

SJR

24

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

APR 23 2001

SENATE FINANCE
COMMITTEE

DATE: April 9, 2001

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 23 April 01

Finance Committee considered **SENATE JOINT RESOLUTION NO. 24**
AMEND CONSTITUTIONAL BUDGET RESERVE FUND

Proposing amendments to the Constitution of the State of Alaska relating to the budget reserve fund.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Governor	4/10/01		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	DO NOT PASS	No REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✗	
<i>[Signature]</i>			⊗	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

APR 23 2001

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SJR 24
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
Title: Constitutional Amendment relating to the BRU: Elective Operations
budget reserve fund Component: Elections
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee Component Number: 21

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual		1.5				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	1.5	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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	0.0	1.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

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. If this measure requires the printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenumiai Phone 465-3935
Division: Division of Elections Date/Time 04/10/01 4:28PM
Approved by: Lieutenant Governor Fran Ulmer Date 04/10/2001
Agency: Office of the Lieutenant Governor

For distribution information, call the Governor's Legislative Office



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement
for
Senate Joint Resolution 24
"Proposing amendments to the Constitution
of the State of Alaska relating to the budget reserve fund"

Senate Joint Resolution 24 would amend Article IX, sec 17 of Alaska's Constitution to promote fiscal discipline and provide a more efficient budgetary process. It is the intent of SJR 24 to restore the legislative intent of subsection (b). That section was intended to allow the legislature to fill a portion of the fiscal gap when available appropriations for a fiscal year are less than the amount available in the previous year without a $\frac{3}{4}$ vote.

The Alaska Supreme Court, in Halford v Cowper, determined that "the amount available for appropriation" was improperly defined in statute. The Alaska Supreme Court improperly interpreted the true legislative intent of the $\frac{3}{4}$ vote. This has allowed a small minority of legislators to "blackmail" the majority into increased spending each year.

SJR 24 addresses this problem by clearly defining subsection (b), and allows the legislature to transfer the difference between *current year revenue* and *appropriations for the previous year* from the Constitutional Budget Reserve (CBR) to the General Fund (GF) without a $\frac{3}{4}$ vote. Funds transferred from the CBR may be spent only as unrestricted GF. That is, the CBR couldn't be used to fill gaps in GF program receipts or in any of the fund codes the legislature classifies as "other." If current year appropriations exceed appropriations for the previous year, that gap will not be covered by the transfer from the CBR, but additional money can be appropriated from the CBR with a $\frac{3}{4}$ vote, just as it is done now.

SJR 24 amends Article IX, sec 17 of Constitution by:

- amending the trigger mechanism for accessing the CBR;
The old trigger without a $\frac{3}{4}$ vote was:
Available money (this year) is less than Appropriations (last year)
The new trigger is:
Available money (this year) is less than Appropriations (this year)
- defining the CBR gap-filler provision (subsection b), which is not used because it was declared unconstitutional, as a transfer rather than an appropriation.
- defining money available for appropriation (it will exclude federal receipts, income of the Permanent Fund, and the CBR).
- specifying that money transferred from the CBR can be used only to replace unrestricted GF appropriations.
- repealing the repayment provision

The existing trigger comparing revenue in the current year to appropriations in the prior year has little to do with determining whether a fiscal gap exists or how large it might be. The revised trigger is based on revenue and appropriations for the same fiscal year, making the comparison a valid indicator of a fiscal gap.

In addition, the original intent of using the CBR to fund no more than the level of appropriations for the prior year without a $\frac{3}{4}$ vote is not changed under SJR 24.

Definitions of the terms "amount available for appropriation" and "amount appropriated" are the root of problems with interpreting the CBR provision. The revised language in SJR 24, in addition to the court decision, makes it clear that federal receipts, Permanent Fund earnings (PFDs, inflation proofing and excess income) and the CBR are excluded from both definitions, as are monies excluded from the existing "sweep" provision (subsection d).

Essentially, that leaves the GF fund group and many of the "other" fund codes subject to the trigger. However, transfers under the revised subsection (b) of SJR 24 can be used only to fund appropriations from the unrestricted general fund. The purpose of this limitation is to make sure that the CBR is not used when non-general fund receipts fall short of expectations. For example, the CBR could not be used to make up a shortfall in University tuition or Aerospace Corporation receipts without a $\frac{3}{4}$ vote.

The withdrawal from the CBR is limited to prior year appropriations less the amount available for appropriation in the current year. If appropriations in the current year exceed appropriations in the prior year, only getting the $\frac{3}{4}$ vote can fill that portion of the fiscal gap.

Money withdrawn from the CBR with a $\frac{3}{4}$ vote can be used for any purpose.

SJR 24 also repeals the "sweep" provision because it can be reversed only with a $\frac{3}{4}$ vote. Since the sweep reversal would be an annual requirement, failing to delete it would defeat the purpose of the proposed amendments to subsection (b).

DD/jja

Alaska Constitution
Article IX, Section 17

Section 9.17 - 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.