

**HJR**

**9**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSHJR 9  
 () Publish Date: \_\_\_\_\_

Revision Date/Time: 1/23/04 Dept. Affected: All  
 Title: Appropriation/Spending Limit RDU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor: Stoltze  
 Requester: (H) FIN Component No. \_\_\_\_\_

*new ✓*  
*replaced*  
*3/15 FN*

**Expenditures/Revenues** (Thousands of Dollars)  
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 The zero fiscal note for executive branch agencies reflects the cost of implementing this legislation. Should the resolution pass the legislature, the Division of Elections would require \$1,500 to place this provision on the ballot for the 2004 general election.

Prepared by: Brad Pierce, Senior Policy Analyst Phone 465-4677  
 Division: OMB Date/Time 4/8/04 9:22 AM  
 Approved by: Cheryl Frasca, Director Date 4/8/04  
 Agency: OMB

# FISCAL NOTE

FN

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHJR 9(JUD)  
(H) Publish Date: 2/4/04

#2  
replaces #1

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: GOV  
Title Proposed amendment to the Constitution of the State of Alaska relating to an appropriation limit and spending limit. RDU Elections  
Sponsor Representative Stolze Component Elections  
Requester House Judiciary Component No. 21

**Expenditures/Revenue:** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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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-Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 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 of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Leonard G. Jones Phone 465-3051  
Division Division of Elections Date/Time 2/2/04 11:20 AM  
Approved by: Laura A. Glaiser, Director Date 2/2/2004  
Agency Office of the Lt. Governor, Division of Elections

adopted N/OBJ

AMENDMENT

8

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSHJR 9(FIN), Draft Version "J"

1 Page 1, line 10:

2 Delete "fifty"

3 Insert "seventy-five"

4

5 Page 1, line 11:

6 ~~Page 1, line 11:~~  
Delete "average annual"

7

8 Page 1, line 14:

9 Delete "percentage equal to the annual"

Page 2, line 1:

Delete "average"

*Amendment adopted #8*

23-LS0435J  
Cook  
4/6/04

*adopted 4-6-04*

**CS FOR HOUSE JOINT RESOLUTION NO. 9(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES STOLTZE, Kohring, Rokeberg, Meyer**

**A RESOLUTION**

1 **Proposing amendments to the Constitution of the State of Alaska relating to an**  
2 **appropriation limit.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** Article IX, sec. 16, Constitution of the State of Alaska, is repealed and  
5 readopted to read:

6 **Section 16. Appropriation Limit.** (a) Appropriations made for a current  
7 fiscal year shall not exceed the average amount appropriated for the earliest three of  
8 the four fiscal years immediately preceding that current fiscal year, increased or  
9 decreased by the lesser of

10 (1) fifty percent of the sum of the following:

11 (A) the average annual percentage rate of change in the cost of  
12 living for the three calendar years preceding the calendar year during which the  
13 immediately preceding fiscal year began; plus

14 (B) the percentage equal to the annual percentage rate of  
15 change in the State population for the three calendar years preceding the  
16 calendar year during which the immediately preceding fiscal year began; or

1 (2) the average percentage rate of change in the personal incomes of  
2 State residents for the three calendar years preceding the calendar year during which  
3 the immediately preceding fiscal year began.

4 (b) The legislature shall implement (a) of this section by law.

5 (c) An appropriation that exceeds the limit under (a) of this section by not  
6 more than two percent may be made for any public purpose upon affirmative vote of at  
7 least two-thirds of the members of each house of the legislature. An appropriation that  
8 exceeds the limit under (a) of this section by not more than four percent may be made  
9 for any public purpose upon affirmative vote of at least three-fourths of the members  
10 of each house. However, the total amount of appropriations under this subsection  
11 made for a fiscal year may not exceed the limit under (a) of this section by more than  
12 four percent. A bill making one or more appropriations under this subsection must be  
13 confined to appropriations made under this subsection.

14 (d) Calculations made under (a) or (c) of this section shall not include

15 (1) an appropriation to the Alaska permanent fund established in  
16 Section 15 of this article;

17 (2) an appropriation for payments of permanent fund dividends to State  
18 residents;

19 (3) an appropriation to meet a state of natural disaster declared by the  
20 governor as prescribed by law;

21 (4) an appropriation to a separate fund or account in the general fund  
22 from which expenditures may not be made without an additional appropriation from  
23 that separate fund or account;

24 (5) an appropriation of State general obligation and revenue bond  
25 proceeds;

26 (6) an appropriation required to pay obligations under revenue or  
27 general obligation bonds issued by the State;

28 (7) an appropriation of money received from the federal government;

29 (8) a reappropriation of money already appropriated under an  
30 unobligated appropriation that is not void under Section 13 of this article;

31 (9) an appropriation of money for expenditure by a State agency to

1 provide services to part of that same agency or to another State agency if the other part  
2 or the other agency has also received an appropriation of the same money;

3 (10) an appropriation of money held in trust by the State for a  
4 particular purpose;

5 (11) an appropriation of money from tuition of the University of  
6 Alaska;

7 (12) an appropriation of money received by the state from a source  
8 other than the state or federal government that is restricted to a specific use by the  
9 terms of a gift, grant, bequest, or contract;

10 (13) an appropriation of money deposited into the budget reserve fund  
11 under Section 17(d) of this article back to the funds and accounts from which the  
12 money came;

13 (14) an appropriation of dedicated funds;

14 (15) an appropriation made under (c) of this section.

15 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new  
16 section to read:

17 **Section 30. Application, Transition, and Reconsideration of**  
18 **Appropriation Limit.** (a) The 2004 amendment relating to an appropriation limit  
19 (art. IX, sec. 16) first applies to appropriations made for fiscal year 2006; however, for  
20 purposes of making calculations under the appropriation limit for fiscal years 2006  
21 through 2008, it shall be assumed that, excluding appropriations listed under Section  
22 16(d) of Article IX, the amount appropriated for

23 (1) fiscal year 2004 equals \$3,300,000,000; and

24 (2) fiscal year 2005 equals \$3,400,000,000.

25 (b) Notwithstanding Section 1 of Article XIII, the lieutenant governor shall  
26 place the ballot title and proposition for the 2004 amendment relating to an  
27 appropriation limit (art. IX, sec. 16) on the ballot again at the general election in 2010  
28 and every six years thereafter unless it is rejected. If the majority of those voting on  
29 the proposition rejects the amendment, Section 16 of Article IX is repealed on the date  
30 the election is certified.

31 \* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of

1 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
2 State of Alaska, and the election laws of the state.

Amended pg 2. line 19  
adopted 3/25/04

23-LS0435E  
Cook  
3/25/04

**CS FOR HOUSE JOINT RESOLUTION NO. 9(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES STOLTZE, Kohring, Rokeberg, Meyer**

**A RESOLUTION**

1 **Proposing amendments to the Constitution of the State of Alaska relating to an**  
2 **appropriation limit.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** Article IX, sec. 16, Constitution of the State of Alaska, is repealed and  
5 readopted to read:

6 **Section 16. Appropriation Limit.** (a) Except as provided in (c) of this  
7 section, appropriations made for a current fiscal year shall not exceed either of the  
8 amounts calculated under (1) and (2) of this subsection. Appropriations made for a  
9 current fiscal year shall not exceed the average amount appropriated for the earliest  
10 three of the four fiscal years immediately preceding that current fiscal year by more  
11 than

12 (1) fifty percent of the sum of the following:

13 (A) the average annual percentage rate of change in the cost of  
14 living for the three calendar years preceding the calendar year during which the  
15 immediately preceding fiscal year began; plus

16 (B) the percentage equal to the annual percentage rate of

1 change in the State population for the three calendar years preceding the  
2 calendar year during which the immediately preceding fiscal year began; or

3 (2) the average percentage rate of change in the personal incomes of  
4 State residents for the three calendar years preceding the calendar year during which  
5 the immediately preceding fiscal year began.

6 (b) The legislature shall implement (a) of this section by law.

7 (c) An appropriation that exceeds the limit under (a) of this section by not  
8 more than two percent may be made for any public purpose upon affirmative vote of at  
9 least two-thirds of the members of each house of the legislature. An appropriation that  
10 exceeds the limit under (a) of this section by not more than four percent may be made  
11 for any public purpose upon affirmative vote of at least three-fourths of the members  
12 of each house. However, the total amount of appropriations under this subsection  
13 made for a fiscal year may not exceed the limit under (a) of this section by more than  
14 four percent. A bill making one or more appropriations under this subsection must be  
15 confined to appropriations made under this subsection.

