund.
- o Potential sources of capitalization for the BRF include the balance of the Rainy Day Fund, windfall revenue, retained BRF earnings, and future revenue surpluses.
- o The BRF appropriation limit replaces the existing appropriation limit.
- o The BRF appropriation limit applies only to unrestricted general fund revenues, and defines "Base Year" as the calendar year preceding the start of a given fiscal year.
- o Annual appropriations are limited to 115 percent of total appropriations enacted during the Base Year.
- o If revenue receipts in a fiscal year fall below 95 percent of total appropriation enacted during the Base Year, the BRF pays out the lesser of two amounts for general fund appropriations: (a) enough to raise appropriations to the 95 percent level; or, (b) 25 percent of the BRF balance.
- o If revenue receipts in a fiscal year surpass 115 percent of total appropriations enacted during the Base Year, the surplus above the 115 percent level is transferred into the BRF.
- o If a transfer or any other event causes the BRF balance to exceed the BRF's capacity (annually set equal to total appropriations enacted during the Base Year), the excess is divided between the Permanent Fund (75 percent) and the General Fund (25 percent). The latter 25 percent may be appropriated without regard to the 115 percent appropriation limit, but is included in calculations for the next fiscal year's Base Year.
- o The balance of the BRF is accessible in cases of emergencies, as defined by law.

Cook

A M E N D M E N T

#2

Offered in the HOUSE

By Rieger

To: CSHB 513 (Finance)

Page 1, line 23:

After "expenditures" insert ", excluding appropriations to the permanent fund,"

Page 1, line 24:

After "year" insert ", excluding appropriations to the permanent fund,"

Cook

A M E N D M E N T

#1

Offered in the HOUSE

By Rieger

To: CSHB 513 (Finance)

Page 1, line 14:

Delete "July 1, 1986" and insert "the effective date of this section"

Page 2, line 19:

Delete "July 1, 1986" and insert "on the effective date of an amendment to the constitution establishing a budget reserve fund"

§ 36.98.070

contractor until
contingency as
per AS 16 ch 142
A 1978; am § 2

per AS 14.08.161"
(3).

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Alaska Statutes

Title 37. Public Finance.

Chapter

05. Fiscal Procedures Act (§§ 37.05.159, 37.05.225, 37.05.230, 37.05.316, 37.05.321)
07. Executive Budget Act (§§ 37.07.020, 37.07.060)
10. Public Funds (§ 37.10.030)
11. Renewable Resources Funds (Repealed)
12. Alaska Resources Corporation (§§ 37.12.010 — 37.12.023, 37.12.030, 37.12.035, 37.12.045, 37.12.050, 37.12.055, 37.12.060, 37.12.070, 37.12.071, 37.12.075, 37.12.080, 37.12.085, 37.12.125)
15. State Bonding Act (§§ 37.15.012, 37.15.410, 37.15.415, 37.15.610 — 37.15.760)

Chapter 05. Fiscal Procedures Act.

Article

2. Uniform Accounting (§ 37.05.159)
3. Uniform Purchasing (§§ 37.05.225, 37.05.230)
4. General Provisions (§§ 37.05.316, 37.05.321)

Article 1. Administration.

Sec. 37.05.050. Federal funds.

Cross references. — For treatment of Reserve, see ch. 94, SLA 1984 in the
the state share of federal receipts from oil Temporary and Special Acts.
and gas leasing in the National Petroleum

Article 2. Uniform Accounting.

Section

159. Reserve for emergency operating expenses account

Sec. 37.05.159. Reserve for emergency operating expenses account. (a) There is established in the general fund the reserve for emergency operating expenses account. The account consists of money appropriated for the purposes of the account.

(b) Money in the reserve for emergency operating expenses account is available for expenditure or encumbrance only if

(1) the governor by proclamation determines that there is an impairment of the flow of state revenues which will result in imminent danger that the state will be unable to meet its operating budget obligations and the governor orders that money from the account be used for the operating expenses of state government in the amount set out in the proclamation; and

(2) the governor calls a special session of the legislature to consider all subjects relating to the impairment of the flow of state revenues.

(c) A special session called under (b) of this section may be cancelled before it convenes if

(1) the governor and the presiding officer of each house of the legislature agree that the special session should be cancelled; and

(2) at least two-thirds of the following persons agree that the special session should be cancelled:

(A) the chairmen of the standing committees of each house of the legislature;

(B) the majority leaders of each house of the legislature; and

(C) the minority leaders of each house of the legislature.

