

SJR

8



Alaska State Legislature

Chair
*Legislative Budget and Audit
Community and Regional Affairs*
Vice-Chair
Transportation

Randy Phillips
State Senator
District L

Session
*State Capitol
Juneau, AK 99801
(907) 465-4949*

Interim
*P.O. Box 142
Eagle River AK 99577
(907) 694-4949*

Memorandum

TO: Senator Loren Leman, Chairman
Senate State Affairs Committee

FROM: Senator Randy Phillips *R.P.*

DATE: January 22, 1993

RE: Sponsor Statement for:
Senate Joint Resolution No. 8,
Proposing Amendments to the Constitution of the State of
Alaska relating to capital projects and loan appropriations, and
to the expenditure limit.

SJR 8 would set a limit of \$2.3 billion for appropriations of unrestricted general funds from the state treasury for each fiscal year FY 1995 to FY 2000. SJR 8 would also provide that at least 10% of the amount appropriated in each fiscal year would be appropriated for capital projects and loans.

Alaska's Constitution Article IX, Section 16 currently contains an "appropriation limit" which was approved by the voters in 1982. The current appropriation limit in the Constitution would allow for general fund spending of more than \$4.5 billion in FY93. Given that unrestricted general fund revenues are predicted to be at or near \$2 billion, it is easy to see that the current appropriation limit makes no sense. Alaska also has a "statutory appropriation limit", AS 37.05.540, passed in 1987 which was intended to limit the growth of spending to equal inflation and population growth. This appropriation limit is not effective for two reasons:

1. Since it is in statute and not in the Constitution, the Legislature can not be bound to it, that is, any appropriation bill that exceeds the limit is a new law that supersedes the law setting the limit.
2. The method used to set the appropriation limit in AS 37.05. 540 is confusing and has lead to a situation where the limit has been technically breached even though the Legislature made a conscious effort to keep appropriations within the limit.

Alaska's Constitution does not require a "balanced budget" in the sense that annual expenditures must be balanced to annual revenues. Annual appropriations may exceed annual revenues and have in a number of years, the only real appropriation limit that is faced by the Legislature at this time is the prohibition against long-term borrowing to fund government operations. It would be possible for the Legislature to appropriate all revenues, special accounts, budget reserve funds and the earnings of the permanent fund all in one year.

In a perfect world, there would be no need to establish an appropriation limit in the state Constitution, Legislators would balance the demands of the public against the resources available and plan for the future. In the real world, the pressures brought by the public to fund specific programs makes in nearly impossible to make budget cuts. The need for an appropriation limit has been shown by the fact that the Legislature and the people of the State of Alaska have acted twice to establish appropriation limits. However, neither appropriation limit has been effective. Now is the time to establish an appropriation limit that is in the Constitution, enforceable, and also realistic.

If you have any questions or comments do not hesitate to call me at 4949. Your cooperation is appreciated.



Alaska State Legislature

Chair
*Legislative Budget and Audit
Community and Regional Affairs*

Vice-Chair
Transportation

January 26, 1993

Randy Phillips

State Senator
District L

Session
*State Capitol
Juneau, AK 99801
(907) 465-4949*

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Sectional Analysis

SJR 8

Section 1:

Amends Article IX of the Constitution to provide that no less than 10% of the money appropriated each fiscal year be appropriated for capital projects and loans.

Section 2:

Amends Article IX of the Constitution to suspend the current expenditure limit. It establishes a new temporary expenditure limit for the fiscal years 1995 to 2000. The temporary expenditure limit is set at \$2,300,000 with the following exceptions:

- Appropriations to the Permanent Fund
- Permanent fund dividends
- Appropriations to the budget reserve fund
- Appropriations of revenue from a tax approved by the voters
- Bond proceeds
- The principal and interest on bonds issued by the state
- Money received in trust for a specific purpose
- Endowment earnings
- Revenue from public corporations

The expenditure limit can be exceeded with a two-thirds vote of both the Senate and the House.

If inflation exceeds 6%, the legislature may appropriate an amount to offset the effect of the inflation that exceeds 6%.

Any revenues in excess of the expenditure limit will be deposited in the Constitutional Budget Reserve Fund.

Section 3:

Provides that the proposed amendments be placed before the voters at the next general election.