16 (d) Calculations made under (a) or (c) of this section shall not include

17 (1) an appropriation to the Alaska permanent fund established in  
18 Section 15 of this article;

19 (2) an appropriation ~~from the Alaska permanent fund~~ for payments of  
20 permanent fund dividends to State residents;

21 (3) an appropriation to meet a state of natural disaster declared by the  
22 governor as prescribed by law;

23 (4) an appropriation to a budget reserve fund established by law;

24 (5) an appropriation of State general obligation and revenue bond  
25 proceeds;

26 (6) an appropriation required to pay obligations under revenue or  
27 general obligation bonds issued by the State;

28 (7) an appropriation of money received from the federal government;

29 (8) a reappropriation of money already appropriated under an  
30 unobligated appropriation that is not void under Section 13 of this article;

31 (9) an appropriation of money for expenditure by a State agency to

1 provide services to another State agency that has also received an appropriation of the  
2 same money;

3 (10) an appropriation of money held in trust by the State for a  
4 particular purpose;

5 (11) an appropriation of money from tuition of the University of  
6 Alaska;

7 (12) an appropriation of money received by the state from a source  
8 other than the state or federal government that is restricted to a specific use by the  
9 terms of a gift, grant, bequest, or contract;

10 (13) an appropriation of money deposited into the budget reserve fund  
11 under Section 17(d) of this article back to the funds and accounts from which the  
12 money came;

13 (14) an appropriation made under (c) of this section.

14 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new  
15 section to read:

16 **Section 30. Application; Reconsideration of Appropriation Limit.** (a) The  
17 2004 amendment relating to an appropriation limit (art. IX, sec. 16) first applies to  
18 appropriations made for fiscal year 2006 and applies thereafter.

19 (b) Notwithstanding Section 1 of Article XIII, the lieutenant governor shall  
20 place the ballot title and proposition for the 2004 amendment relating to an  
21 appropriation limit (art. IX, sec. 16) on the ballot again at the general election in 2010  
22 and every six years thereafter unless it is rejected. If the majority of those voting on  
23 the proposition rejects the amendment, Section 16 of Article IX is repealed on the date  
24 the election is certified.

25 \* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of  
26 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
27 State of Alaska, and the election laws of the state.

3-22-04

23-LS0435Z.1  
Cook  
3/22/04

Accepted  
NO/OBJ

AMENDMENT |

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSHJR 9(FIN), Draft Version "Z"

+ Hawker

- 1 Page 2, line 12:
- 2 Delete "of Alaska permanent fund income"
- 3 Insert "from the Alaska permanent fund"

3/22/04

23-LS0435VZ.2  
Cook  
3/22/04

4-7  
failed

AMENDMENT

2

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSHJR 9(FIN), Draft Version "Z"

1 Page 3, line 7, following "Section 30.":

2 Insert "Contingent Effect and Effective Date;"

3

4 Page 3, line 7:

5 Delete "(a) The"

6 Insert "(a) The 2004 amendment relating to an appropriation limit (art. IX, sec. 16)  
7 takes effect only if a 2004 amendment relating to and limiting appropriations from the Alaska  
8 permanent fund based on an averaged percent of the fund market value (art. IX, sec. 15) is  
9 approved by the voters and takes effect. If the 2004 amendment relating to an appropriation  
10 limit (art. IX, sec. 16) under this subsection takes effect, it takes effect on the effective date of  
11 the 2004 amendment relating to and limiting appropriations from the Alaska permanent fund  
12 based on an averaged percent of the fund market value (art. IX, sec. 15).

13 (b) If the"

14

15 Page 3, line 8, following "(art. IX, sec. 16)":

16 Insert "takes effect under (a) of this section, it"

17

18 Page 3, line 10:

19 Delete "(b) Notwithstanding Section 1 of Article XIII,"

20 Insert "(c) If it takes effect under (a) of this section,"

21

22 Page 3, following line 15:

23 Insert "(d) To the extent this section conflicts with Section 1 of Article XIII, this

1 section prevails."

## 2004 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/22/04

Amendment: # 2  
HJR 9

MEMBER

Favor

Oppose

CHENAULT		✓
CROFT		✓
FATE	✓	
FOSTER	✓	
HAWKER	✓	
JOULE		✓
MEYER		✓
MOSES		✓
STOLTZE		✓
HARRIS		✓
WILLIAMS	✓	

Yea 4

Nay 7

4-6-04

Failed 3-8

AMENDMENT

4

OFFERED IN THE HOUSE FINANCE COMMITTEE  
BY REPRESENTATIVE CROFT

TO: CS HJR 9 (FIN) Work Draft version 23-LS0435E

Page 1, line 1:

Delete: "appropriation limit"

Insert: "taxation power"

Page 1, line 4, through page ~~2~~<sup>4</sup> line ~~15~~<sup>7</sup>:

Delete all material.

Insert new sections to read:

"Section 1. Article IX, sec. 1, Constitution of the State of Alaska, is repealed and readopted to read:

**Section 1. Taxation Limit.**

(a) The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article.

(b) The Alaska State Legislature shall not impose a tax on sales or personal income without a prior vote of the people approving such a tax.

Renumber accordingly.

AMENDMENT

5 incorporated  
into CS

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSHJR 9(FIN), Draft Version "E"

- 1 Page 2, line 23:
- 2 Delete "budget reserve fund established by law"
- 3 Insert "separate fund or account in the general fund from which expenditures may not
- 4 be made without an additional appropriation from that separate fund or account"

AMENDMENT

*Le incorporated into CS*

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHJR 9(FIN), Draft Version "E"

1 Page 1, lines 6 - 8:

2 Delete "Except as provided in (c) of this section, appropriations made for a current  
3 fiscal year shall not exceed either of the amounts calculated under (1) and (2) of this  
4 subsection."  
5

6 Page 1, lines 10 - 11:

7 Delete "by more than"

8 Insert ", increased or decreased by the lesser of"

AMENDMENT

7

Incorporated  
into CS.

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSHJR 9(FIN), Draft Version "E"

- 1 Page 3, line 1:
- 2 Delete "State agency that"
- 3 Insert "part of that same agency or to another State agency if the other part or the other
- 4 agency"

**CS FOR JOINT RESOLUTION NO. 9 ( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE-FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 3/17/04**

**Referred:**

**Sponsor(s): REPRESENTATIVES STOLTZE, Kohring, Rokeberg, Fate**

**A RESOLUTION**

1      **Proposing amendments to the Constitution of the State of Alaska relating to an**  
2      **appropriation limit.**

3      **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4            \* **Section 1.** Article IX, sec. 16, Constitution of the State of Alaska, is repealed and  
5      readopted to read:

6      **Section 16. Appropriation Limit.** (a) Appropriations made for a current fiscal year  
7      shall be based on unrestricted general fund revenues, and restricted general fund  
8      revenues from agency receipts under a revenue formula of the sum of the following:

9      (1) the average annual revenue received by the state for the past five fiscal years,  
10     plus the average of state revenues received from 1971-1975 indexed to current  
11     revenue; plus

12     (2) the percentage equal to the average rate of inflation as determined by the U.S.  
13     Bureau of Labor Statistics (BLS) on September 30 of the immediately preceding  
14     fiscal year.

15            (b) An appropriation that exceeds the limit under (a) of this section may be  
16      made for any public purpose upon affirmative vote of at least two-thirds of the

1      members of each house of the legislature. The total amount of appropriations  
2      under this subsection made for a fiscal year may not exceed two percent of the  
3      amount appropriated **under (a) of this section the fiscal year** for which the  
4      appropriations are made.

5      (c) Calculations made under (a) or (b) of this section shall not include

6                      (1) an appropriation to the Alaska permanent fund established in  
7      Section 15 of this article;

8                      (2) an appropriation of Alaska permanent fund income for payments of  
9      permanent fund dividends to State residents;

10                     (3) an appropriation to meet a state of natural disaster declared by the  
11      governor as prescribed by law;

12                     (4) an appropriation to the budget reserve fund established in Section  
13      17 of this article;

14                     **(5) an appropriation for entitlements and mandates**

15                     (6) an appropriation of State general obligation and revenue bond  
16      proceeds;

17                     (7) an appropriation required to pay obligations under revenue bonds  
18      issued by the State;

19                     (8) an appropriation of money received from the federal government;

20                     (9) a reappropriation of money already appropriated under an  
21      unobligated appropriation that is not void under Section 13 of this article;

22                     (10) an appropriation of money for expenditure by a State agency to  
23      provide services to another State agency that has also received an appropriation of the  
24      same money;

25                     (11) an appropriation of money held in trust by the State for a  
26      particular purpose;

27                     (12) an appropriation of money from tuition of the University of  
28      Alaska, **or a state operated post-secondary educational institution**; and

29                     (13) an appropriation made under (b) of this section.

30      **(d) Revenues received by the state in any fiscal year that are in excess of the**  
31      **revenue formula under (a) of this section shall be appropriated by priority to:**

1                    **(1) principal of the Constitutional Budget Reserve**

2                    **(2) principal of the Alaska Permanent Fund**

3                    \* **Sec 2.** Article IX, sec. 17 (d), Constitution of the State of Alaska, is amended to read:

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

8                    \* **Sec. 3.** Article XV, Constitution of the State of Alaska, is amended by adding a  
9                    new section to read:

10                   **Section 30. Application; Reconsideration of Appropriation Limit.** (a) The  
11                   2004 amendment relating to an appropriation limit (art. IX, sec. 16) first applies  
12                   to appropriations made for fiscal year [2006] **2007** and applies thereafter.