(d) Votes required to be conducted under (c) of this section may be conducted by teleconference.

(e) Notwithstanding the provisions of (b) of this section and AS 37.07.080(e), the governor may transfer up to \$9,000,000 during a fiscal year from the reserve for emergency operating expenses account to the fire suppression fund to pay the costs of fire suppression.

(f) Notwithstanding the provisions of (b) of this section and AS 37.07.080(e), the governor may transfer up to \$5,000,000 during a fiscal year from the reserve for emergency operating expenses account to the disaster relief fund. (§ 1 ch 170 SLA 1980; §§ 2, 3 ch 171 SLA 1980; § 2 ch 30 SLA 1982)

Editor's notes. — This section is set out to supply an omission in the main pamphlet.

Sec. 37.05.170. Obligations.

NOTES TO DECISIONS

Quoted in *Zerbetz v. Alaska Energy Center*, Sup. Ct. Op. No. 2932 (File No. 7873), P.2d (1985).

(d) The governor shall annually, before the convening of the legislature, report to the legislature through the Legislative Budget and Audit Committee the long-range fiscal and economic consequences of

(1) alternate levels of capitalization of the investment funds of the state; and

(2) alternative investment policy for the general fund surplus. (§ 1 ch 188 SLA 1970; am § 3 ch 168 SLA 1978; am § 4 ch 18 SLA 1980; am § 3 ch 2 SLA 1982; am § 1 ch 61 SLA 1984)

Effect of amendments. — The 1984 amendment added the last sentence in subsection (a).

Sec. 37.07.060. Governor's recommendation. (a) The governor shall formulate the operating and capital improvements programs and financial plans required to be recommended to the legislature by AS 37.07.020 after considering the state agency proposed program and financial plans, and other programs and alternatives that the governor considers appropriate. The plans shall include the governor's recommended goals and policies, recommended plans to implement the goals and policies, recommended operating program for the succeeding fiscal year, recommended capital improvements program for the succeeding six fiscal years, and recommended revenue measures to support the programs.

(b) The governor shall present the proposed comprehensive operating and capital improvements programs and financial plans in a message to a joint session of the legislature before the fourth legislative day following the convening of the legislature in regular session. The message shall be accompanied by an explanatory report which summarizes recommended goals, plans, and appropriations. The report shall contain

(1) the coordinated program goals and objectives which the governor recommends to guide the decisions on the proposed program plans and budget appropriations;

(2) the governor's operating program and budget recommendations for the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

(3) the governor's capital improvements program and budget recommendations for the succeeding fiscal year and capital improvements program for the succeeding six fiscal years which shall include

(A) a description of each project, its estimated cost for the year construction is to start and the estimated cost of the project adjusted for inflation over the estimated period of construction, and the source of financing for the project; the project description for a new building or a new facility or for a major addition to a building or facility should

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§ 37.07.120

PUBLIC FINANCE

§ 37.07.120

include a site plan, preliminary drawings, and architect's or engineer's total cost estimate for the project;

(B) a summary of projects previously authorized and not yet completed;

(C) a summary, listed by agency, of all previously proposed projects which have been deferred beyond the six years covered by the plan and the year in which construction has been rescheduled to begin;

(D) a forecast of the debt structure of the state and the various debt ratios over the life of the state's bonds outstanding, bonds authorized and to be issued, and bond authorizations recommended in the plan;

(E) a description of additional revenue measures needed to finance the plan in lieu of debt;

(F) bond election bills to authorize the bonds required to fund the projects scheduled for the first three years of the plan;

(G) projections of population of the state and its regions and communities;

(H) economic data and projections necessary for the evaluation of the plan;

(4) a summary of state receipts in the last fiscal year, a revised estimate for the current fiscal year, and an estimate for the succeeding fiscal year;

(5) a summary of expenditures during the last fiscal year, those authorized for the current fiscal year, and an estimate for the succeeding fiscal year;

(6) any additional information which will facilitate understanding of the governor's proposed programs and financial plans by the legislature and the public. (§ 1 ch 188 SLA 1970; am § 7 ch 168 SLA 1978; am § 1 ch 96 SLA 1980; am § 5 ch 2 SLA 1982)

Editor's notes. — This section is set out above to correct a typographical error in the title pamphlet.

Sec. 37.07.120. Definitions.

NOTES TO DECISIONS

Quoted in *Ellis v. City of Valdez*, Sup. Ct. Op. No. 2844 (File No. S-32), 686 P.2d 700 (1984).

