

HJR

12

Alaska State Legislature

REPRESENTATIVE
STEVE RIEGER
District 8, Seat B

House Finance Committee



P. O. Box 110623
Anchorage, Alaska 99511

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-3464

House of Representatives

M E M O R A N D U M

TO: House State Affairs Committee
FROM: Representative Steve Rieger *SR*
DATE: February 24, 1987
RE: HJR 12, Use and Expenditure of State Money

In the fall of 1986, the voters ratified the current constitutional spending limit by a vote of 110,775 to 48,909. There clearly is public support for a spending limit.

The current spending limit doesn't work. Therefore I have introduced House Joint Resolution 12. This legislation is made up of two elements: a spending limit and a budget reserve fund.

SPENDING LIMIT:

Amends previous constitutional spending limitation language, major points being:

1. Links level of appropriation limit to prior year's actual spending, permitting downward movement of limit as well as upward movement;
2. Deletes indexing of limit for population growth (keeps indexing for inflation);
3. Simplifies prescriptions of how moneys shall be spent;
4. Maintains exemption for appropriations to the Permanent Fund.

BUDGET RESERVE FUND:

1. Dollars received by the state (other than specific exceptions) that exceed the spending limitation are put in the fund. Additional dollars may be appropriated to the the fund.

2. Interest earned by the fund shall be retained in the fund.
3. Legislature may use up to two thirds (2/3) of the fund if dollars received by the state in a fiscal year are less than 92% of the spending limit.

A Committee Substitute for Senate Joint Resolution 10, the companion resolution to HJR 12 in the senate, was proposed in Senate Judiciary because Section 17(c) did not state clearly that the budget must be cut by 8% before the budget reserve fund could be used. The changes to the senate resolution are as follows.

On page 3, line one delete and add:

...appropriation limit received by the State in a fiscal year [does not exceed] is less than ...

The second change adds a sentence on page three, line 4:

However, the amount appropriated from the budget reserve fund when added to the money subject to the appropriation limit that fiscal year may not exceed ninety-two percent of the amount that may be appropriated under Section 16 of this article.

Alaska State Legislature

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STEVE RIEGER
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House Finance Committee



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P. O. Box V
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House of Representatives

January 28, 1987

MEMORANDUM

To: Interested Legislators

From: Representative Steve Rieger *SR*

The attached joint resolution is intended to strengthen and improve the Budget Reserve Fund. It incorporates some of the concepts of Governor Sheffield's proposed constitutional amendment in the 1986 legislative session, but also has some changes.

The first component is a spending limit. The joint resolution, if approved by the voters, repeals the existing constitutional spending limit, and substitutes a new limit. Each year's total general fund appropriations will be tied to the previous year's total appropriations, with a maximum increase of 10%. If revenues decrease, appropriations decrease and the Budget Reserve Fund may kick in, as described in the next paragraph. For purposes of the spending limit, appropriations to the Permanent Fund are excluded and all year-to-year comparisons are on a constant-dollar basis, i.e. inflation-adjusted.

The second component of the legislation constitutionally establishes the Budget Reserve Fund. The Budget Reserve Fund (1) receives revenues when they exceed appropriations, and (2) pays out money if revenues fall short of appropriations, subject to two conditions. First, there must be an 8% reduction in total appropriations before money can be drawn from the Budget Reserve Fund. Second, no more than 2/3 of the balance of the Budget Reserve Fund can be drawn in a single year.

Interested Legislators
January 28, 1987
Page 2

This legislation corrects a problem of Governor Sheffield's proposal last year. It makes clear that only the legislature can appropriate money from the Budget Reserve Fund (while last year's proposal allowed the Governor to draw out money).

Lastly, there is a provision to allow additional appropriations from the Budget Reserve Fund to meet legally declared state disasters.

Please note that even if passed this year, this constitutional amendment will be before the voters after the present balance in the Budget Reserve Fund is probably drawn down to zero, to balance the FY '87 deficit. However, Governor Cowper has advocated new special appropriations to replenish the Budget Reserve Fund.

It is also my expectation that by the time this amendment is before the voters for ratification, state spending will be at a more sustainable long-term level of spending, making the spending limit restrictions reasonable.

In conclusion, I believe that the constitutional protections proposed here are good, necessary improvements to the whole concept of a Budget Reserve Fund. Our goal is to stabilize state spending. This resolution provides a meaningful spending limit, which is a first requisite to stable spending, and it provides constitutional protection to the Budget Reserve Fund itself, so that it only may be used to offset significant, i.e. greater than 8%, reductions in state revenues. Again, the result is more stable state spending.

Attachment



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

February 18, ~~1986~~ 1987

MEMORANDUM

TO: Representative Steve Rieger

ATTN: Brent Paine

FROM: Brad Pierce *BP*
Legislative Analyst

RE: Budget Reserve Fund under House Joint Resolution 12
Research Request 87.125

You requested this agency to provide information on House Joint Resolution 12 (HJR 12). The resolution, if adopted, would seek voter approval to modify Article IX of the Alaska Constitution to establish a State budget appropriation limit. This limit would restrict appropriations (excluding debt service, federal funds, and Permanent Fund deposits and dividends) for a given fiscal year to not more than ten percent over, or eight percent under, inflation-adjusted appropriations for the previous fiscal year.¹ In effect, this resolution defines upper and lower limits to total appropriations for a given fiscal year, based on appropriations for the previous fiscal year.

Under HJR 12, revenues in excess of the upper appropriation limit would be deposited into a budget reserve account which would accrue interest at market rates.² If revenues were insufficient to fund the lower appropriation limit, up to two-thirds of the reserve account could be drawn down in any fiscal year to make up the difference.

¹Although the language in the resolution does not explicitly specify at what point in the calculation these exclusions are to be made, we have assumed that they are to be backed out before computing limits.

²We have used an 8.2 percent interest rate, which corresponds to the average rate of interest income on the State General Fund balance during the FY 80 - FY 87 period. We have also assumed that funds would be deposited continuously in the account over the fiscal year.

Specifically, you requested this agency to provide a table portraying the total State budget from FY 80 - FY 87 as if HJR 12 had been in effect during this period. We have used our interpretation of the assumptions embodied in HJR 12 to construct the attached table.

Column 1 shows the general obligation debt service component for FY 80 - FY 87 State budgets. Column 2 is the total annual State appropriation level, less federal funds. Columns 3 - 5 break out the additional variables necessary to adjust historical budgets to comply with the provisions of HJR 12. Columns 6 and 7 define the upper and lower limits of total State budget appropriations under the HJR 12 restrictions. The effective budget (column 8) then equals either the upper limit (Column 6) or total revenues (column 9), whichever is less, except when funds would have been withdrawn to meet the lower limit (Column 7).