13                                      (b) The lieutenant governor shall place the ballot title and proposition  
14                   for the 2004 amendment relating to an appropriation limit (art. IX, sec. 16) on the  
15                   ballot again at the general election in 2010 and every six years thereafter unless it  
16                   is rejected. If the majority of those voting on the proposition rejects the amendment,  
17                   Section 16 of Article IX is repealed on the date the election is certified.

18                   \* **Sec. 4.** The amendments proposed by this resolution shall be placed before the  
19                   voters of the state at the next general election in conformity with art. XIII, sec. 1,  
20                   Constitution of the State of Alaska, and the election laws of the state.

Adopted  
3.22.04

23-LS0435VZ  
Cook  
3/19/04

CS FOR HOUSE JOINT RESOLUTION NO. 9(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES STOLTZE, Kohring, Rokeberg, Meyer

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to an  
2 appropriation limit.

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

4 \* Section 1. Article IX, sec. 16, Constitution of the State of Alaska, is repealed and  
5 readopted to read:

6 Section 16. Appropriation Limit. (a) Appropriations made for a current  
7 fiscal year shall not exceed the average amount appropriated for the earliest three of  
8 the four fiscal years immediately preceding that current fiscal year by more than fifty  
9 percent of the sum of the following:

10 (1) the average annual percentage rate of change in the personal  
11 incomes of State residents for the three calendar years preceding the calendar year  
12 during which the immediately preceding fiscal year began; plus

13 (2) the percentage equal to the annual percentage rate of change in the  
14 State population for the three calendar years preceding the calendar year during which  
15 the immediately preceding fiscal year began.

16 (b) An appropriation that exceeds the limit under (a) of this section by not

1 more than two percent may be made for any public purpose upon affirmative vote of at  
2 least two-thirds of the members of each house of the legislature. An appropriation that  
3 exceeds the limit under (a) of this section by not more than four percent may be made  
4 for any public purpose upon affirmative vote of at least three-fourths of the members  
5 of each house. However, the total amount of appropriations under this subsection  
6 made for a fiscal year may not exceed the limit under (a) of this section by more than  
7 four percent. A bill making one or more appropriations under this subsection must be  
8 confined to appropriations made under this subsection.

9 (c) Calculations made under (a) or (b) of this section shall not include

10 (1) an appropriation to the Alaska permanent fund established in  
11 Section 15 of this article;

12 (2) an appropriation of Alaska permanent fund income for payments of  
13 permanent fund dividends to State residents;

14 (3) an appropriation to meet a state of natural disaster declared by the  
15 governor as prescribed by law;

16 (4) an appropriation to the budget reserve fund established in Section  
17 17 of this article;

18 (5) an appropriation of State general obligation and revenue bond  
19 proceeds;

20 (6) an appropriation required to pay obligations under revenue or  
21 general obligation bonds issued by the State;

22 (7) an appropriation of money received from the federal government;

23 (8) a reappropriation of money already appropriated under an  
24 unobligated appropriation that is not void under Section 13 of this article;

25 (9) an appropriation of money for expenditure by a State agency to  
26 provide services to another State agency that has also received an appropriation of the  
27 same money;

28 (10) an appropriation of money held in trust by the State for a  
29 particular purpose;

30 (11) an appropriation of money from tuition of the University of  
31 Alaska;

1 (12) an appropriation of money received by the state from a source  
2 other than the state or federal government that is restricted to a specific use by the  
3 terms of a gift, grant, bequest, or contract; and

4 (13) an appropriation made under (b) of this section.

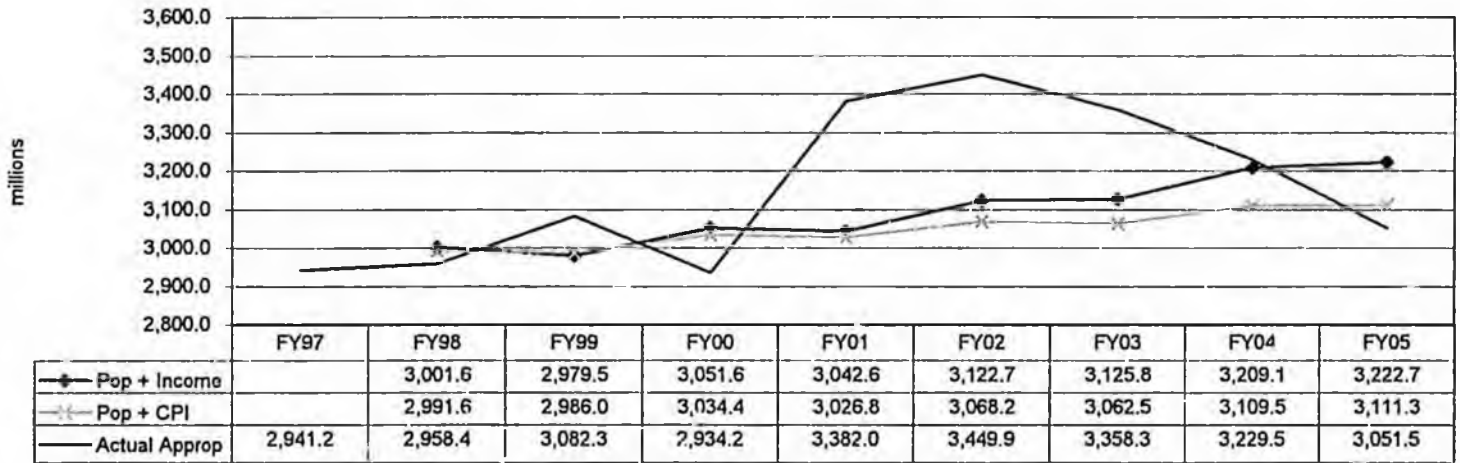
5 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new  
6 section to read:

7 **Section 30. Application; Reconsideration of Appropriation Limit.** (a) The  
8 2004 amendment relating to an appropriation limit (art. IX, sec. 16) first applies to  
9 appropriations made for fiscal year 2006 and applies thereafter.

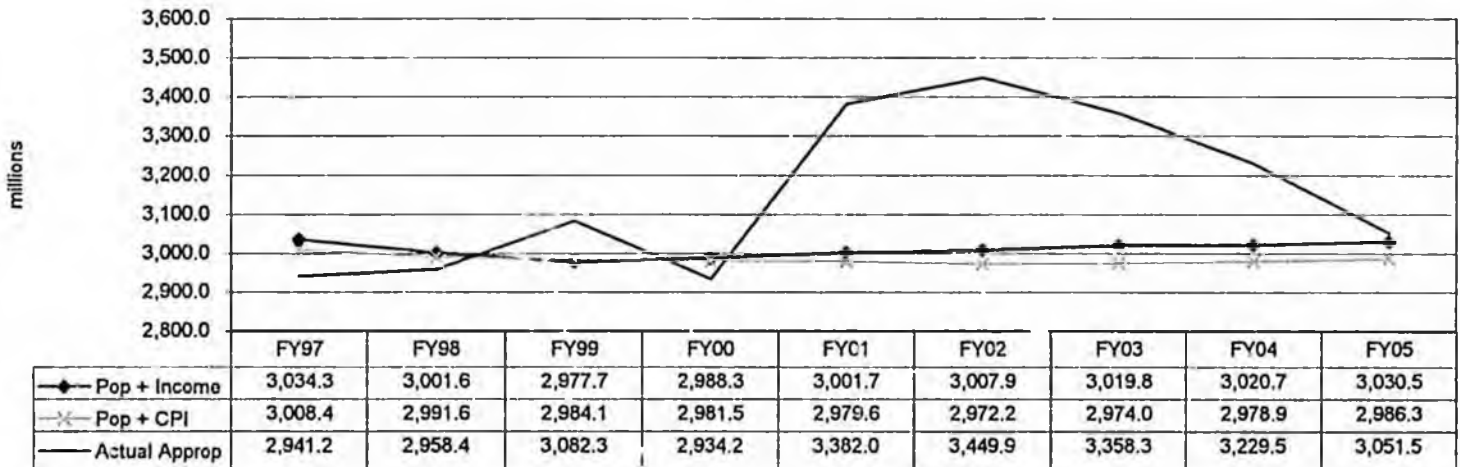
10 (b) Notwithstanding Section 1 of Article XIII, the lieutenant governor shall  
11 place the ballot title and proposition for the 2004 amendment relating to an  
12 appropriation limit (art. IX, sec. 16) on the ballot again at the general election in 2010  
13 and every six years thereafter unless it is rejected. If the majority of those voting on  
14 the proposition rejects the amendment, Section 16 of Article IX is repealed on the date  
15 the election is certified.

16 \* Sec. 3. The amendments proposed by this resolution shall be placed before the voters of  
17 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
18 State of Alaska, and the election laws of the state.