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

1341
1/25/86

JS
1/24

January 24, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing amendments to the Alaska Constitution relating to a budget reserve fund and an appropriation limit, and a bill to implement the joint resolution.

I am placing the bill implementing the proposed constitutional amendments before the legislature during this session to ensure that legislators and voters facing that proposal in the 1986 general election understand the scope, details, and implications of the amendments.

The bill would take effect following voter approval of the constitutional amendments. At that time, AS 37.05.159, establishing what is commonly known as the "rainy day fund," would be repealed and replaced by a new statute establishing the budget reserve fund. The balance of the money in the rainy day fund would follow the constitutional and statutory change and would be transferred to the budget reserve fund at that time. The budget reserve fund is designed to meet revenue contingencies contemplated by the rainy day fund as well as broader revenue stability needs.

At the outset, it must be emphasized that the budget reserve fund is very different in purpose and function from forward funding and cash-based budgeting proposals. We have carefully evaluated all these options, and we believe that the budget reserve fund is the fiscal management tool that is best suited to the State's situation. This fund seeks to

dampen annual budget swings. Neither forward funding nor cash-based budgeting protect us from annual budget fluctuations caused by volatility in world oil markets.

The budget reserve fund works in the following manner. In years of rising revenues, as specified in the constitutional amendments, appropriations are limited to 115 percent of appropriations made during the preceding calendar year. Any surplus money above the 115 percent limit is used first to replenish the budget reserve fund; any remaining surplus is then divided between deposits to the permanent fund and to the general fund. In years of revenue decline, as specified in the constitutional amendments and proposed statute, money is made available from the budget reserve fund in an amount that brings appropriations up to 95 percent of the appropriations in the preceding calendar year, or an amount that equals no more than 25 percent of the fund's balance, whichever is less.

These two operations of the budget reserve fund will provide a smoother expenditure pattern over the years than would result from the fluctuations of petroleum revenue alone. This is because, in high revenue years, revenue increases will flow into the budget reserve fund for subsequent appropriation during years of revenue decline, buffering fluctuations in the state's revenue stream caused by petroleum price variations. The upper limit to appropriations (the 115 percent level) will provide an effective appropriation limit, in contrast with the ineffective limit now in our constitution. We will therefore have a meaningful constitutional spending limit as desired by the people of Alaska.

Both the joint resolution and the bill specify that the appropriation limit applies only to unrestricted general fund money and to expenditures from the undistributed income account of the permanent fund (except for a deposit of that money to the permanent fund made in 1986). In turn, "money received" by the state includes only money in the undistributed income account and unrestricted general fund money. Excluded from both, for example, are federal receipts. The joint resolution and bill also specify that appropriations for a fiscal year are limited to 115 percent of appropriations made during the preceding calendar year. The calendar-year basis is used to ensure certainty in the determination of allowable appropriation levels for the coming fiscal year. It also avoids problems caused by supplemental appropriations late in a fiscal year.

New AS 37.05.156(c), in sec. 1 of the bill, addresses the question of how reappropriations should be treated for purposes of the appropriation limit. The intent of that provision is to distinguish between "old" and "new" money. This distinction is needed because it is sometimes difficult to determine whether a reappropriation consists entirely of money appropriated in a prior year, or exceeds the amount of money actually available from those prior appropriations, thereby entailing an appropriation of new money. Any reappropriation not clearly identifiable is also considered a new appropriation.

The maximum balance of the budget reserve fund in any fiscal year equals the amount of general fund appropriations enacted during the preceding calendar year. Money in excess of the 115 percent limit is used to bring the fund balance up to the fund's capacity. A portion of the money in excess of the budget reserve fund capacity must then be deposited in the permanent fund as savings. The bill specifies that that portion is 75 percent. The remaining excess (25 percent) must be deposited in the general fund, and is available for appropriation (effectively increasing the 115 percent limit). Any of that excess money subsequently appropriated from the general fund becomes part of the calculation of the base for the next fiscal year.

The bill specifies that if general fund revenue in a fiscal year falls to a level below 95 percent of appropriations made during the preceding calendar year, an amount may be transferred from the budget reserve fund into the general fund. That transferrable amount is limited to the lesser of (1) the amount needed to bring appropriations up to the 95 percent level, or (2) the maximum amount of the fund that may be spent in a fiscal year, which is 25 percent of the budget reserve fund balance.

As specified in the joint resolution, the budget reserve fund retains its income earnings to help ensure an adequate level of capitalization to meet appropriation demand in years of revenue decline.


