

COMMITTEE REPORT
SENATE

FURTHER:

3/21/86

Date 4/8/86

Mr. President

The Committee on FINANCE considered SJR 41
proposing amendments to the Constitution of the State of Alaska
relating to an appropriation limit.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
SFC @ 4/2/86
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Jorgensen

MEMBERS HAVING
OTHER RECOMMENDATIONS

Walters NO REC
Rich Halford NO REC

6 - Jan Fair
Chairman
do pass
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SJR 41
 Title : Proposing amendments to the Constitution of the State of Alaska re: an appropriation limit
 Sponsor : Faiks
 Requestor : _____
 Date of Request : _____

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						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Senator Jan Faiks, Co-chairman
 Division : Senate Finance Committee

Phone : 465-4523
 Date : 4/2/86

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note) :

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

Introduced: 2/14/86
Referred: Judiciary
and Finance

1 IN THE SENATE

BY FAIKS

2

SENATE JOINT RESOLUTION NO. 41

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

Proposing amendments to the Constitution

6

of the State of Alaska relating to an

7

appropriation limit.

8

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

9

* Section 1. Article IX, sec. 16, Constitution of the State of Alaska,

10 is repealed and readopted to read:

11

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for

12

Alaska permanent fund dividends, appropriations of revenue bond pro-

13

ceeds, appropriations required to pay the principal and interest on

14

general obligation bonds, and appropriations of money received from a

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non-State source in trust for a specific purpose, including revenue of

16

a public enterprise or public corporation of the State that issues

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revenue bonds, appropriations from the treasury made for a fiscal year

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may not exceed appropriations made for the preceding fiscal year or

19

the unrestricted revenue forecast for the current fiscal year, which-

20

ever is less, by more than the change, derived from federal indices as

21

prescribed by law, in population and inflation. Within this limit, at

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least one-third shall be reserved for appropriations for capital

23

projects and loan funds. The legislature may exceed this limit in

24

bills for appropriations, if each bill is approved by the governor, or

25

passed by affirmative vote of three-fourths of the membership of the

26

legislature over a veto or item veto, or becomes law without signa-

27

ture, and is also approved by the voters as prescribed by law. Each

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bill for appropriations for capital projects in excess of the limit

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shall be confined to capital projects of the same type, and the voters

1 shall, as provided by law, be informed of the cost of operations and
2 maintenance of the capital projects. Other appropriations in excess
3 of this limit may not be made except to meet a state of disaster
4 declared by the governor as prescribed by law. The governor shall
5 cause any unexpended and unappropriated balance to be invested in the
6 Alaska permanent fund.

7 * Sec. 2. Article XV, sec. 27, Constitution of the State of Alaska is
8 repealed and readopted to read:

9 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
10 APPROPRIATIONS. If the 1986 amendment limiting appropriation in-
11 creases (art. IX, sec. 16) is adopted, the lieutenant governor shall
12 cause the ballot title and proposition for the amendment to be placed
13 on the ballot again at the general election in 1990. If the majority
14 of those voting on the proposition in 1990 rejects the amendment, it
15 shall be repealed.

16 * Sec. 3. Article XV, sec. 28, Constitution of the State of Alaska is
17 repealed and readopted to read:

18 SECTION 28. APPLICATION OF AMENDMENTS. If a majority of those
19 voting in 1986 on the reconsideration of the 1982 amendment limiting
20 appropriation increases approves that amendment, the 1982 amendment
21 applies to appropriations made for fiscal year 1987. The 1986 amend-
22 ment repealing and readopting section 16 of article IX applies to
23 appropriations made for fiscal year 1988 and thereafter.

24 * Sec. 4. The amendments proposed by this resolution shall be placed
25 before the voters of the state at the next general election in conformity
26 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
27 tion laws of the state.

Section 15. Alaska Permanent Fund.**Cross references.**

For statutory provisions concerning permanent fund dividends, see AS 43.23.

Opinions of Attorney General. — Since this section specifically authorizes dedications to the Permanent Fund of "at least" 25 percent of certain revenues, any additional dedication to the fund by statute or by appropriation is also permissible. November 30, 1982, Op. Att'y Gen.

If the legislature enacts any other distribution program which is consistent with the intent of the permanent fund dividend law (AS 43.23), any appropriation to implement that program will be exempt from the appropriation limit of § 16, art. IX, of the state constitution. 1983 Op. Att'y Gen. No. 01.

NOTES TO DECISIONS

Quoted in *Williams v. Zobel*, Sup. Ct. Op. No. 2170 (File Nos. 5400, 5421), 619 P.2d 422 (1980); *Alaska Oil Co. v. Alaska*, 45 Bankr. 358 (D. Alaska 1985).