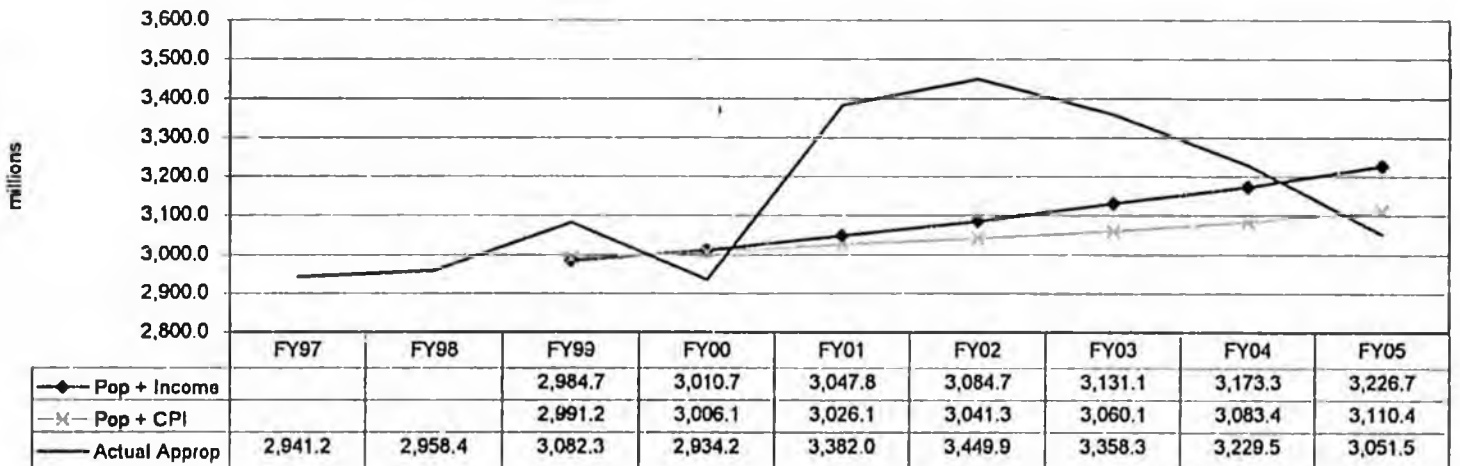
**HJR 9 Spending Limit**  
Base Year of 2 years prior & 3 yr floating avg for variable



**Draft - Spending Limit Proposals**  
Fixed Base year of FY96 & 3 yr floating avg for variable



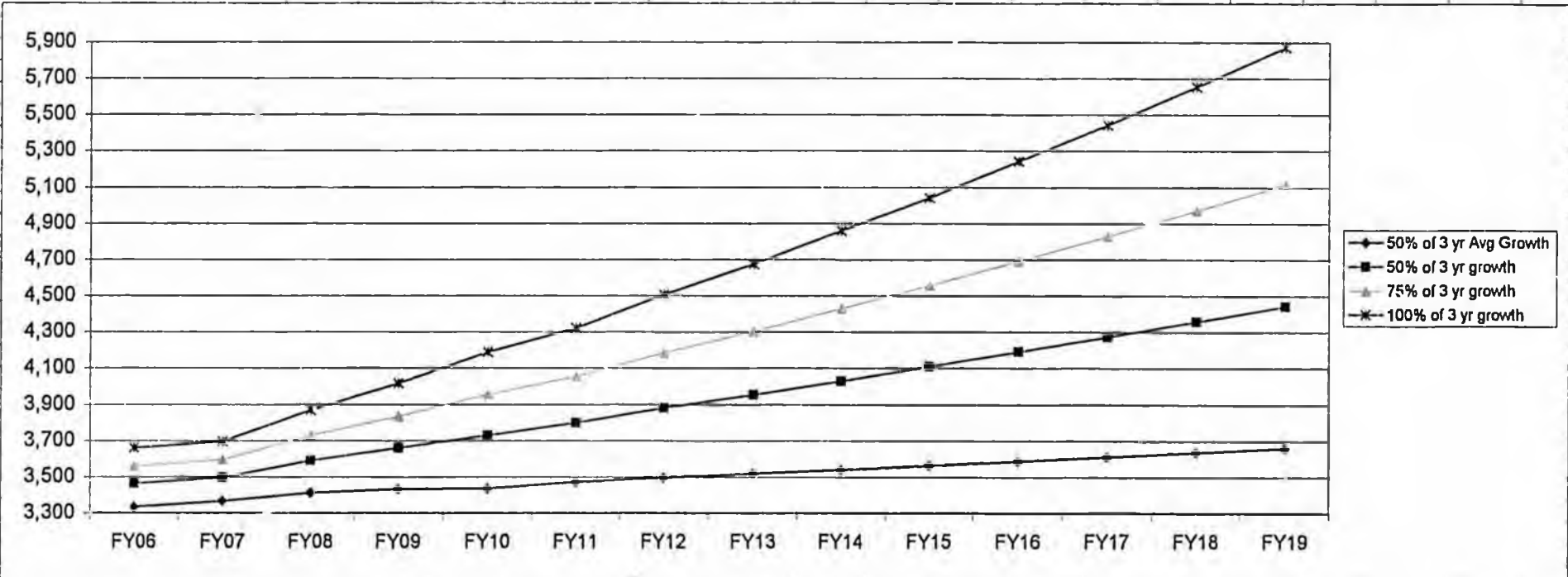
**Draft - Spending Limit Proposals**  
Base year of 3 prior year avg & 3 yr floating avg for variable



1) Exemptions: Federal funds; permanent fund; permanent fund income for dividends; g.o. bonds, revenue bonds; debt service on revenue bonds; reappropriations; university tuition

4-6-04

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S						
1	Variables:							CS HJR 9 (FIN)																	
2	Inflation	3%																							
3	Population	1%																							
4	50% Avg annual growth (3 yrs)	2%				FY06 is the first calculated year and uses FY02-04 (based on the exemptions) for the base.																			
5		FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19						
6	"the avg annual rate of change"	3,300	3,200	3,300	3,400	3,332	3,366	3,411	3,433	3,437	3,471	3,496	3,516	3,537	3,564	3,587	3,610	3,634	3,659						
7	annual growth					(68)	34	45	22	4	34	24	21	21	27	22	23	24	25						
8	annual % change						1.02%	1.33%	0.66%	0.11%	1.00%	0.70%	0.59%	0.60%	0.76%	0.63%	0.65%	0.66%	0.68%						
9	Inflation	3%																							
10	Population	1%																							
11	50% of 3 year growth	6%																							
12	50% of 3 yr growth	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19						
13	"the rate of change"	3,300	3,200	3,300	3,400	3,463	3,498	3,591	3,661	3,728	3,798	3,880	3,953	4,030	4,109	4,191	4,273	4,357	4,443						
14	annual growth					63	35	93	70	67	70	81	73	77	79	82	81	84	86						
15	annual % change						1.02%	2.65%	1.95%	1.84%	1.88%	2.14%	1.89%	1.96%	1.97%	1.99%	1.94%	1.97%	1.97%						
16	Inflation	3%																							
17	Population	1%																							
18	75% of 3 year growth	9%																							
19	75% of 3 yr growth	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19						
20	"the rate of change"	3,300	3,200	3,300	3,400	3,561	3,597	3,728	3,836	3,955	4,055	4,185	4,304	4,431	4,558	4,694	4,830	4,972	5,117						
21	annual growth					161	36	131	108	119	100	130	119	127	127	137	135	142	145						
22	annual % change						1.02%	3.64%	2.89%	3.11%	2.53%	3.21%	2.84%	2.95%	2.86%	3.00%	2.88%	2.94%	2.91%						
23	Inflation	3%																							
24	Population	1%																							
25	100% of 3 year growth	12%																							
26	100% of 3 yr growth	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19						
27	"the rate of change"	3,300	3,200	3,300	3,400	3,659	3,696	3,867	4,015	4,190	4,323	4,507	4,677	4,860	5,042	5,243	5,443	5,654	5,872						
28	annual growth					259	37	171	148	174	133	184	170	184	182	201	200	211	218						
29	annual % change						1.02%	4.63%	3.82%	4.34%	3.18%	4.26%	3.77%	3.93%	3.74%	3.98%	3.81%	3.88%	3.85%						