As you can see from the effective budgets in Column 8, revenues exceed the upper limit from FY 80 - FY 82, which causes the reserve account to increase during this period. When revenues fall to less than the upper limit (but greater than the lower limit) in FY 83, the appropriation level becomes the total revenue level and no funds are deposited to, or withdrawn from, the reserve account. From FY 84 - FY 86, total revenues are greater than the upper limit and the reserve account again increases. In FY 87, revenues decline sharply and funds are withdrawn from the reserve account to bring the effective budget up to the lower limit level.

Per your request, approximately \$2.5 billion in extraordinary appropriations (e.g., ANCSA payments, AIDA and AHFC capitalization, etc.) and certain revenue bond payments made during the period are assumed to have been deposited into the reserve account. Although the model does not exactly follow the provisions of HJR 12, we think we have specified the model you requested. The reserve account in the model works because it applies to a period in which revenues generally exceeded budget targets. In an era of declining revenues, and beginning with a \$3.6 billion FY 87 base budget, deposits to a budget reserve account are less likely.

We have the HJR 12 model stored on computer disk and would be happy to refine it further or provide projections if you wish. I hope we have provided enough information for your purposes. If you have any further questions, please call.

Attachment

TABLE 1
 FY 80-87 STATE BUDGET UNDER HJR 12 ASSUMPTIONS
 (\$ millions)

FISCAL YEAR	[-----ACTUALS-----]					[----- UNDER HJR 12 -----]					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	GO Debt Service	Total Budget (less Fed \$)	Permanent Fund Deposits	Permanent Fund Dividends	Inflation Factor	HJR 12 Upper Limit	HJR 12 Lower Limit	HJR 12 Effective Budget	Total Revenues (less Fed \$)	Annual Reserve Account Dep/With	Reserve Account Balance
1980	75.2	1,371.0	0.0	0.0	1	1,371.0	1,371.0	1,371.0	2,492.4	1,121.4	1,167.4
1981	97.4	5,212.3	900.0	0.0	1.101	2,566.7	2,309.9	2,566.7	3,431.6	864.9	2,163.4
1982	102.4	4,642.5	800.0	0.0	1.077	2,761.6	2,457.4	2,761.6	3,762.4	1,000.8	3,382.7
1983	143.6	4,018.4	400.0	481.6	1.072	3,217.6	2,858.8	2,922.4	2,922.4	0.0	3,660.0
1984	178.6	4,123.0	300.0	190.6	1.008	2,772.8	2,428.6	2,772.8	3,301.7	528.9	4,510.7
1985	169.5	4,781.0	300.0	163.1	1.036	3,029.9	2,637.6	3,029.9	3,307.0	277.1	5,169.1
1986	163.3	4,180.8	0.0	218.2	1.028	3,092.3	2,648.8	3,092.3	3,098.2	5.9	5,599.0
1987	155.0	3,611.3	0.0	304.4	1.004	3,453.3	2,963.4	2,963.4	1,205.3	(1,758.1)	4,228.0

Sources: Historical Budget Data (less federal monies), Office of Management and Budget
 Permanent Fund Data, General Fund Interest Rate and Total Unrestricted Revenues, "Revenue Sources FY 86-89", Department of Revenue.
 Federal Revenues, "Operating and Capital Budgets" (various years), Legislative Finance
 Consumer Price Index, "Alaska Cost and Income Measures", Department of Labor.

Prepared by the House Research Agency, February 1987 (87-125;871217-16).

Sec. 37.05.156. Budget reserve fund; Appropriation limit. (a)

There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the treasury made in a fiscal year 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. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate of population by the Department of Labor. The determination of the change in inflation for purposes of this subsection shall be based on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation limit includes the balance in the general fund carried forward from the preceding fiscal year.

(c) If the legislature determines that the money subject to the appropriation limit received by the state in a fiscal year is less than the maximum permitted to be appropriated under (b) of this section, up to 25 percent of the balance of the budget reserve fund may be appropriated to the general fund.

(d) The Department of Revenue shall manage and invest assets of the budget reserve fund in the manner set out for the management and investment of the assets of the general fund under AS 37.10.070. Income from investment of the budget reserve fund may be appropriated to the fund each year by law.

(e) Notwithstanding other provisions of this section, appropriations may be made from the budget reserve fund needed by the governor to meet a disaster. In this subsection, "disaster" has the meaning given in AS 26.23.230. (§ 1 ch 58 SLA 1986)

Effective dates. — Section 4, ch. 58, SLA 1986, provides: "This Act takes effect July 1, 1986."

Editor's notes. — Section 3, ch. 58,

SLA 1986 provides that this section applies to fiscal year 1988 and fiscal years thereafter.

*Sec. 37.05.159. Reserve for emergency operating expenses account.
[Repealed. § 2 ch 58 SLA 1986.]*

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. JUD.	3-29-88	1:30 p.m.
H. JUD.	3-28-88	1:30 p.m.
H. JUD.	2-11-88	1:30 p.m.
H. JUD.	5-13-87	1:30 p.m.

(7)

HOUSE COMMITTEE REPORT

Date referred: 4/8/88

FURTHER REFERRALS: Finance

DATE: March 29, 1988

The Judiciary Committee has considered HJR 12

Proposing amendments to the Constitution of the State of Alaska relating to the use and expenditure of state money.

RECOMMENDS:

- replace with CS HJR 12 (SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] no rec.
[Signature] no rec.
[Signature] no rec.

[Signature]
 Chairman's signature

5-0451L
Cook
3/25/88

Original sponsors: Rieger, Collins,
Frank, et al.

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 12 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska relating to the
7 use and expenditure of state money.

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

9 * Section 1. Article IX, sec. 7, Constitution of the State of Alaska,
10 is amended to read:

11 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
12 license shall not be dedicated to any special purpose, except as
13 provided in Sections [SECTION] 15 and 17 of this article or when
14 required by the federal government for state participation in federal
15 programs. This provision shall not prohibit the continuance of any
16 dedication for special purposes existing upon the date of ratification
17 of this section by the people of Alaska.