The constitutional amendments permit expenditures from the fund beyond the 115 percent appropriation limit and the 25 percent fund expenditure limit to meet declared states of emergency. The bill cites existing statutory language to provide further clarification of "emergencies."

The constitutional amendments proposed in the joint resolution and the implementing statutory provisions together can

provide elected officials with the tools of sound fiscal management, and promise to the citizens of the state a means of avoiding the social and economic shocks that may result from extreme volatility in our revenue stream.

Article XV, sec. 27, of the Alaska Constitution now requires the lieutenant governor to place on the ballot in 1986 the proposition for the existing appropriation limitation, which was approved by the voters in 1982. Since that vote will occur at the same election as the vote on the attached proposal, there is the possibility that both constitutional provisions would be approved -- resulting in a direct conflict between them. To avoid confusion and to preclude legal questions arising as to this later amendment, while still having the lieutenant governor comply with art. XV, sec. 27, the attached bill (see sec. 2) requires the lieutenant governor to include an appropriate explanation on the ballot. It is expected that this explanation will be brief, with some amplification in the voter pamphlet.

Sincerely,



Bill Sheffield
Governor

Offered: 3/3/86
Referred: Finance

Original sponsor: Rules/governor

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 513 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation and budget reserve fund; and providing for
8 an effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)

12 There is established as a separate fund in the state treasury the
13 budget reserve fund. The budget reserve fund consists of money ded-
14 icated to that fund by art. IX, sec. 17, Constitution of the State of
15 Alaska.

16 (b) For the purposes of determining the appropriation limitation
17 amount under art. IX, sec. 16, Constitution of the State of Alaska,
18 (1) an appropriation is considered to be made in the calendar year in
19 which it is enacted, and (2) "appropriation" includes money received
20 by the state, described in art. IX, sec. 17(a), Constitution of the
21 State of Alaska, that exceeds the maximum balance of the fund and is
22 subsequently deposited in the general fund and appropriated. For the
23 purposes of art. IX, sec. 17, Constitution of the State of Alaska, the
24 amount of money received by the state includes any surplus carried
25 forward from the preceding fiscal year, or is reduced by any deficit
26 from that preceding fiscal year.

27 (c) A reappropriation of no more than the remaining balance of
28 the amount appropriated in a prior year is considered an appropriation
29 attributable to the calendar year in which the appropriation was first

1 enacted. Only if, within a single section of an appropriation bill,
2 there is an explicit repeal of an appropriation coupled with a new
3 appropriation is there a reappropriation for the purposes of this
4 subsection.

5 (d) If the money received by the state from state sources in a
6 fiscal year is less than 95 percent of the amount appropriated from
7 state sources during the preceding calendar year, amounts may be
8 transferred from the budget reserve fund to the general fund, up to a
9 limit of either 25 percent of the budget reserve fund balance, or the
10 difference between money received from state sources in that fiscal
11 year and 95 percent of appropriations during the preceding calendar
12 year, whichever is less. Determination of the need for budget reserve
13 fund expenditures for a fiscal year shall be made during the final
14 quarter of that fiscal year.

15 (e) As authorized by art. IX, sec. 17(b), Constitution of the
16 State of Alaska, 75 percent of the money received by the state, de-
17 scribed in art. IX, sec. 17(a), Constitution of the State of Alaska,
18 that exceeds the maximum balance of the fund, shall be deposited in
19 the Alaska permanent fund.

20 (f) The Department of Revenue shall manage and invest assets of
21 the budget reserve fund in the manner set out for the management and
22 investment of assets of the Alaska Permanent Fund Corporation under
23 AS 37.13.120. The department has all of the duties and authority
24 given the corporation and the board under AS 37.13.120.

25 (g) In art. IX, sec. 17, Constitution of the State of Alaska,
26 "emergency" means the events set out in AS 26.23.230(1) or a reduction
27 of the revenue from nonstate sources that seriously impairs the
28 ability of the state to perform essential functions.

29 (h) In this section and art. IX, secs. 16 and 17, Constitution

1 of the State of Alaska, "state source" means

2 (1) the undistributed income account in the permanent fund;

3 and

4 (2) all sources of money in the state general fund except

5 (A) federal sources;

6 (B) bond proceeds;

7 (C) sources from which money is received in trust for
8 a specific purpose; and

9 (D) the dividend fund established under AS 43.23.045.