FY94 SPENDING LIMITS

Constitutional Spending Limit	4,532.0
Statutory Spending Limit	2,229.4
SJR 8	2,300.0

**1993 SESSION STATUTORY APPROPRIATION LIMIT CALCULATION
GENERAL FUND AND GENERAL FUND/PROGRAM RECEIPTS
BASED ON A.S. 37.05.540**

Assuming all appropriation bills passed during the
1992 session had become law in FY92

APPROPRIATIONS ENACTED IN FY92

CH 3 SLA 92		
Supplementals (for FY92 and prior years)	49.2	
CH 136 SLA 92		
Operating	1,555.3	
New Legislation	1.2	
FY93 Capital	0.0	
Loans	7.6	
G.O. Debt	59.8	
Other Debt	11.3	
Special Appropriations		
Sec 20, Oil & Hazardous Fund	27.0	
Sec 31, Mental Health Trust Indirect Cost	2.0	
CH 137 SLA 92		
Operating	732.5	
CH 5 FSSLA 92		
Operating	5.7	
Capital	300.3	
Supplementals	45.2	
Special Appropriations		
Sec 137, Storage Tank Assist Fund	5.0	
Total Appropriations	<u>2,802.1</u>	
EXCEPTIONS TO THE APPROPRIATION LIMIT		
G.O. Debt Retirement		<u>-59.8</u>
TOTAL APPROPRIATIONS SUBJECT TO LIMIT		2,742.3
Multiply by 5% plus the change in population and inflation		<u>111.15%</u>
1993 SESSION APPROPRIATION LIMIT		3,048.1

**1993 SESSION STATUTORY APPROPRIATION LIMIT CALCULATION
GENERAL FUND AND GENERAL FUND/PROGRAM RECEIPTS
BASED ON A.S. 37.05.540**

APPROPRIATIONS ENACTED IN FY92

CH 96 SLA 91		
FY92 Capital	352.2	
CH 3 SLA 92		
Supplementals (for FY92 and prior years)	49.2	
CH 136 SLA 92		
Operating	1,555.3	
New Legislation	1.2	
FY93 Capital	0.0	
Loans	7.6	
G.O. Debt	59.8	
Other Debt	11.3	
Special Appropriations		
Sec 20, Oil & Hazardous Fund	27.0	
Sec 31, Mental Health Trust Indirect Cost	<u>2.0</u>	
Total Appropriations		2,065.6

EXCEPTIONS TO THE APPROPRIATION LIMIT

G.O. Debt Retirement	<u>-59.8</u>
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TOTAL APPROPRIATIONS SUBJECT TO LIMIT 2,005.8

Multiply by 5% plus the change in population and inflation 111.15%

1993 SESSION APPROPRIATION LIMIT 2,229.4

APPROPRIATIONS ALREADY ENACTED IN FY93

CH 137 SLA 92		
Operating	732.5	
CH 5 FSSLA 92		
Operating	5.7	
Capital	300.3	
Supplementals	45.2	
Special Appropriations		
Sec 137, Storage Tank Assist Fund	<u>5.0</u>	
Total Appropriations		1,088.7