18 * Sec. 2. Article IX, sec. 16, Constitution of the State of Alaska, is
19 amended to read:

20 SECTION 16. APPROPRIATION LIMIT. Except for appropriations to
21 the permanent fund or for Alaska permanent fund dividends, appropria-
22 tions to the budget reserve fund, appropriations of revenue bond
23 proceeds, appropriations required to pay the principal and interest on
24 general obligation bonds, and appropriations of money received from a
25 non-State source in trust for a specific purpose, including revenues
26 of a public enterprise or public corporation of the state that issues
27 revenue bonds, appropriations from the treasury made for a fiscal year
28 shall not exceed appropriations made for the preceding fiscal year
29 [\$2,500,000,000] by more than ten percent plus the [CUMULATIVE]

1 change, derived from federal indices as prescribed by law, in [POPU-
2 LATION AND] inflation since the beginning of the preceding fiscal year
3 [JULY 1, 1981. WITHIN THIS LIMIT, AT LEAST ONE-THIRD SHALL BE RE-
4 SERVED FOR CAPITAL PROJECTS AND LOAN APPROPRIATIONS. THE LEGISLATURE
5 MAY EXCEED THIS LIMIT IN BILLS FOR APPROPRIATIONS TO THE ALASKA PERMA-
6 NENT FUND AND IN BILLS FOR APPROPRIATIONS FOR CAPITAL PROJECTS, WHETH-
7 ER OF BOND PROCEEDS OR OTHERWISE, IF EACH BILL IS APPROVED BY THE
8 GOVERNOR, OR PASSED BY AFFIRMATIVE VOTE OF THREE-FOURTHS OF THE MEM-
9 BERSHIP OF THE LEGISLATURE OVER A VETO OR ITEM VETO, OR BECOMES LAW
10 WITHOUT SIGNATURE, AND IS ALSO APPROVED BY THE VOTERS AS PRESCRIBED BY
11 LAW. EACH BILL FOR APPROPRIATIONS FOR CAPITAL PROJECTS IN EXCESS OF
12 THE LIMIT SHALL BE CONFINED TO CAPITAL PROJECTS OF THE SAME TYPE, AND
13 THE VOTERS SHALL, AS PROVIDED BY LAW, BE INFORMED OF THE COST OF
14 OPERATIONS AND MAINTENANCE OF THE CAPITAL PROJECTS. NO OTHER APPRO-
15 PRIATION IN EXCESS OF THIS LIMIT MAY BE MADE EXCEPT TO MEET A STATE OF
16 DISASTER DECLARED BY THE GOVERNOR AS PRESCRIBED BY LAW. THE GOVERNOR
17 SHALL CAUSE ANY UNEXPENDED AND UNAPPROPRIATED BALANCE TO BE INVESTED
18 SO AS TO YIELD COMPETITIVE MARKET RATES TO THE TREASURY].

19 * Sec. 3. Article IX, Constitution of the State of Alaska, is amended
20 by adding a new section to read:

21 SECTION 17. BUDGET RESERVE FUND. (a) Money received by the
22 State that is subject to the appropriation limit under Section 16 of
23 this article and that exceeds that appropriation limit, shall be
24 deposited in the budget reserve fund. Additional appropriations may
25 be made to the budget reserve fund.

26 (b) Money in the budget reserve fund shall be invested so as to
27 yield competitive market rates to the fund. Income from investment of
28 the fund shall be retained in the fund.

29 (c) If the legislature determines that the money subject to the

1 appropriation limit received by the State in a fiscal year is less
2 than ninety-two percent of the amount that was appropriated under
3 Section 16 of this article in the previous fiscal year, up to two-
4 thirds of the budget reserve fund balance may be appropriated to the
5 general fund. However, the amount appropriated from the budget re-
6 serve fund when added to the money subject to the appropriation limit
7 during the current fiscal year may not exceed ninety-two percent of
8 the amount that was appropriated under Section 16 of this article in
9 the previous fiscal year.

10 (d) Notwithstanding the appropriation limit in this section and
11 in Section 16 of this article, additional amounts may be appropriated
12 from the budget reserve fund by affirmative vote of three-fourths of
13 the membership of each house of the Legislature to meet a state disas-
14 ter declared by the governor as prescribed by law.

15 * Sec. 4. Article XV, Constitution of the State of Alaska, is amended
16 by adding a new section to read:

17 SECTION 29. APPLICATION. The 1988 amendments relating to dedi-
18 cated funds (art. IX, sec. 7), the appropriation limit (art. IX,
19 sec. 16), and the budget reserve fund (art. IX, sec. 17) apply to
20 fiscal year 1990 and thereafter.

21 * Sec. 5. The amendments proposed by this resolution shall be placed
22 before the voters of the state at the next general election in conformity
23 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
24 tion laws of the state.

A M E N D M E N T

Offered in the HOUSE

By Rieger

TO: CSHJR 12 (State Affairs)

Page 3, line 12, after "fund":

Insert "by affirmative vote of three-fourths of the membership of each house of the legislature"

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HJR 12
PUBLISH DATE: 1/30/87

FISCAL NOTE

REQUEST:

Revision Date: 1/22/88
Title: Constitutional Amendment relating to the use and expenditure of state money.
Sponsor: RIEGER
Requestor: House Judiciary

Agency Affected: Office of the Governor
BRU: Division of Elections
Components: II - Primary & General Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0	2.2*	0	0	0	0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	2.2*	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2.2*	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 additional pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote (cont.)

Prepared by: Linda Edgeworth
Division: Elections

Phone: 465-4611
Date: 1/22/88

Approved by Commissioner: [Signature]
Agency: Office of the Governor, Division of Elections

Date: 2/1/88

Distribution (by preparer): 2/1/88
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HJR 12

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

Alaska State Legislature

REPRESENTATIVE
STEVE RIEGER
District 8, Seat B



P.O. Box 110623
Anchorage, Alaska 99511

Wade in Juneau
P.O. Box 7
Juneau, Alaska 99801
(907) 465-1364

House Finance Committee

House of Representatives

MEMORANDUM

TO: House Judiciary Committee

FROM: Representative Steve Rieger

DATE: February 8, 1987

RE: HJR 12, Use and Expenditure of State Money

In the fall of 1986, the voters ratified the current constitutional spending limit by a vote of 119,775 to 48,909. There clearly is public support for a spending limit.

The current spending limit doesn't work. Therefore I have introduced House Joint Resolution 12. This legislation is made up of two elements: a spending limit and a budget reserve fund.

SPENDING LIMIT:

Amends previous constitutional spending limitation language, major points being:

1. Links level of appropriation limit to prior year's actual spending, permitting downward movement of limit as well as upward movement;
2. Deletes indexing of limit for population growth (keeps indexing for inflation);
3. Simplifies prescriptions of how moneys shall be spent;
4. Maincains exemption for appropriations to the Permanent Fund.

BUDGET RESERVE FUND:

1. Dollars received by the state (other than specific exceptions) that exceed the spending limitation are put in the fund. Additional dollars may be appropriated to the the fund.

2. Interest earned by the fund shall be retained in the fund.
3. Legislature may use up to two thirds (2/3) of the fund if dollars received by the state in a fiscal year are less than 92% of the spending limit.

A State Affairs Committee Substitute for HJR 12 was adopted because Section 17(c) did not state clearly that the budget must be cut by 8% before the budget reserve fund could be used. The changes to the resolution are as follows.

page 3, line 2: delete "may be", replace with "was"

page 3, line 3: insert after the word "article", "in the previous fiscal year".

page 3, line 7: delete "may be", replace with "was"

page 3, line 8 insert after the word "article", "in the previous fiscal year".