4-6-04

**Table 1**  
**Fund Source Categories for Potential Inclusion/Exclusion Under a Spending Limit**

GROUP TITLE	FUND CODE	FUND NAME	CATEGORY TOTAL
Bond Authorizations	1144	Clean Water Fund Bond Receipts	1,620,000
Bond Authorizations	1159	Drinking Water Fund Bond Receipts	1,020,000
Bond Authorizations	1163	Certificates of Participation	14,345,000
		Subtotal	16,985,000
Constitutionally Dedicated Fund Sources	1024	Fish and Game Fund	26,450,500
Constitutionally Dedicated Fund Sources	1030	School Fund (Cigarette Tax)	28,600,000
Constitutionally Dedicated Fund Sources	1031	Second Injury Fund Reserve Account	3,183,400
Constitutionally Dedicated Fund Sources	1032	Fishermen's Fund	1,316,500
Constitutionally Dedicated Fund Sources	1066	Public School Fund	12,746,400
Constitutionally Dedicated Fund Sources	1111	Fishermans Fund Income	115,000
		Subtotal	72,411,800
Federal Funds	1002	Federal Receipts	2,402,222,590
Federal Funds	1013	Alcoholism & Drug Abuse Revolving Loan	2,000
Federal Funds	1014	Donated Commodity/Handling Fee Account	311,800
Federal Funds	1016	Federal Incentive Payments	2,790,800
Federal Funds	1033	Surplus Property Revolving Fund	479,200
Federal Funds	1043	Impact Aid for K-12 Schools	20,791,000
Federal Funds	1063	National Petroleum Reserve Fund	34,556,557
Federal Funds	1133	Indirect Cost Reimbursement	1,161,700
		Subtotal	2,462,315,647
Permanent Fund	1041	Permanent Fund Earnings Reserve Account	1,130,512,700
Permanent Fund	1050	Permanent Fund Dividend Fund	20,852,300
Permanent Fund	1105	Alaska Permanent Fund Corporation Receipts	54,740,500
		Subtotal	1,206,105,500
Trust Fund Sources	1017	Benefits Systems Receipts	17,580,900
Trust Fund Sources	1018	Exxon Valdez Oil Spill Settlement	4,976,300
Trust Fund Sources	1023	FICA Administration Fund Account	145,500
Trust Fund Sources	1029	Public Employees Retirement Fund	26,033,600
Trust Fund Sources	1034	Teachers Retirement System Fund	12,919,200
Trust Fund Sources	1042	Judicial Retirement System	304,200
Trust Fund Sources	1045	National Guard Retirement System	204,500
Trust Fund Sources	1053	Investment Loss Trust Fund	2,990,500
Trust Fund Sources	1092	Mental Health Trust Authority Authorized Receipts	12,649,600
Trust Fund Sources	1094	Mental Health Trust Administration	1,199,100
Trust Fund Sources	1142	Retiree Health Ins Fund/Major Medical	23,700
Trust Fund Sources	1143	Retiree Health Ins Fund/Long-Term Care Fund	37,100
		Subtotal	78,964,200
Other Funds (recast)	1139	AHFC Dividend	41,137,200
Other Funds (recast)	1140	AlDEA Dividend	16,416,000
Other Funds (recast)	1150	ASLC Dividend	4,119,000
Other Funds (recast)	1180	Alcohol & Other Drug Abuse Treatment & Prevention Fund	21,400,000
Other Funds (recast)	1181	Alaska Veterans' Memorial Endowment Fund	10,100
		Subtotal	83,082,300

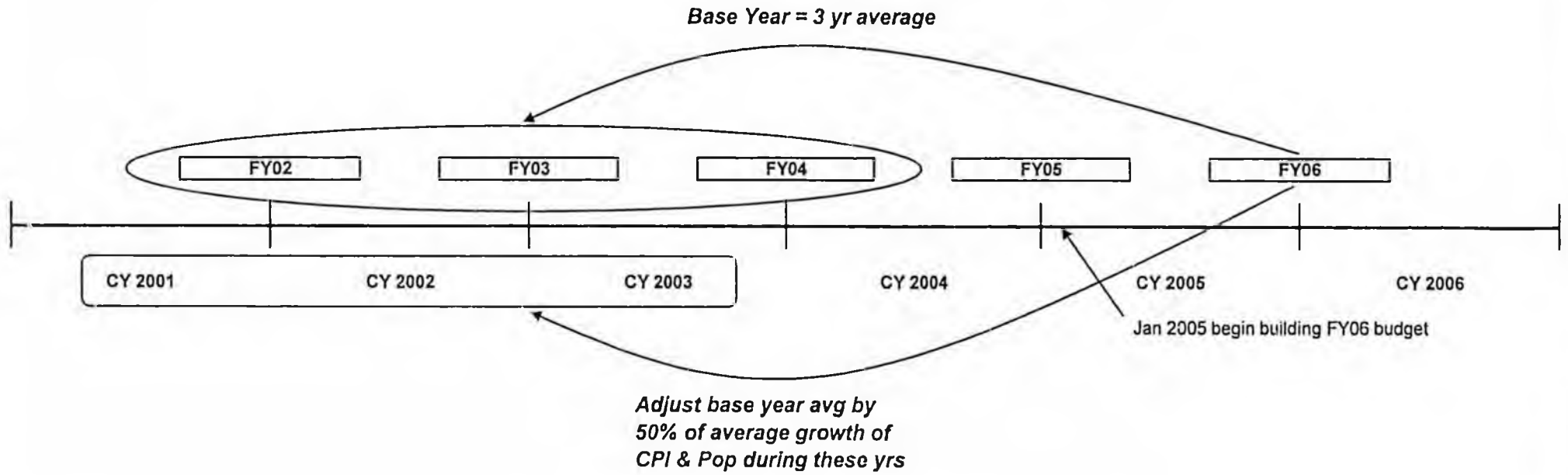
**Table 1**  
**Fund Source Categories for Potential Inclusion/Exclusion Under a Spending Limit**

GROUP TITLE	FUND CODE	FUND NAME	CATEGORY TOTAL
Statutorily Restricted Sources	1010	University of Alaska Interest Income	0
Statutorily Restricted Sources	1015	U/A Dormitory/Food/Auxiliary Service	0
Statutorily Restricted Sources	1021	Agricultural Loan Fund	2,230,200
Statutorily Restricted Sources	1027	International Airport Revenue Fund	91,406,915
Statutorily Restricted Sources	1035	Veterans Revolving Loan Fund	60,200
Statutorily Restricted Sources	1036	Commercial Fishing Loan Fund	4,172,900
Statutorily Restricted Sources	1038	U/A Student Tuition/Fees/Services	0
Statutorily Restricted Sources	1039	U/A Indirect Cost Recovery	0
Statutorily Restricted Sources	1040	Real Estate Surety Fund	254,500
Statutorily Restricted Sources	1046	Student Revolving Loan Fund	27,500
Statutorily Restricted Sources	1048	University Restricted Receipts	276,507,800
Statutorily Restricted Sources	1049	Training and Building Fund	707,000
Statutorily Restricted Sources	1054	State Employment & Training Program	5,639,700
Statutorily Restricted Sources	1057	Small Business Loan Fund	3,500
Statutorily Restricted Sources	1059	Correctional Industries Fund	5,113,800
Statutorily Restricted Sources	1062	Power Project Loan Fund	835,200
Statutorily Restricted Sources	1065	Rural Electrification Revolving Loan Fund	330,000
Statutorily Restricted Sources	1067	Mining Revolving Loan Fund	5,200
Statutorily Restricted Sources	1068	Child Care Revolving Loan Fund	6,400
Statutorily Restricted Sources	1069	Historical District Revolving Loan Fund	2,500
Statutorily Restricted Sources	1070	Fisheries Enhancement Revolving Loan Fund	347,300
Statutorily Restricted Sources	1071	Alternative Energy Revolving Loan Fund	143,800
Statutorily Restricted Sources	1074	Bulk Fuel Revolving Loan Fund	51,000
Statutorily Restricted Sources	1076	Marine Highway System Fund	86,945,400
Statutorily Restricted Sources	1093	Clean Air Protection Fund	3,772,900
Statutorily Restricted Sources	1098	Children's Trust Fund Earnings	449,800
Statutorily Restricted Sources	1101	Alaska Aerospace Development Corporation Receipts	10,972,700
Statutorily Restricted Sources	1102	Alaska Industrial Development & Export Authority Receipts	4,208,300
Statutorily Restricted Sources	1103	Alaska Housing Finance Corporation Receipts	16,743,300
Statutorily Restricted Sources	1104	Alaska Municipal Bond Bank Receipts	1,299,200
Statutorily Restricted Sources	1106	Alaska Post-Secondary Education Commission Receipts	8,977,700
Statutorily Restricted Sources	1107	Alaska Energy Authority Corporate Receipts	1,067,100
Statutorily Restricted Sources	1112	International Airports Construction Fund	78,207,639
Statutorily Restricted Sources	1117	Vocational Rehabilitation Small Business Enterprise Fund	365,000
Statutorily Restricted Sources	1145	Art In Public Places Fund	75,600
Statutorily Restricted Sources	1147	Public Building Fund	8,437,100
Statutorily Restricted Sources	1151	Technical Vocational Education Program Account	4,561,500
Statutorily Restricted Sources	1164	Rural Development Initiative Fund	43,800
Statutorily Restricted Sources	1168	Tobacco Use Education and Cessation Fund	5,395,600
Statutorily Restricted Sources	1169	PCE Endowment Fund	7,952,000
Statutorily Restricted Sources	1170	Small Business Economic Development Revolving Loan Fund	42,600
Statutorily Restricted Sources	1173	Miscellaneous Earnings	80,559,800
Statutorily Restricted Sources	1179	Passenger Facility Charges	12,489,299
		Subtotal	720,411,753