1993 SESSION
STATUTORY SPENDING LIMIT
MULTIPLICATION FACTOR

PERCENTAGE
CHANGE

SET BY STATUTE

5.00%

CHANGE IN POPULATION

Source: Greg Williams, Dept. of Labor, Research and Analysis

1991	570,300	
1992	<u>586,900</u>	
	16,600	2.91%

CHANGE IN INFLATION

Source: Dept. of Labor, Research and Analysis
CPI - Urban Consumers - Anchorage

First half of 1991	123.3	
First half of 1992	<u>127.3</u>	
	4.0	3.24%

TOTAL

11.15%

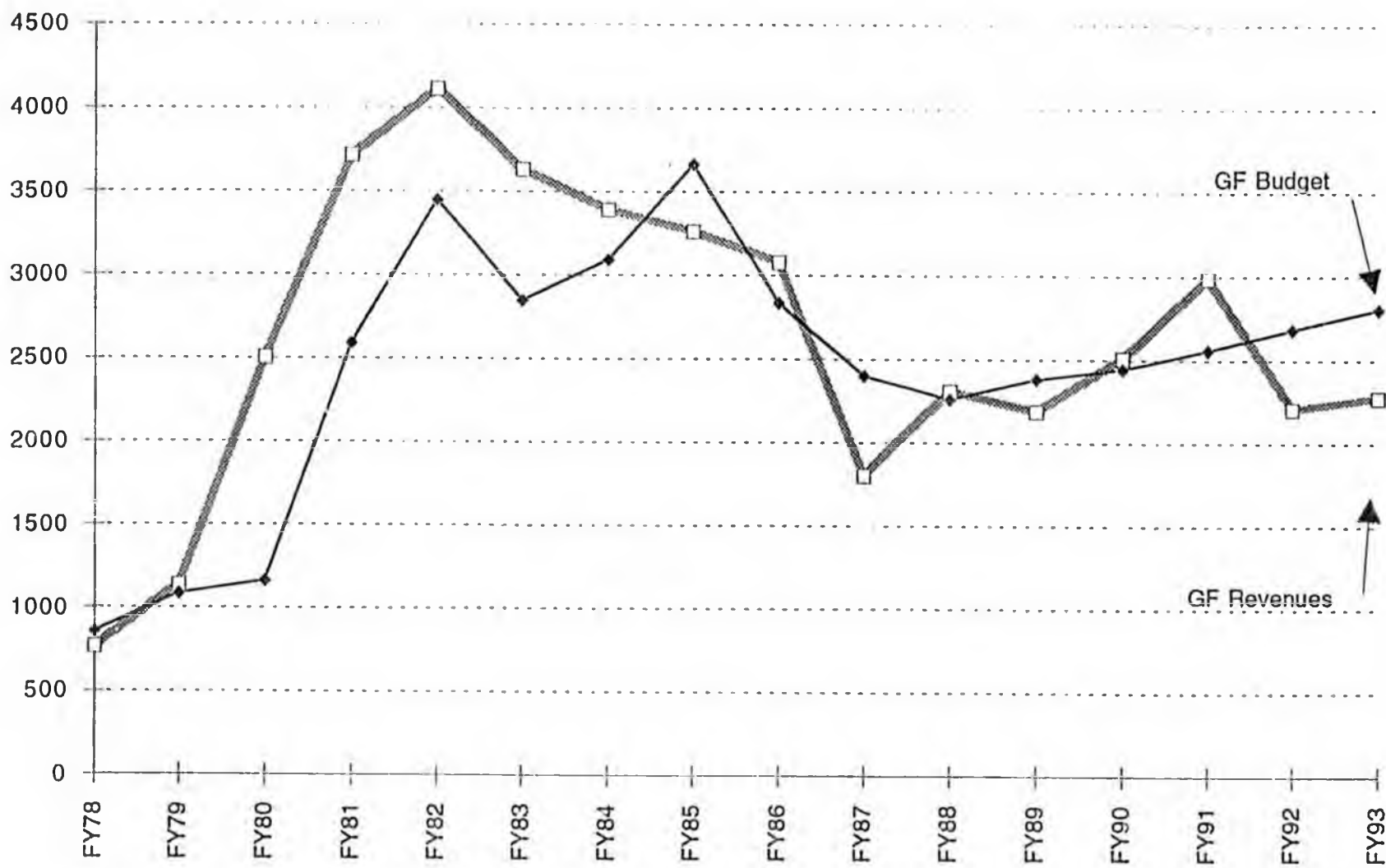
**FY93 CONSTITUTIONAL APPROPRIATION LIMIT CALCULATION
 BASED ON ARTICLE IX, SECTION 16 OF THE ALASKA CONSTITUTION**

Month	Calendar Year	Fiscal Year	Population	Population Change	CPI-U	CPI-U Change	Spending Limit
July	1981	82	416,000		92.2		2,500.0
July	1982	83	446,000	7.21%	98.8	7.11%	2,858.1
July	1983	84	488,000	9.42%	99.6	0.83%	3,151.1
July	1984	85	514,000	5.33%	103.2	3.65%	3,433.9
July	1985	86	533,000	3.70%	106.6	3.27%	3,673.1
July	1986	87	544,000	2.06%	108.3	1.58%	3,807.0
July	1987	88	539,000	-0.92%	108.3	0.02%	3,772.9
July	1988	89	542,000	0.56%	108.4	0.09%	3,797.3
July	1989	90	547,000	0.92%	110.9	2.31%	3,919.9
July	1990	91	550,000	0.55%	116.9	5.41%	4,153.5
July	1991	92	570,000	3.64%	123.3	5.47%	4,532.0