This change permits use of the budget reserve fund only when revenues are less than 92% of the amount appropriated in the previous fiscal year. This ensures that the budget will have to be reduced by eight percent before the use of the reserve fund is allowed.

Also, a new section has been added which allows for the legislation to begin at the beginning of the 1990 fiscal year. The general election in which HJR 4 would be before the voters would be in November of 1988, which is well into fiscal year 1989.

Sec. 37.05.156. Budget reserve fund; Appropriation limit. (a) There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the treasury made in a fiscal year 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. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate of population by the Department of Labor. The determination of the change in inflation for purposes of this subsection shall be based on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation limit includes the balance in the general fund carried forward from the preceding fiscal year.

(c) If the legislature determines that the money subject to the appropriation limit received by the state in a fiscal year is less than the maximum permitted to be appropriated under (b) of this section, up to 25 percent of the balance of the budget reserve fund may be appropriated to the general fund.

(d) The Department of Revenue shall manage and invest assets of the budget reserve fund in the manner set out for the management and investment of the assets of the general fund under AS 37.10.070. Income from investment of the budget reserve fund may be appropriated to the fund each year by law.

(e) Notwithstanding other provisions of this section, appropriations may be made from the budget reserve fund needed by the governor to meet a disaster. In this subsection, "disaster" has the meaning given in AS 26.23.230. (§ 1 ch 58 SLA 1986)

Effective dates. — Section 4 ch. 58, SLA 1986, provides: "This Act takes effect July 1, 1986."

Editor's notes. — Section 4, ch. 58,

SLA 1986 provides that this section applies to fiscal year 1988 and fiscal years thereafter.

*Sec. 37.05.159. Reserve for emergency operating expenses account.
[Repealed. § 2 ch 58 SLA 1986.]*

TABLE 1
 FY 80-91 STATE BUDGET UNDER HJR 12 ASSUMPTIONS
 SEPTEMBER 1987 MEAN REVENUE FORECAST
 (\$ millions)

FISCAL YEAR	[ACTUALS]					[UNDER HJR 12]					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	GO Debt Service	Total Budget (less Fed \$)	Permanent Fund Deposits	Permanent Fund Dividends	Inflation Factor	HJR 12 Upper Limit	HJR 12 Lower Limit	HJR 12 Effective Budget	Total General Fund Revenues	Annual Reserve Account Dep/With	Reserve Account Balance
1980	75.2	1,371.0	0.0	0.0	1	1,371.0	1,371.0	1,371.0	2,501.2	1,130.2	1,176.5
1981	97.4	5,212.3	900.0	0.0	1.101	2,566.7	2,309.9	2,566.7	3,718.2	1,151.5	2,671.7
1982	102.4	4,642.5	800.0	0.0	1.077	2,761.6	2,457.4	2,761.6	4,108.4	1,346.8	4,076.4
1983	143.6	4,018.4	400.0	481.6	1.072	3,217.6	2,858.8	3,217.6	3,631.0	413.4	4,841.0
1984	178.6	4,123.0	300.0	190.6	1.008	3,100.1	2,702.3	3,100.1	3,390.0	289.9	5,539.8
1985	169.5	4,781.0	300.0	163.1	1.036	3,402.9	2,949.5	3,260.0	3,260.0	0.0	5,994.0
1986	163.3	4,180.8	0.0	217.7	1.028	3,352.1	2,865.9	3,075.0	3,075.0	0.0	6,485.5
1987	155.0	3,611.3	0.0	304.4	1.040	3,541.3	3,037.0	3,037.0	1,798.7	(1,238.3)	5,728.3
1988	147.9	2,326.9	0.0	393.5	1.040	3,490.2	3,007.7	3,007.7	2,085.7	(922.0)	5,238.2
1989	135.5		0.0	429.3	1.040	3,386.2	2,924.5	2,924.5	2,011.0	(913.5)	4,716.8
1990	120.3		0.0	466.3	1.040	3,286.1	2,844.4	2,844.4	2,157.0	(687.4)	4,388.0
1991	95.5		0.0	495.2	1.040	3,173.6	2,750.9	2,750.9	2,127.7	(623.2)	4,099.0

Sources: Alaska Department of Revenue and Office of Management and Budget.

Prepared by the House Research Agency, February 1988 (87-125;871217-16).