**Table 1**  
**Fund Source Categories for Potential Inclusion/Exclusion Under a Spending Limit**

GROUP TITLE	FUND CODE	FUND NAME	CATEGORY TOTAL
General Purpose Sources (recast)	1003	General Fund Match	323,155,050
General Purpose Sources (recast)	1004	General Fund Receipts	1,858,686,800
General Purpose Sources (recast)	1005	General Fund/Program Receipts	21,610,300
General Purpose Sources (recast)	1037	General Fund / Mental Health	99,774,200
General Purpose Sources (recast)	9999	No specific fund source	
		Subtotal	2,303,228,350
		<b>HB 325/SB 226 Proposed Change to General Fund</b>	
Statutorily Restricted Sources	1108	Statutory Designated Program Receipts	117,281,500
Statutorily Restricted Sources	1109	Test Fisheries Receipts	2,652,700
Statutorily Restricted Sources	1141	RCA Receipts	6,143,800
Statutorily Restricted Sources	1152	AK Fish Standards Council Receipts	226,300
Statutorily Restricted Sources	1153	State Land Disposal Income Fund	7,818,500
Statutorily Restricted Sources	1154	Shore Fisheries Development Lease Program	329,400
Statutorily Restricted Sources	1155	Timber Sale Receipts	693,700
Statutorily Restricted Sources	1156	Receipt Supported Services	74,046,410
Statutorily Restricted Sources	1157	Workers Safety and Compensation Administration Account	4,210,400
Statutorily Restricted Sources	1162	Alaska Oil & Gas Conservation Commission Rcpts	4,112,900
Statutorily Restricted Sources	1166	Commercial Passenger Vessel Environmental Compliance Fund	706,900
Permanent Fund	1171	PF Dividend Appropriations in lieu of Dividends to Criminals	12,854,800
Statutorily Restricted Sources	1172	Building Safety Account	1,603,700
Other Funds (recast)	1175	Business License Receipts	2,173,000
		Subtotal	218,222,510
		Grand Total	7,161,725,000

# How FY06 Will Be Calculated



## Constitutional Spending Limit Comparison

CSHJR 9 (JUD)	Governor's Proposal	HJR 9 - Original Version
<p><b>Base Year</b> Fiscal year 2 years preceding the fiscal for which appropriations are made beginning with FY 06</p>	<p><b>Base Year</b> <i>Original concept:</i> FY 2004 <i>Amended concept:</i> base on prior year's appropriations</p>	<p><b>Base Year</b> Fiscal year 2 years preceding the fiscal for which appropriations are made beginning with FY 06</p>
<p><b>Economic / Limiting Factors</b> Using the base year, apply the factors in the Governor's proposal: Take 50% of the average annual percent change over the last three of four years in personal income plus the average percent change in population over the last three of four calendar years.</p>	<p><b>Economic / Limiting Factors</b> <i>Original concept:</i> Cumulative change in appropriations from one fiscal year to the next. <i>Amended concept:</i> Not a cumulative change and the appropriations are based on the prior year. Take 50% of the average annual percent change over the last three of four years in personal income plus the average percent change in population over the last three of four calendar years.</p>	<p><b>Economic / Limiting Factors</b> May not exceed by more than 2% of the amount appropriated in the base year.</p>
<p><b>Appropriations Exempted</b> Federal funds Funds dedicated as required by the federal government Declared natural disaster funds To Permanent Fund PF Dividends To CBR Debt service on revenue bonds GO and revenue bond proceeds Reimbursable service agreements between agencies Reappropriations Trust funds i.e. mental health lands Tuition to the University of Alaska</p>	<p><b>Appropriations Exempted</b> Federal funds Funds dedicated as required by the federal government Trust funds To Permanent Fund PF Dividends To CBR State GO Bond proceeds (not premiums) Revenue bond proceeds and revenue bond debt service</p>	<p><b>Appropriations Exempted</b> Federal funds Funds dedicated as required by the federal government Declared disaster funds To Permanent Fund PF Dividends To AK Railroad Debt service on GO bonds, revenue bonds and COPs Reimbursable service agreements between agencies Reappropriations</p>

## Constitutional Spending Limit Comparison

### Override Requirement

3/4 vote of each house of the Legislature up to an additional 2% over the base year.

\*\*Appropriations approved by override are NOT included in the spending limit for that FY

### Voter Reauthorization

Beginning in 2004 and every six years after

### Override Requirement

2/3 majority vote of the Legislature in joint session

### Voter Reauthorization

Beginning in 2004 and every six years after

### Other

Excess revenues go to CBR

### Override Requirement

3/4 vote of each house of the Legislature up to an additional 2% over the base year.

### Voter Reauthorization

Beginning in 2004 and every six years after

If appropriations exceed the limit, the Governor shall reduce executive branch agencies to bring the expenditures within the limit



ALASKA

## **National Federation of Independent Business**

### **Statement of Support for HJR 9**

### **Appropriation and Spending Limit**

**January 23, 2004**

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state. The legislative agenda of NFIB is determined by ballot. The ballot is a poll of the membership on a series of issues.

Following are the ballot results in response to the following question: Do you support an amendment to the Alaska Constitution that limits appropriation increases to no more than 2 percent per year?

55% YES                      26% NO                      19% Undecided

A majority of NFIB members support an amendment to the Alaska Constitution that limits appropriation increases to no more than 2 percent per year. While not garnering enough support to take an official position, the following related question was also posed to the membership.

Should a limited increment for inflation be included for formula-driven programs such as education and Medicaid?

47% YES                      33% NO                      20% Undecided

**Vote YES on HJR 9**

Submitted by Thyas Shaub on behalf of NFIB/Alaska.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

January 30, 2003

**SUBJECT:** Appropriation Limit (Work Order No. 23-LS0435)

**TO:** Representative Bill Stoltze  
Attn: Barbara Bitney

**FROM:** Tamara Brandt Cook  
Director TBC

Here is a copy of the resolution proposing a constitutional amendment to the appropriation limit that you requested. I must warn you that I cannot be sure this or a similar appropriation limit would be found to be a valid constitutional amendment that may be proposed by the legislature. It might be an invalid revision under the holding of the Alaska Supreme Court in Bess v. Ulmer, 985 P.2d 979 (Alaska 1999). It appears to me that the proposal would meet the four factors identified by the court as indicative of a valid amendment: (1) the proposal is simple to express and understand; (2) it is complete within itself; (3) it relates to only one subject; and (4) it substantially affects only a few sections of the constitution. There is an outside chance, I suppose, that the court would view the requirement for continuing votes on the spending limit contained in sec. 2 of the resolution as an additional subject, but this seems a remote risk. The real worry is that the court in Bess suggested that, aside from the four factors, if a fundamental power of one of the branches of state government is significantly altered, this could also result in the type of "sweeping change" that is not permitted to be accomplished in an amendment to the state constitution proposed by the legislature. It is possible that the court would view a substantial restriction on the legislative power of appropriation, such as here proposed, as amounting to such a significant alteration as to constitute an impermissible revision.

TBC:med  
03-082.med

Enclosure

# ALASKA STATE LEGISLATURE

*Chair:*  
House Finance Subcommittees for,  
Department of Public Safety  
Department of Law

*Member:*  
House Finance Committee  
Legislative Council



*Session:*  
Alaska State Capitol  
Juneau, AK 99801-1182  
Phone: (907) 465-4958  
Fax: (907) 465-4928

*Interim:*  
PO Box 464  
Chugiak, AK 99567

## REPRESENTATIVE BILL STOLTZE

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP  
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK  
Representative\_Bill\_Stoltze@legis.state.ak.us

### Sponsor Statement

#### For

#### House Joint Resolution 9

**“Proposing amendments to the Constitution of the State of Alaska  
relating to an appropriation limit and a spending limit.”**

I believe that the adoption of an effective, reasonable constitutional spending limit to be an essential first step to developing any new long-range fiscal plan for the state. This step will establish guidelines by which the legislature will execute its power of appropriation and will create a more consistent pattern for state spending.

The existing constitutional appropriation limit, adopted by voters in 1981, has not worked as anticipated and has never been effective in restraining state spending. One main reason for its failure is that the starting amount of \$2.5 billion and the escalation factor based on inflation and population growth was too liberal. Given the increases in inflation and population over the last 20 years, the spending limit imposed by Article IX, Section 16 is more than \$6 billion. That is about \$3 billion more than appropriated in Fiscal Year 2002.

The key to this proposed amendment is to start with a base appropriation limit that is equal to the appropriation level of the earliest complete fiscal year. All increases in spending would require a three-fourths vote whether the increase was presented as an increment in the statewide appropriation measures or through another piece of legislation as a fiscal note or stand-alone appropriation. The intent of this approval process is to allow the legislature to focus on significant increases apart from the ongoing needs of general government expenditures.

Specified appropriations are excluded from the appropriation limit for reasons already established in law.

If the amount appropriated exceeds the limit, the governor shall reduce expenditures by the executive branch for its operation and administration in order to bring expenditures back in line with the constitutional limit.

