

HJR

30

Article IX

Finance and Taxation

SECTION 1. TAXING POWER. The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article.

SECTION 2. NONDISCRIMINATION. The lands and other property belonging to citizens of the United States residing without the State shall never be taxed at a higher rate than the lands and other property belonging to the residents of the State.

SECTION 3. ASSESSMENT STANDARDS. Standards for appraisal of all property assessed by the State or its political subdivisions shall be prescribed by law.

SECTION 4. EXEMPTIONS. The real and personal property of the State or its political subdivisions shall be exempt from taxation under conditions and exceptions which may be provided by law. All, or any portion of, property used exclusively for non-profit religious, charitable, cemetery, or educational purposes, as defined by law, shall be exempt from taxation. Other exemptions of like or different kind may be granted by general law. All valid existing exemptions shall be retained until otherwise provided by law.

SECTION 5. INTERESTS IN GOVERNMENT PROPERTY. Private leaseholds, contracts, or interests in land or property owned or held by the United States, the State, or its political subdivisions, shall be taxable to the extent of the interests.

SECTION 6. PUBLIC PURPOSE. No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose.

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

SECTION 8. STATE DEBT. No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.

SECTION 9. LOCAL DEBTS. No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

SECTION 10. INTERIM BORROWING. The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

SECTION 11. EXCEPTIONS. The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

SECTION 12. BUDGET. The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

SECTION 13. EXPENDITURES. No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

SECTION 14. LEGISLATIVE POST-AUDIT. The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

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 nonstate 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.

SECTION 17. BUDGET RESERVE FUND. (a) There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through

settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

(b) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

(c) An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature.

(d) If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.



[Return](#) to Alaska Constitution table of contents.

HTML mark-up by: M. Knutson, 5/21/95

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HJR30

Revision Date/Time (Note if correction) _____ Dept. Affected Office of the Governor
 Title Constitutional Amendment relating to BRU Elective Operations
budget reserve fund Component General and Primary
 Sponsor Representative James
 Requester House Judiciary Committee Component Serial No. 22

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. However, only six measures can be printed on an 8-1/2 by 14 inch ballot. If this measure requires printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by Gail Fenumial *Gail Fenumial* Phone 465-3935
 Division Division of Elections Date/Time 4/8/99 12:21 PM
 Approved by C. Lt. Governor Fran Ulmer *Fran Ulmer* Date 4/8/99
 Agency Office of the Lieutenant-Governor

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

Alaska State Legislature

REPRESENTATIVE
JEANNETTE JAMES
P.O. Box 56622
North Pole, Alaska 99705
(907) 488-1546
FAX (907) 488-4271



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3743
FAX (907) 465-2381

House Of Representatives

House District 34

DATE: March 26, 1999
TO: Representative Pete Kott
House Judiciary Committee
FROM: Representative Jeannette James
RE: Request for Hearing HJR 30

A handwritten signature in black ink, appearing to be "Jeannette James", written over the "FROM:" line of the memo.

Please schedule the following bill for hearing in the House Judiciary Committee at your earliest convenience:

HJR 30, Const. Amendment: Repeal Budget Reserve Fund

Copies of the bill and sponsor statement are attached.

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99705
TEL 488-1546, FAX 488-4271

State Capitol
Juneau, AK 99801
TEL 465-3743, FAX 465-2381

SPONSOR STATEMENT

HJR 30 Constitutional Amendment to Repeal the Constitutional Budget Reserve Fund

3/26/99

During the 1980's there was an enormous backlog of oil tax disputes, equaling billions and billions of dollars. These disputes were partially a result of our inexperience in establishing workable tax policies, and the complicated calculations required. Collection of these tax settlements was anticipated as a result of litigation or negotiation. These large amounts of collected funds were seen as windfalls and, since the Legislature might be tempted to rapidly spend them, the Constitutional Budget Reserve (CBR) fund was devised to collect these funds and make them difficult to access. This fund did several things:

1. Funds would be available to fill the gap between the amount available for appropriation in a given year which is less than the previous year's budget, with a majority vote.
2. Any other use of the fund would require a three-quarters vote.
3. All money that is used is considered borrowed and must be paid back.

4. Any money available for appropriation at June 30, fiscal year end, will be automatically swept into the CBR to pay back any money borrowed.

The constitutional amendment authorizing the CBR passed the voters in 1990. I voted for it. It was a good idea. However, a ballot measure hastily and not carefully crafted left implementation of the fund deposits or withdrawals questionable in the minds of the Administration and the Legislature. Disputes arose over what specific tax settlements should be deposited in this account, as well as what specific pots of money would be available for appropriation. The big question was how the earnings from the permanent fund factored in to these decisions.

A 1993 judicial decision provided the guidelines.

The courts ruled that the balance in the earnings reserve of the permanent fund is counted when determining whether or not income is less than the previous year's budget – with that figure determining how much could be spent with a majority vote. But, when it comes time to figure "the sweep" to repay the CBR, the earnings reserve of the permanent fund can not be counted. That really means any borrowing from the CBR always requires a three-quarters vote.

Every year, the three-quarters vote requirement has caused much dissent and struggle when the Legislature tries to pass a budget, and in many cases has resulted in more spending rather than less. The purpose of the CBR was to protect these windfalls from the legislature's appetite for spending, but just the opposite result has actually occurred.

Today, we don't need the CBR. All of the anticipated tax windfalls have been collected, except for a predictable \$106 million per year reflecting the ordinary course of doing business. During the life of the CBR, we have borrowed almost half the money. There is a balance of \$3.8 million, and we have spent about \$3.4 million.

The CBR has out-lived its purpose. We need to repeal it. It complicates our budget process and stymies our efforts to create a long-term spending plan. It interferes with valid budget negotiations between the majority and the minority.

When the CBR is repealed, just where these funds should be deposited is a decision open for discussion in the committee process. I believe it should be placed where it will earn the most interest AND be reasonably available.