FIGURE 2 FY 80 - FY 91 LIMITS AND HJR 12 BUDGET

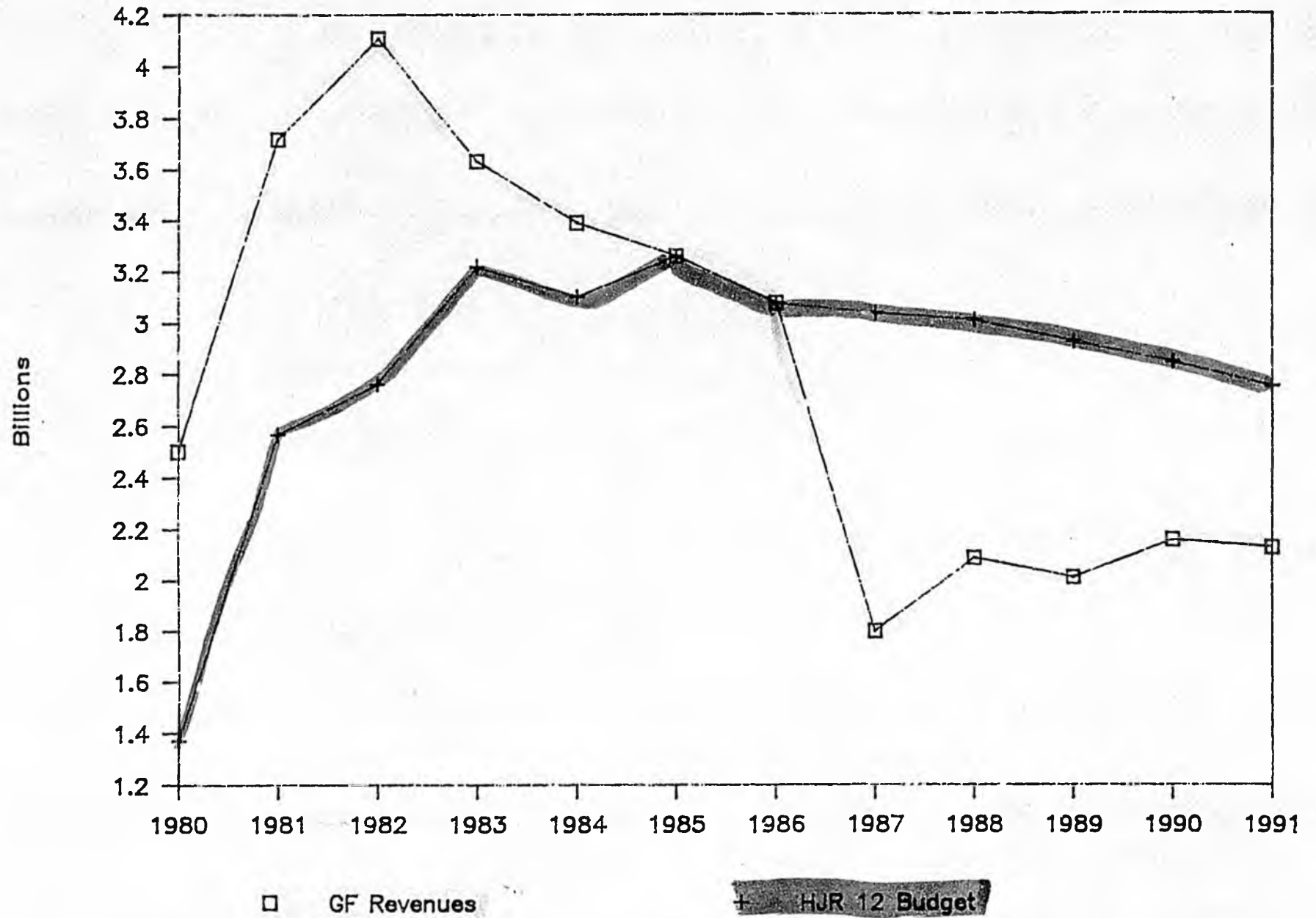
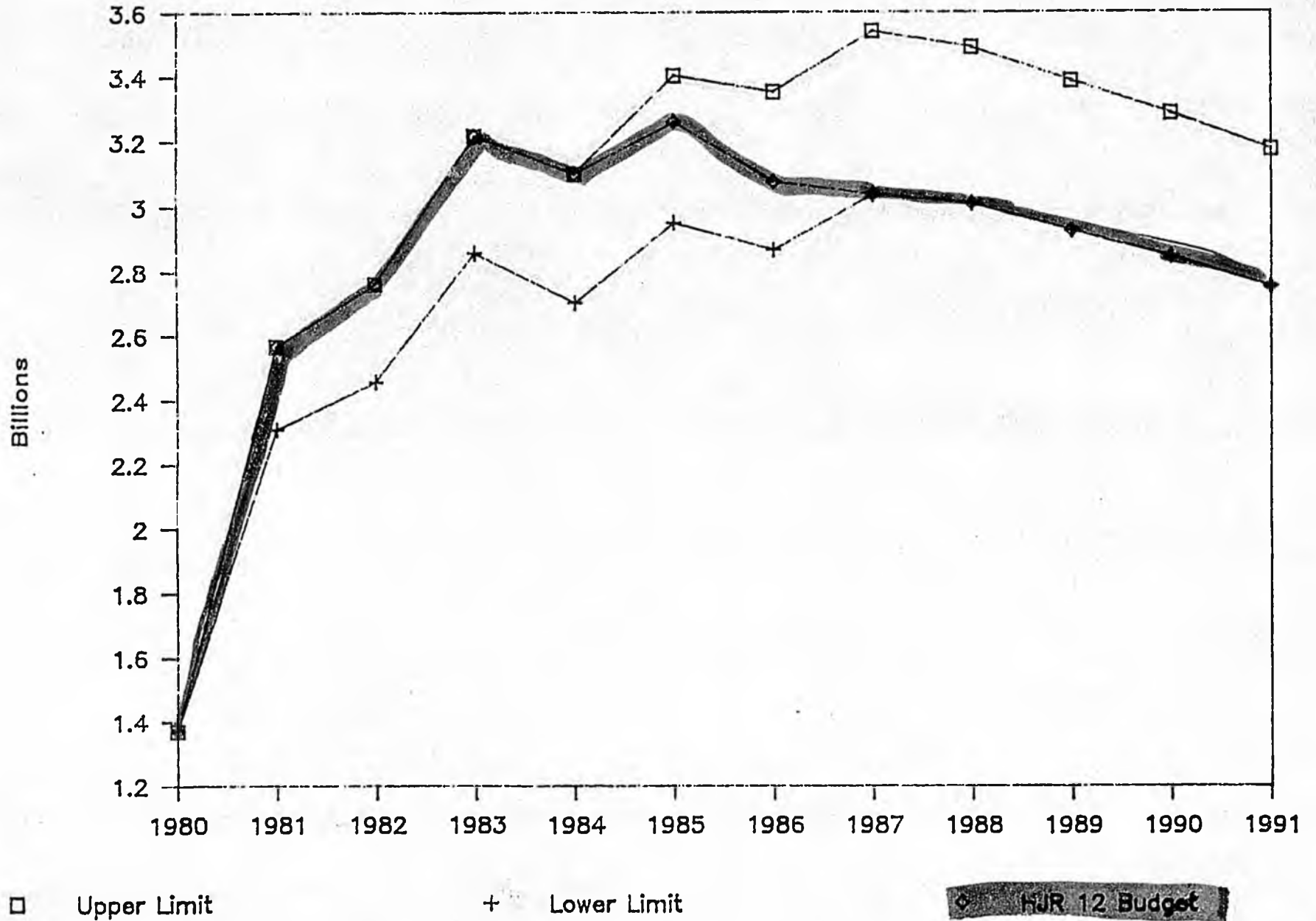


FIGURE 1 FY 80 - FY 91 GENERAL FUND REVENUES AND HJR 12 BUDGET



Alaska State Legislature

REPRESENTATIVE
STEVE RIEGER
District 8, Seat B

House Finance Committee



P. O. Box 110623
Anchorage, Alaska 99511

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-3464

House of Representatives

January 28, 1987

MEMORANDUM

To: Interested Legislators

From: Representative Steve Rieger *SR*

The attached joint resolution is intended to strengthen and improve the Budget Reserve Fund. It incorporates some of the concepts of Governor Sheffield's proposed constitutional amendment in the 1986 legislative session, but also has some changes.

The first component is a spending limit. The joint resolution, if approved by the voters, repeals the existing constitutional spending limit, and substitutes a new limit. Each year's total general fund appropriations will be tied to the previous year's total appropriations, with a maximum increase of 10%. If revenues decrease, appropriations decrease and the Budget Reserve Fund may kick in, as described in the next paragraph. For purposes of the spending limit, appropriations to the Permanent Fund are excluded and all year-to-year comparisons are on a constant-dollar basis, i.e. inflation-adjusted.