Sponsor Statement  
HJR 9  
February 3, 2003

And finally, an additional provision states that this appropriation guideline remain in place for six years, if passed by a vote of the people, and if it is not revised or passed again in a general election, it would be removed as a Constitutional provision. This caveat is included to either eliminate a provision that may not be working as anticipated without cost to the state or allow revisions to the provision as deemed necessary by future legislatures and Alaskan citizens.

Without a meaningful constitutional amendment in place that limits the amount of state expenditures, there is no guarantee that the state will restrain, let alone reduce, spending. HJR 9 would limit state spending and is a key component of any new long-range plan to ensure Alaska's long-term fiscal health.

## Spending Limit Escalation Factors and Calculation Comparison

Calendar Year	Average Annual Personal Income	Personal Income % change	Average Monthly Employment	Employment % change	Annual Payroll	Payroll % change	1-Jul Population	Population % change	CPIU Anchorage	Inflation % change
81	6,902		185,387		4,759,723,567		434,300		92.4	
82	8,263	20%	199,845	8%	5,520,124,247	16%	464,300	7%	97.4	5%
83	9,302	13%	212,832	6%	6,075,746,330	10%	499,100	7%	99.2	2%
84	9,958	7%	222,498	5%	6,360,195,845	5%	524,000	5%	103.3	4%
85	10,756	8%	228,076	3%	6,484,283,718	2%	543,900	4%	105.8	2%
86	10,722	0%	218,729	-4%	6,154,855,455	-5%	550,700	1%	107.8	2%
87	10,427	-3%	207,998	-5%	5,759,858,788	-6%	541,300	-2%	108.2	0%
88	10,776	3%	212,080	2%	5,879,980,794	2%	535,000	-1%	108.6	0%
89	11,779	9%	225,028	6%	6,620,359,500	13%	538,900	1%	111.7	3%
90	12,567	7%	236,227	5%	7,004,096,991	6%	553,171	3%	118.6	6%
91	13,243	5%	241,024	2%	7,347,053,592	5%	569,054	3%	124.0	5%
92	14,039	6%	245,845	2%	7,723,072,327	5%	586,722	3%	128.2	3%
93	14,791	5%	251,216	2%	8,017,637,481	4%	596,906	2%	132.2	3%
94	15,168	3%	256,829	2%	8,288,064,209	3%	600,622	1%	135.0	2%
95	15,514	2%	259,771	1%	8,387,406,337	1%	601,581	0%	138.9	3%
96	15,763	2%	261,484	1%	8,389,994,484	0%	605,212	1%	142.7	3%
97	16,488	5%	266,112	2%	8,721,665,986	4%	609,655	1%	144.8	1%
98	17,138	4%	271,907	2%	9,108,277,123	4%	617,082	1%	146.9	1%
99	17,600	3%	274,570	1%	9,201,169,498	1%	622,000	1%	148.4	1%
2000	18,806	7%	280,664	2%	9,743,507,197	6%	627,697	1%	150.9	2%
2001	19,661	5%	287,941	3%	10,288,563,168	6%	633,630	1%	155.2	3%
2002	20,467	4%	292,237	1%	10,726,560,790	4%	643,786	2%	158.2	2%

Sources: Personal Income - U.S. Bureau of Economic Analysis (BEA); Employment, Payroll, Population - AK, DOL, Research and Analysis; Inflation - U.S. Bureau of Labor Statistics (BLS).

\*Note that FY 04 is the base year for calculating the limit but if it were in effect the allowable change in spending would apply to the FY 05 budget, which is unknown at this time. This projection is an attempt to show the relative change between proposals. Also the more spending categories removed from the limit, the higher the potential budget growth.

PI Average	5.166%
Pop Average	1.155%
Infl Average	2.156%

# **HJR 9**

## **Constitutional Appropriation and Spending Limit**

Prepared for  
the House Judiciary Committee  
May 9, 2003

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## What's the difference between an appropriation and spending?

**appropriation** is the amount and purpose for which the legislature directs the governor to spend state money<sup>2</sup>.

- The **power of appropriation** is granted to the legislature so that they may pass a reasonable and balanced budget each state fiscal year.

**spending** is the amount of state money<sup>2</sup> the governor actually spends. In some years, spending is less than the amount appropriated by the legislature, and in some years it exceeds the appropriation level and the governor must ask for additional legislative approval to spend beyond the initial amount appropriated.

- The **powers and duties** of the governor require that the governor conduct state business as required by law. He has the ability to adjust spending within appropriations without consent of the legislature.

2. State money consists of state revenues, federal receipts and all other fund sources

### A practical example:

**Appropriation** is equated to the limit available on your personal credit card.

**Spending** is how much you actually charge within that pre-assigned limit.



Appropriation VS Spending

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## Doesn't Alaska already have a constitutional appropriation and spending limit?

**Yes**, but it no longer guides the legislature or governor in managing state spending as intended.

- The existing limit has grown faster than Alaska's revenues and appropriations. Today, more than \$6.4 billion<sup>1</sup> state funds would need to be appropriated to be at risk of exceeding the limit.
- It was assumed that legislative appropriations should increase at the same rate as population and inflation.
- The legislature currently appropriates approximately \$3.4 billion<sup>1</sup> state funds.

<sup>1</sup> state funds excluding the items presented in HJR 9 section 1(a)(1-10)

## Alaska also has a statutory spending limit. (AS 35.05.540)

### Statutory Appropriation Limit

Excludes appropriations:

1. of revenue bond proceeds
  2. of principal and interest payments on GO bonds
  3. of revenues of state corporations that issue revenue bonds
  4. to the permanent fund and dividends
  5. of trust fund receipts
  6. money already appropriated (reappropriations)
  7. disaster payments as declared by the Governor
- no exclusion for Federal receipts unless interpreted as "a Trust"
  - use of the budget reserve fund to appropriate out of the fund no more than 25% of the fund balance for state revenue needs
  - growth = population and inflation growth from prior year, non-accumulative growth (approximately \$250 million per year)
  - no provision to exceed limit

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## How is this appropriation limit different from the existing limit?

### The existing appropriation limit:

- Was developed at a time before Permanent fund dividends, before many state corporations were established and there was no general obligation bond debt in 1980. Therefore, calculating the base is open to interpretation.
- Is based on population and inflation growth, sometimes as great as 13% annually. Variations in calculating the rate provided as many as eight different base amounts in one fiscal year. The statutory appropriation limit tried to resolve this variable by identifying which data to calculate the inflation and population growth from.

To date, the constitutional appropriation limit has grown at a rate that far exceeds anticipated spending required by the state's programs, leaving the legislature with essentially no limit or control. Today, annual appropriation limits are self-imposed by the legislature with no specific guidelines to determine "how much".

- Requires that one third of all state appropriations be spent on capital projects – an admirable concept when the state was developing its core infrastructure. However, a more correct term would have been "capital improvements" so that large general purchases or extended lapse dates on some appropriations would not be counted as capital projects.

For example: *Is a long-term contract for software design really a capital improvement?*

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## HJR 9 provides for steady but limited appropriation growth over time.

HJR 9 provided that 2% of a base year's appropriation may be added to the budget that the legislature is currently reviewing. (Approximately \$33 million per year, or \$66 million from the most recent final state fiscal year.)