10 * Sec. 2. The lieutenant governor shall include on the ballot for the
11 1986 general election an explanation that an affirmative vote on the con-
12 stitutional amendment providing for the budget reserve fund and revising
13 the appropriation limit will supersede an affirmative vote on the reconsid-
14 eration, under art. XV, sec. 27, Constitution of the State of Alaska, of
15 the 1982 amendment establishing the appropriation limit.

16 * Sec. 3. AS 37.05.159, reserve for emergency operating expenses ac-
17 count (the "rainy day fund"), is repealed, and the balance in that account
18 is transferred to the budget reserve fund.

19 * Sec. 4. Sections 1 and 3 of this Act take effect on the effective
20 date of a constitutional amendment establishing the budget reserve fund and
21 revising the appropriation limit.

22 * Sec. 5. Section 2 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c).

Introduced: 1/24/86
Referred: Judiciary and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 513

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the constitutional appropriation
7 limitation and budget reserve fund; and providing for
8 an effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. BUDGET RESERVE FUND; APPROPRIATION LIMIT. (a)

12 There is established as a separate fund in the state treasury the
13 budget reserve fund. The budget reserve fund consists of money ded-
14 icated to that fund by art. IX, sec. 17 of the Alaska Constitution.

15 (b) For the purposes of determining the appropriation limitation
16 amount under art. IX, sec. 16, of the Alaska Constitution, (1) an
17 appropriation is considered to be made in the calendar year in which
18 it is enacted, and (2) "appropriation" includes money received by the
19 state, described in art. IX, sec. 17(a), of the Alaska Constitution,
20 which exceeds the maximum balance of the fund and is subsequently
21 deposited in the general fund and appropriated. For the purposes of
22 art. IX, sec. 17, of the Alaska Constitution, the amount of money
23 received by the state includes any surplus carried forward from the
24 preceding fiscal year, or is reduced by any deficit from that preced-
25 ing fiscal year.

26 (c) A reappropriation of no more than the remaining balance of
27 the amount appropriated in a prior year is considered an appropriation
28 attributable to the calendar year in which the appropriation was first
29 enacted. Only if, within a single section of an appropriation bill,

1 there is an explicit repeal of an appropriation coupled with a new
2 appropriation is there a reappropriation for the purposes of this
3 subsection.

4 (d) If the governor determines that the money received by the
5 state from state sources in a fiscal year is less than 95 percent of
6 the amount appropriated from state sources during the preceding calen-
7 dar year, amounts may be transferred from the budget reserve fund to
8 the general fund, up to a limit of either 25 percent of the budget
9 reserve fund balance, or the difference between money received from
10 state sources in that fiscal year and 95 percent of appropriations
11 during the preceding calendar year, whichever is less. Determination
12 of the need for budget reserve fund expenditures for a fiscal year
13 must be made during the final quarter of that fiscal year.

14 (e) As authorized by art. IX, sec. 17(b), of the Alaska Consti-
15 tution, 75 percent of the money received by the state, described in
16 art. IX, sec. 17(a), of the Alaska Constitution, which exceeds the
17 maximum balance of the fund, must be deposited in the Alaska permanent
18 fund.

19 (f) In art. IX, sec. 17, of the Alaska Constitution, "emergency"
20 means the events set out in AS 26.23.230(1) or a reduction of the
21 revenue from nonstate sources which seriously impairs the ability of
22 the state to perform essential functions.

23 (g) In this section and art. IX, secs. 16 and 17, of the Alaska
24 Constitution, "state source" means (1) the undistributed income ac-
25 count in the permanent fund, and (2) all sources of money in the state
26 general fund except (A) federal sources, (B) bond proceeds, and (C)
27 sources from which money is received in trust for a specific purpose.

28 * Sec. 2. The lieutenant governor shall include on the ballot for the
29 1986 general election an explanation that an affirmative vote on the

1 constitutional amendment providing for the budget reserve fund and revising
2 the appropriation limit will supersede an affirmative vote on the reconsid-
3 eration, under art. XV, sec. 27, of the Alaska Constitution, of the 1982
4 amendment establishing the appropriation limit.

5 * Sec. 3. AS 37.05.159, reserve for emergency operating expenses ac-
6 count (the "rainy day fund"), is repealed, and the balance in that account
7 is transferred to the budget reserve fund.

8 * Sec. 4. Sections 1 and 3 of this Act take effect on the effective
9 date of a constitutional amendment establishing the budget reserve fund and
10 revising the appropriation limit.

11 * Sec. 5. Section 2 of this Act takes effect immediately in accordance
12 with AS 01.10.070(c).