The second component of the legislation constitutionally establishes the Budget Reserve Fund. The Budget Reserve Fund (1) receives revenues when they exceed appropriations, and (2) pays out money if revenues fall short of appropriations, subject to two conditions. First, there must be an 8% reduction in total appropriations before money can be drawn from the Budget Reserve Fund. Second, no more than 2/3 of the balance of the Budget Reserve Fund can be drawn in a single year.

Interested Legislators
January 28, 1987
Page 2

This legislation corrects a problem of Governor Sheffield's proposal last year. It makes clear that only the legislature can appropriate money from the Budget Reserve Fund (while last year's proposal allowed the Governor to draw out money).

Lastly, there is a provision to allow additional appropriations from the Budget Reserve Fund to meet legally declared state disasters.

Please note that even if passed this year, this constitutional amendment will be before the voters after the present balance in the Budget Reserve Fund is probably drawn down to zero, to balance the FY '87 deficit. However, Governor Cowper has advocated new special appropriations to replenish the Budget Reserve Fund.

It is also my expectation that by the time this amendment is before the voters for ratification, state spending will be at a more sustainable long-term level of spending, making the spending limit restrictions reasonable.

In conclusion, I believe that the constitutional protections proposed here are good, necessary improvements to the whole concept of a Budget Reserve Fund. Our goal is to stabilize state spending. This resolution provides a meaningful spending limit, which is a first requisite to stable spending, and it provides constitutional protection to the Budget Reserve Fund itself, so that it only may be used to offset significant, i.e. greater than 8%, reductions in state revenues. Again, the result is more stable state spending.

Attachment

TABLE 1
 FY 89-2000 STATE BUDGET UNDER HJR 12 ASSUMPTIONS
 MARCH 1987 MEAN REVENUE FORECAST
 GENERAL FUND UNRESTRICTED REVENUES
 (\$ millions)

FISCAL YEAR	(1) GO Debt Service	(2) Inflation Factor	(3) HJR 12 Upper Limit	(4) HJR 12 Lower Limit	(5) HJR 12 Limited Budget	(6) Total Approp	(7) Annual Reserve Account Dep/With	(8) Reserve Account Balance	(9) DOR Mean Revenue Forecast	(10) Real Approp (1987 \$)	(11) Real Revenue (1987 \$)
1989	135.5	1.049	1,777.8	1,777.8	1,777.8	1,913.3	0.0	150.0	1,913.3	1,684.3	1,684.3
1990	120.3	1.059	2,071.0	1,732.1	1,905.8	2,026.1	0.0	162.3	2,026.1	1,700.7	1,700.7
1991	95.5	1.059	2,220.1	1,856.8	1,861.9	1,957.4	0.0	175.6	1,957.4	1,551.6	1,551.6
1992	68.2	1.059	2,169.0	1,814.1	2,039.4	2,107.6	0.0	190.0	2,107.6	1,577.5	1,577.5
1993	59.7	1.062	2,382.4	1,992.5	2,181.9	2,241.6	0.0	205.6	2,241.6	1,584.3	1,584.3
1994	33.9	1.062	2,548.9	2,131.8	2,548.9	2,582.8	5.4	227.8	2,588.2	1,718.9	1,722.5
1995	23.1	1.062	2,977.6	2,490.4	2,659.9	2,683.0	0.0	246.5	2,683.0	1,681.4	1,681.4
1996	21.5	1.062	3,107.3	2,598.9	2,646.9	2,668.4	0.0	266.7	2,668.4	1,574.6	1,574.6
1997	16.7	1.062	3,092.1	2,586.1	3,004.3	3,021.0	0.0	288.6	3,021.0	1,678.6	1,678.6
1998	14.4	1.061	3,506.3	2,932.5	3,006.6	3,021.0	0.0	312.3	3,021.0	1,580.6	1,580.6
1999	9.0	1.061	3,509.0	2,934.8	2,979.7	2,988.7	0.0	337.9	2,988.7	1,473.8	1,473.8
2000	2.6	1.061	3,477.6	2,908.6	2,897.5	2,911.2	(11.0)	354.5	2,900.1	1,353.0	1,347.0

Prepared by the House Research 30-Mar-87

TABLE 2
 FY 89-2000 STATE BUDGET UNDER HJR 12 ASSUMPTIONS
 MARCH 1987 MEAN REVENUE FORECAST WITH \$ 1 BILLION 1991 WINDFALL
 GENERAL FUND UNRESTRICTED REVENUES
 (\$ millions)

FISCAL YEAR	(1) GO Debt Service	(2) Inflation Factor	(3) HJR 12 Upper Limit	(4) HJR 12 Lower Limit	(5) HJR 12 Limited Budget	(6) Total Approp	(7) Annual Reserve Account Dep/With	(8) Reserve Account Balance	(9) DOR Mean Revenue Forecast	(10) Real Approp (1987 \$)	(11) Real Revenues (1987 \$)
1989	135.5	1.049	1,700.0	1,777.8	1,777.8	1,913.3	0.0	150.0	1,913.3	1,684.8	1,684.8
1990	120.3	1.059	2,071.0	1,732.1	1,905.8	2,026.1	0.0	162.3	2,026.1	1,700.7	1,700.7
1991	95.5	1.059	2,220.1	1,856.8	2,220.1	2,315.6	641.8	817.4	2,957.4	1,835.4	2,344.2
1992	68.2	1.059	2,586.2	2,163.0	2,163.0	2,231.2	(123.6)	760.9	2,107.6	1,670.0	1,577.5
1993	59.7	1.062	2,526.8	2,113.3	2,181.9	2,241.6	0.0	823.3	2,241.6	1,584.3	1,584.3
1994	33.9	1.062	2,548.9	2,131.8	2,548.9	2,582.8	5.4	896.2	2,588.2	1,718.9	1,722.5
1995	23.1	1.062	2,977.6	2,490.4	2,659.9	2,683.0	0.0	969.6	2,683.0	1,681.4	1,681.4
1996	21.5	1.062	3,107.3	2,598.9	2,646.9	2,668.4	0.0	1,049.2	2,668.4	1,574.6	1,574.6
1997	16.7	1.062	3,092.1	2,586.1	3,004.3	3,021.0	0.0	1,135.2	3,021.0	1,678.6	1,678.6
1998	14.4	1.061	3,506.3	2,932.5	3,006.6	3,021.0	0.0	1,228.3	3,021.0	1,580.6	1,580.6
1999	9.0	1.061	3,509.0	2,934.8	2,979.7	2,988.7	0.0	1,329.0	2,988.7	1,473.8	1,473.8
2000	2.6	1.061	3,477.6	2,908.6	2,908.6	2,911.2	(11.0)	1,426.9	2,900.1	1,353.0	1,347.4