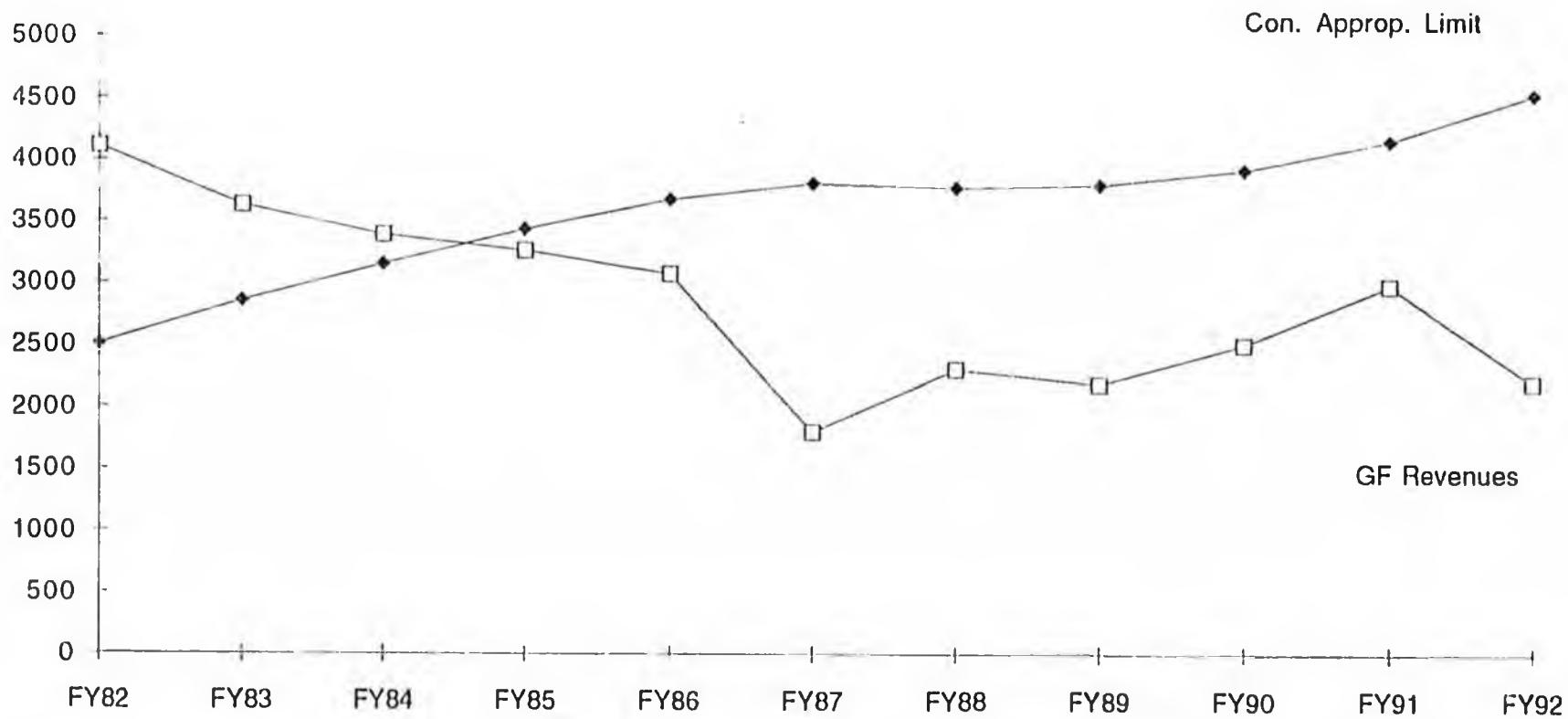
Notes: Population figures come from U.S. Census Bureau, Statistical Abstract of the United States 1992, U.S. Department of Commerce, Economics and Statistics Administration

Inflation figures are calculated using the Anchorage CPI-U prepared by the U.S. Department of Labor, Bureau of Labor Statistics.

GF Revenues vs GF Budget, FY78-FY93 in millions of dollars



GF Revenues vs Constitutional Approp. Limit



FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SJR 8

Revision Date: _____
Title: Amendment to the Constitution RE: capitol projects and loan appro-
riations, and to the expenditure limit
Sponsor: Senator Phillips
Requestor: _____

Department Affected: Office of the Governor
BRU: Division of Elections
Component: General and Primary Elections
COMPONENT SERIAL NO. 22

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	2.2*	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	2.2*	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	2.2*	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	2.2*	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0

ANALYSIS: (Attach a separate page if necessary.) *This figure covers cost of inclusion of information about this issue in the Official Elections Pamphlet as required by AS 15.58, and programming for DataVote counting of votes cast on the measure. However, only 4 measures can be printed on a single ballot card. Should this measure require printing and additional ballot card, the fiscal impact would be 53.4.

Prepared by: Charlot E. Thickstun, Director *Charlot E. Thickstun* Phone: 465-4611
Division: Division of Elections Date: 1/15/93
Approved by Commissioner: Lt. Governor John B. Coghill *J. B. Coghill*
Agency: Office of the Lt. Governor Date: 1/15/93

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