

SJR

41

BILL CONTACT/ACTION

DATE	CONTACT/ACTION
3/14	NOTIFIED OF 3/18 MEETING
	FAIKS
	DEPT OF REVENUE (2300) BOUCE WELER
3/18	NOTIFIED FAIKS' OFFICE



March 13, 1986

Senator Patrick Rodey
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99911

Dear Senator Rodey:

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.

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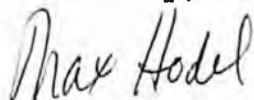
- (2) RETAINS THE AMOUNT RESERVED FOR CAPITAL PROJECTS AND LOANS
One-third of the annual appropriation would continue to be reserved for capital projects and loans.
- (3) RETAINS CURRENT EXCLUSIONS
Permanent fund dividends, revenue bond proceeds, debt service and no-State restricted revenues would continue 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