Prepared by the House Research 30-Mar-87

sup5

TABLE 3
 FY 89-2000 STATE BUDGET UNDER HJR 12 ASSUMPTIONS
 MARCH 1987 MEAN REVENUE FORECAST WITH \$ 1 BILLION 1991 WINDFALL
 AND 1995 REVENUE CRISIS
 GENERAL FUND UNRESTRICTED REVENUES
 (\$ millions)

FISCAL YEAR	(1) GO Debt Service	(2) Inflation Factor	(3) HJR 12 Upper Limit	(4) HJR 12 Lower Limit	(5) HJR 12 Limited Budget	(6) Total Approp	(7) Annual Reserve Account Dep/With	(8) Reserve Account Balance	(9) DOR Mean Revenue Forecast	(10) Real Approp (1987 \$)	(11) Real Revenues (1987 \$)
1989	135.5	1.049	1,700.0	1,777.8	1777.8	1,913.3	0.0	150.0	1,913.3	1,684.8	1,684.8
1990	120.3	1.059	2,071.0	1,732.1	1,935.8	2,026.1	0.0	162.3	2,026.1	1,700.7	1,700.7
1991	95.5	1.059	2,220.1	1,856.8	2,220.1	2,315.6	641.6	817.4	2,957.4	1,835.4	2,344.2
1992	68.2	1.059	2,586.2	2,163.0	2,163.0	2,231.2	(123.6)	760.9	2,107.6	1,670.0	1,577.5
1993	59.7	1.062	2,526.8	2,113.3	2,181.9	2,241.6	0.0	823.3	2,241.6	1,584.3	1,584.3
1994	33.9	1.062	2,548.9	2,131.8	2,548.9	2,582.8	5.4	896.2	2,588.2	1,718.9	1,722.5
1995	23.1	1.062	2,977.6	2,490.4	2,177.3	2,200.4	(600.4)	369.2	1,600.0	1,378.9	1,002.7
1996	21.5	1.062	2,543.6	2,127.3	2,543.6	2,565.1	103.4	592.9	2,668.4	1,513.6	1,574.6
1997	16.7	1.062	2,971.4	2,485.2	2,971.4	2,988.1	32.9	577.0	3,021.0	1,660.3	1,678.6
1998	14.4	1.061	3,467.9	2,900.4	3,005.6	3,021.0	0.0	624.3	3,021.0	1,580.6	1,580.6
1999	9.0	1.061	3,509.0	2,934.8	2,979.7	2,988.7	0.0	675.5	2,988.7	1,473.8	1,473.8
2000	2.6	1.061	3,477.6	2,908.6	2,908.6	2,911.2	(11.0)	719.8	2,900.1	1,353.0	1,347.9

Table 2 Appropriations and Revenues

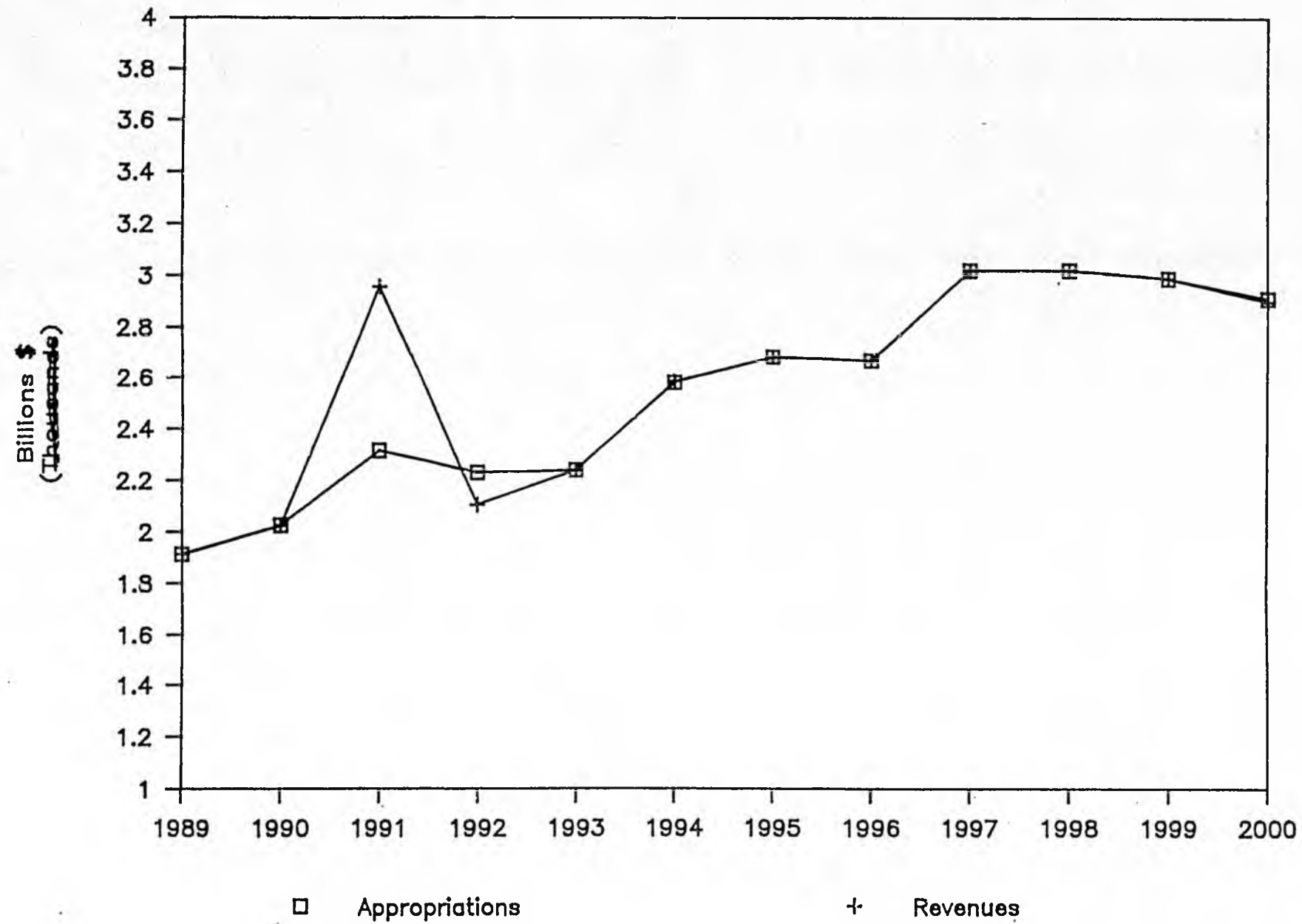
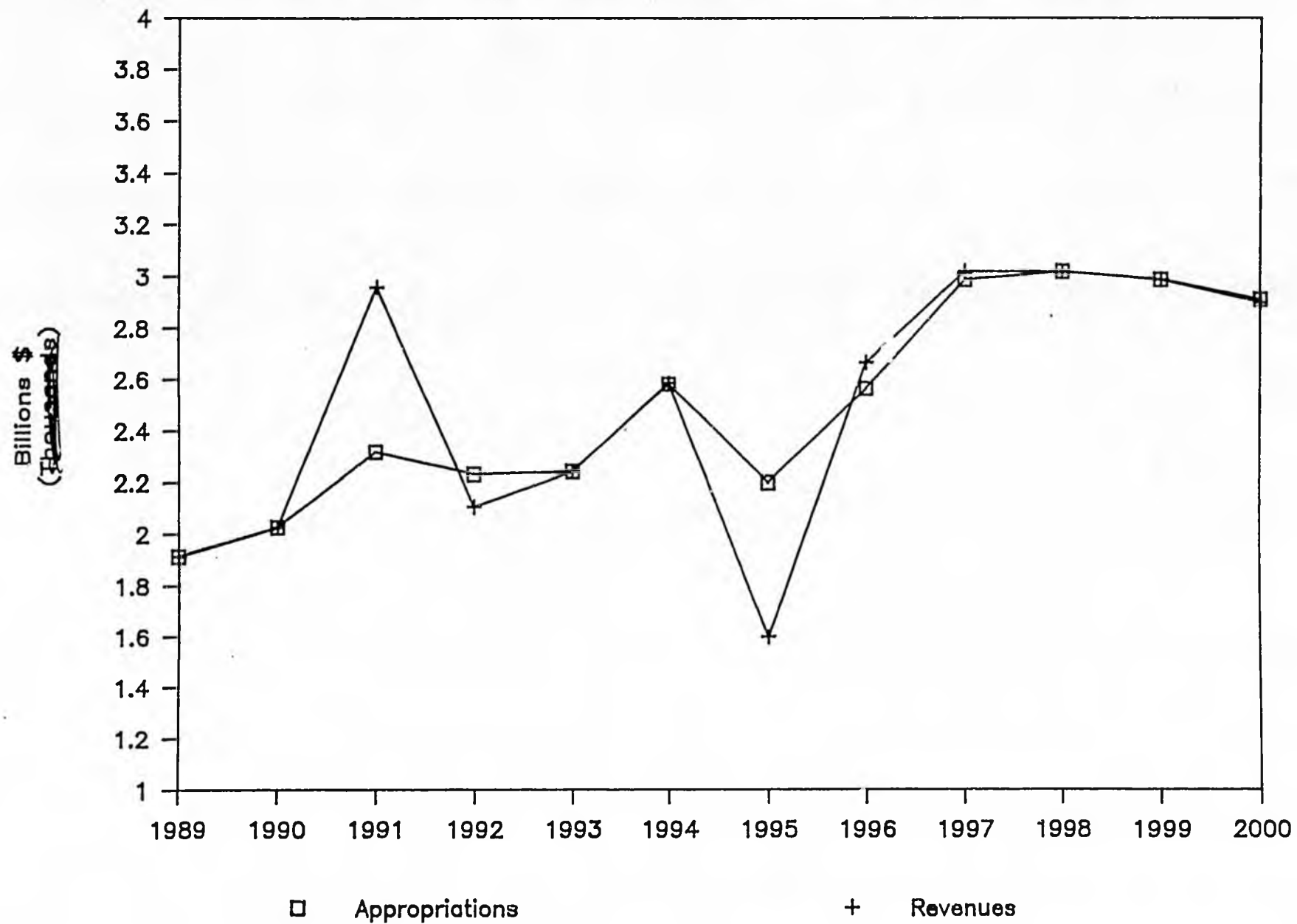