Stated in *Zobel v. Williams*, 50 U.S.L.W. 4613 (U.S. June 14, 1982), rev'g Sup. Ct. Op. No. 2201 (File No. 5400), 619 P.2d 448 (1980).

Section 16. Appropriation Limit. 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. [Amendment approved November 2, 1982]

Approval date. — This amendment was approved November 2, 1982. (Legislative Resolve No. 1, FSSLA 1981).

Opinions of attorney general. — This section imposes an appropriation limit rather than a spending limit. The legislature may make appropriations which exceed available revenues, but obligations may not be paid under those appropriations unless there is enough surplus money available in the treasury. 1983 Op. Att'y Gen. No. 01.

There is history which supports a liberal interpretation of the term "capital project" as used in this section. 1983 Op. Att'y Gen. No. 01.

If the legislature enacts any other distribution program which is consistent with the intent of the permanent fund dividend law (AS 43.23), any appropriation to implement that program will be exempt from the appropriation limit of this section. 1983 Op. Att'y Gen. No. 01.

If the legislature provides that an appropriation may not be expended until a later fiscal year, the appropriation should

be counted only against the limit for that later fiscal year. 1983 Op. Att'y Gen. No. 01.

The one-third appropriation allocation reserved for capital projects and loan appropriations may be disregarded when economic conditions impose a total appropriation limit which is more restrictive than that set out in this section. 1983 Op. Att'y Gen. No. 01.

Appropriations that are available for expenditure in a fiscal year should be counted only against the appropriation limit of this section for the first fiscal year during which they could be completely expended. This should be done even if an unexpended balance is carried forward into the next fiscal year; that balance must be considered obligated for the purposes of the appropriation limit. 1983 Op. Att'y Gen. No. 01.

Appropriations to retire municipal general obligation school bond indebtedness under AS 14.11 are "required" and qualify as an exception to the spending limit of this section. 1983 Op. Att'y Gen. No. 01.

Article X

Local Government

Section 1. Purpose and Construction.

NOTES TO DECISIONS

Power to impose civil penalty for failure to timely pay sales taxes. — The power of a municipality to impose a civil penalty for failure to timely file or pay sales taxes is granted primarily because this section requires that a liberal construction be given to the powers of municipalities, a rule of interpretation that is echoed by AS 29.48.310 — 29.48.330. *Bookey v. Kenai Peninsula Borough*, Sup. Ct. Op. No. 2199 (File No. 4878), 618 P.2d 507 (1980).

Applied in *City of Homer v. Gangl*, Sup. Ct. Op. No. 2559 (File Nos. 5702, 5743), 650 P.2d 396 (1982).

Quoted in State, Pub. Offices Comm'n

v. Marshall, Sup. Ct. Op. No. 2406 (File No. 5614), 633 P.2d 227 (1981); *Simpson v. Municipality of Anchorage*, Ct. App. Op. No. 57 (File Nos. 4945, 4946, 5288), 635 P.2d 1197 (1981); *State, N.S.E. Regional Aquaculture Ass'n v. Alex*, Sup. Ct. Op. No. 2488 (File Nos. 5065, 5086, 5142), 646 P.2d 203 (1982); *City of Anchorage v. Richards*, Ct. App. Op. No. 173 (File Nos. 6387, 6459, 6504, 6540), 654 P.2d 797 (1982); *Municipality of Anchorage v. Afualo*, Ct. App. Op. No. 213 (File Nos. 7094, 7095), 657 P.2d 407 (1983).

Cited in *Gilman v. Martin*, Sup. Ct. Op. No. 2652 (File No. 5937), 662 P.2d 120 (1983).

SJR 41

March 17, 1986

MEMORANDUM

TO: Senator Rodey, Chairman
Senate Judiciary Committee

FROM: Senator Jan Faiks

SUBJECT: Background on Senate Joint Resolution 41,
proposing amendments to the Constitution of the
State of Alaska relating to an appropriation
limit.

This resolution will allow the voters to amend the current appropriation limit contained in Article IX, Section 16 of the Alaska Constitution.

The present constitutional section limits annual appropriations to \$2.5 billion. It provides for several exceptions to this limit and allows it to rise according to changes in population and inflation which have occurred since 1981.

The present limit can be exceeded for capitol projects only if the expenditure is approved by the voters. The present limit will be reconsidered by the voters during the 1986 elections.

SJR 41 will change the basis for calculating the appropriation limit. It provides both a spending and a revenue component. The spending component would tie the appropriation limit to the previous year's appropriation plus a population and inflation adjustment factor. The revenue component would tie the limit to the unrestricted revenue forecast plus a population and inflation adjustment factor. For any fiscal year, the lesser of the two components would become the appropriation limit.

The resolution will also expand the safety valve provision. If the voters approve, the limit can be exceeded for an operational appropriation as well as a capital one.

Otherwise, the SJR 41 has the same features as the present law. One-third of the annual appropriation would continue to be reserved for capital projects and loans. Permanent fund dividends, revenue bond proceeds, debt service, and non-state restricted revenues would continue to be excluded from the limit, and it will be resubmitted to the voters at the 1990 election. If passed this year, the new limit will apply to FY 88 and to budgets thereafter.

Passage of this amendment to our Constitution will stretch out the period for dissipating current windfalls and surpluses. At the present time, there is approximately a \$1 billion surplus outside of the Permanent Fund. Spending and unrestricted revenues are now about equal. By keeping them in close proximity, current surpluses will last longer. If we want to dip into surpluses for future needs, any such action will have to be approved by the voters.

Secondly, this amendment will add discipline to our budgeting process. The process will become more predictable, and this will be an improvement to our current system.

Finally, if revenues begin to increase, the amendment will restrain future spending growth. When revenues increase from one year to the next, spending will be limited by the previous year's expenditures, provided they are less than the projected new revenues. To spend beyond the previous adjusted year, voter approval will be required.

I believe that this amendment is essential for the long-term fiscal health of of Alaska's state and local governments. Thank you for considering it.

**COMMONWEALTH
NORTH**

March 13, 1986

Senator Jan Faiks
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99911

Dear Senator Faiks:

The Commonwealth North Board has reviewed SJR-41 and has voted to recommend its approval by the Legislature. This action is based on our Compass North report which recommended that an amended version of the current constitutional spending limit be presented to the voters on the 1986 ballot.

SJR-41 recognized three significant fiscal policy issues facing Alaska.

- (1) The continued long-term decline in Alaska's unrestricted revenue.
- (2) The need to bring State spending trends into conformance with unrestricted revenue trends.
- (3) The need to control future spending when revenues increase.

The primary features of SJR-41 are as follows:

(1) CHANGES THE BASIS FOR CALCULATION

The basis for calculating the Appropriation Limit in any year would have both a spending and revenue component. The revenue component would tie the Appropriation Limit to the unrestricted revenue forecast plus a population and inflation adjustment factor. The spending component would tie the Appropriation Limit to the previous years appropriation plus a population and inflation adjustment factor. The lesser of the two components becomes the Appropriation Limit.

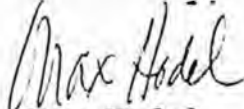
- (2) RETAINS THE AMOUNT RESERVED FOR CAPITAL PROJECTS AND LOANS
One-third of the annual appropriation would continue to be reserved for capital projects and loans.
- (3) RETAINS CURRENT EXCLUSIONS
Permanent fund dividends, revenue bond proceeds, debt service and no-State restricted revenues would continue to be excluded from the Appropriation Limit.
- (4) SAFETY VALVE PROVISION EXPANDED
The Appropriation Limit could be exceeded for either operation or capital appropriations as long as it received voter approval.
- (5) SUNSET CLAUSE RETAINED
The revised Appropriation Limit would be resubmitted to the voters at the 1990 election.
- (6) EFFECTIVE DATE
The effective date of the Appropriation Limit, if approved this year, would be for the FY 88 budget.

The primary benefits of approval of the revised Appropriation Limit would be:

- (1) Stretching out the period for dissipation of current windfalls and surpluses. At the present time revenue surplus of nearly \$1 billion exist outside of the Permanent Fund. At the same time spending and unrestricted revenue was now about equal. By keeping spending and revenue in close proximity, current surpluses will last longer. Should it become necessary to dip into the surpluses for special needs, in the future, the appropriation will require voter approval.
- (2) Adding discipline to the State fiscal policy process. The budget process will be much more predictable resulting in much needed reform of the current process.
- (3) Restraining future spending growth if revenues begin to increase. Whenever revenues increase from one year, spending growth will be limited by the previous year spending not the current year revenue surplus. Voter approval would be required to expand spending beyond the limit should revenue "windfalls" be forthcoming.

Commonwealth North has pledged its strong support for controlling State spending and we sincerely believe that this amendment to the Appropriation Limit is essential for the long-term health of Alaska's state and local governments. We welcome the opportunity to work with you and other members of the legislature on the successful passage of this measure as well as the public information campaign required to inform the voters about this issue and bring about its approval at the general election.

Sincerely,

A handwritten signature in cursive script that reads "Max Hodel".

Max Hodel
President

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

2/14/86

Date 3/20/86

Mr. President

The Committee on JUDICIARY considered SJR 41

proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

2 Chris F. ...

1 Rich Halford

MEMBERS HAVING
OTHER RECOMMENDATIONS

1 3 ... N/Rec

1 Kelly No Rec v/chn

Chairman Kelly

Chairman recommendation _____