Table 3 Appropriations and Revenues



(7)

HOUSE COMMITTEE REPORT

Date referred: 2/2/87

FURTHER REFERRALS: Judiciary
Finance

(State Affairs added 2/2)

DATE: 4-6-87

The State Affairs Committee has considered HJR 12

Proposing amendments to the Constitution of the State of Alaska relating to the use and expenditure of state money.

RECOMMENDS:

- replace with CS HJR 12 (SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- / fiscal impact same as previous fiscal note published _____
- / zero fiscal note same as previous zero fiscal note published _____
- / zero with analysis

SIGNING DO PASS:

[Signature]

[Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] NO REC

[Signature] NO REC

[Signature] 9

[Signature] NO REC

[Signature]
Chairman's signature

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: _____
Publish Date: _____

Revision Date: HJR #12
Title: Amen. to Constitution relating to the use and expenditure of St. money
Sponsor: Rieger
Requestor: Rieger

Agency Affected: Office of the Governor
BRU: Division of Elections

Components: II

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL			2.2			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING			2.2			

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND			2.2			
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 additional pages in each Official Election Pamphlet, for printing and typesetting, and costs estimate to cover computer programming requirements for vote

(cont.)

Prepared by: Linda Edgeworth *SE* Phone: 465-4611
Division: Elections Date: 2-24-87

Approved by Commissioner: Carol P. Kestler Date: 3-13-87
Agency: Office of the Governor/ Division of Elections

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HJR #12

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____ Bill Version: HJR 12
 _____ Publish Date: _____
 Revision Date: _____ Agency Affected: Revenue
 Title: Amendments to Constitution - BRU: Treasury
use and expenditure of state money
 Sponsor: Rep. Rieger Components: _____
 Requestor: (H) S.A.

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

Prepared By: Milt Barker Phone: 465-2350
 Division: Treasury Date: 2/24/87
 Approved by Commissioner: Hugh Malone *(Signature)* Date: 2/24/87
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____

Revision Date: _____

Title: Prop. Amendments to the Const. of SOA. use and expenditure of state money

Sponsor: Rep. Rieger

Requestor: _____

Bill Version: HJR 12

Publish Date: 2/24/87

Agency Affected: Research

BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attachment

Prepared By: David Tonkovich Phone: 465-2173

Division: Revenue/Research Date: 2/24/87

Approved by Commissioner: Hugh Malone *H.M.* Date: 2/24/87

Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

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

Continuation of Fiscal Note/Bill Analysis

HJR 12

Analysis:

HJR 12 amends the Alaska Constitution by changing the appropriation limit language and by adding language that would place revenues in excess of the appropriation limit into a budget reserve fund. The resolution then specifies conditions under which the budget reserve fund can be utilized.

Because of the long term downward trend in revenues it seems that the appropriation limit would not be a factor in most years. One exception could occur in years with large settlement incomes. Because it is difficult to estimate either the timing or magnitude of such settlements we have specified no dollar amounts on the fiscal note. Should revenues ever be placed into the budget reserve fund the main revenue impact would come from interest earnings on those funds.

A second instance where the appropriation limit might come into play would occur if it were ever necessary to utilize permanent fund monies. Even though the appropriation limit could conceivably come into play there would be no obvious advantage to taking money out of the permanent fund to have it sit in a budget reserve fund.