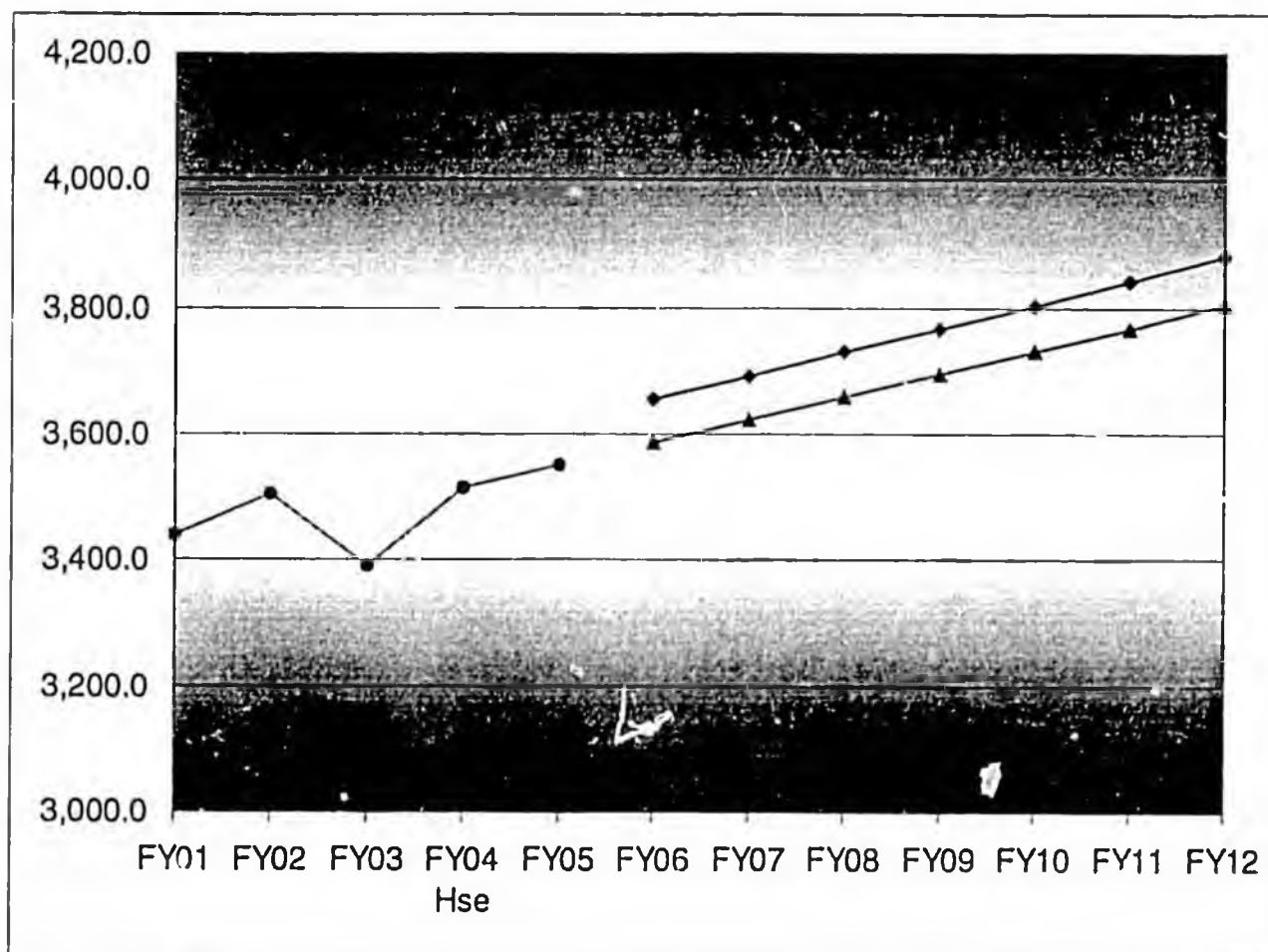
- This limit would be in place during times of decreased revenues to insure that growth does not exceed revenue expectations
- This limit would be in place during times of revenue windfalls so that the state would be encouraged to save for "rainy days" rather than spend

In addition to the 2% cumulative growth, the legislature may appropriate an **additional 2%** to meet needs of the state if \$33 million is not enough for one year's growth

- To acquire the additional 2%, a three-quarter vote of the legislature is required,
- The additional 2% growth would provide another \$33 million dollars to be added to the appropriation equaling approximately \$66 million each year.
- The additional 2% growth is not added into the cumulative base year's calculation so that the appropriation limit does not begin to grow exponentially as it did with population and inflation guidelines.

Following is a projected growth chart using the 2% plus 2% scenario

This chart illustrates a stable and reasonable pattern for future appropriation growth in state government.



**Key factors regarding the growth chart:**

1. the preceding fiscal years are not stable showing fluctuations of approximately \$200 million in three year's time

FY01	\$3.441 billion	base year
FY02	\$3.504 billion	Increase \$ 53 million
FY03	\$3.391 billion	decrease \$113 million
Fy04	\$3.515 billion	increase \$124 million

- 
2. For the preceding fiscal years, had the 2% growth factor been implemented, the budgets would have looked more like this:

FY01	\$3.441 billion	base year
FY02	\$3.475 billion	Increase \$34 million
FY03	\$3.509 billion	Increase \$34 million
Fy04	\$3.544 billion	increase \$35 million

3. Future fiscal years appear stable showing reasonable growth and reducing erratic appropriation swings

### How do you calculate the base amount?

Simply: After excluding certain appropriations, 2% is calculated from the most recent final fiscal year (two fiscal years prior to the one considered).

**HJR 9 excludes nine specific state appropriations because there is limited control over the amount available for appropriation, or the appropriations are already voter approved.**

- (1) **an appropriation to the Alaska Permanent Fund** – this includes inflation-proofing and additional deposits greater than required by constitution or statute.
- (2) **An appropriation of Alaska Permanent Fund income for payments of permanent fund dividends to State residents** – because there is a formula for calculating the amount of the dividends each year, and there is no legislative control over the number of residents eligible for the dividend, this appropriation is excluded.
- (3) **An appropriation to meet a state of disaster declared by the governor as prescribed by law** – natural and economic disasters are unpredictable and are therefore exempt from the appropriation limit
- (4) **An appropriation for the Alaska Railroad** – this quasi-state corporation is exempt for all financial matters of state accounting

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- (5) **an appropriation of State general obligation and revenue bond proceeds** - bonds are voter approved and cannot be adjusted by the legislature without additional voter approval
- (6) **an appropriation required to pay obligations under general obligation bonds, revenue bonds, and certificates of participation issued by the State** - similar to item (5) and includes certificates of participation, such as long term lease agreements with growth factors calculated into terms of the lease
- (7) **an appropriation of money received from the federal government** - the state is not limited to the amount of federal funding it can receive and spend, nor will the base calculation be reduced if federal funding is decreased for any reason
- (8) **An appropriation of money for expenditure by a State agency to provide services to another state agency that has also received an appropriation of the same money** - fondly called "duplicated funds". This is money where two or more state agencies must acquire expenditure authority to spend the same money. For example, the department of revenue must contract with the department of law for legal services - revenue spends \$1 million for legal services and Law spends the same \$1 million actually completing the task. This is not considered a \$2 million expenditure, and under this provision, \$1 million would be excluded from the limit.
- (9) **An appropriation made under (b) of this section** - this is the exclusion that instructs the legislature and governor how to calculate the base. This language tells us:
- Do include the first 2% growth in future years' base fiscal year for purposes of determining the 2% growth amount - this 2% growth is not listed as a subsection of paragraph (a), therefore not excluded
  - Do **not** count the above mentioned nine exclusions in the appropriation limit
  - Do **not** count the above nine exclusions in the base fiscal year for purposes of determining the 2% growth amount
  - Do **not** include the additional 2% growth in future years' base fiscal year for purposes of determining the growth amount

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The following sub-section was moved to the introductory paragraph (a) but maintains the same effect.

**(a) an appropriation of money already appropriated under an unobligated appropriation that is not void under Section 13 of this article - this is what we call "reappropriations". Since the money was counted in a prior fiscal year, it is not counted again.**

## **How does Alaska's government grow at a rate to accommodate and attract future economic growth?**

**First,** Alaska must show that stable government spending is planned

**Second,** stability in government is more attractive to prospective businesses than a sporadic, feast and famine approach

**Third,** if Alaska is viewed as a positive state for business development, corporations will make the initial investment to establish themselves here. Alaska could support business growth through excluded appropriations such as bonding for capital infrastructure growth.

**Fourth,** - although this would be subject to legal interpretation - in the event state money for infrastructure or fiscal support for significant economic growth is not available, and the state could prove that the potential economic loss could be determined to be a disaster, it would be excluded from the limit.

Economic disaster is typically viewed as an economic loss but there may be room for interpretation that economic loss would be created if additional assistance grants or capital projects were not appropriated timely to improve the state's overall economic health.

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## What happens if this Constitutional appropriation limit does not work?

The sponsor proposed an appropriation limit that contained a "sunset" provision where it would last for six years and then is placed on the ballot for Alaska's citizens to reconsider it or consider a changed appropriation and spending limit.

- If you like this version, you can vote for it, as is, in six years.
- If you don't like this version, you can vote on a revised provision that a future legislature would have to draft and pass – maybe their suggested language would be to repeal an appropriation limit all together, or just fine-tune what is before us today.

### The original language was:

- Sec. 2. Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

**Section 30. Transition; Reconsideration of Appropriation and Spending Limit.** If the 2003 amendment relating to an appropriation and spending limit (art. 10 IX, sec. 16) is adopted, the lieutenant governor shall place the ballot title and proposition for the amendment on the ballot again at the general election in 2006 and every six years thereafter unless it is rejected. If the majority of those voting on the proposition rejects the proposition, Section 16 of Article IX is repealed on the date the election is certified.

The House State Affairs Committee removed the language so that this language would remain in the Constitution indefinitely. The general premise for removing the sunset provision was that the Constitution is revered as a more permanent document and guide for the state. Having a temporary provision did not seem to carry the weight that is standard for Constitutional language.

If the language does not work, a new resolution would be drafted and put before the voters, but until that time, this language will become permanent.

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## Now that I understand the appropriation limit, “How does the spending limit work?”

The House State Affairs Committee amended the resolution so that paragraph (c) instructs the governor to reduce expenditures by line item veto to the extent necessary to avoid spending more than the amount appropriated.

*The impact of this change is that the governor is given mandated veto power and does not restrict the branch of government from which the veto is taken (including the legislature and the courts).*

The governor is instructed to **reduce appropriations** that might exceed the spending limit if the legislature over-appropriates. He is also instructed to **NOT overspend** and after the fact, ask the legislature to increase appropriation levels.

*Using Medicaid spending as an example, a governor could spend state money at a rate that would exceed its appropriation for the year and create a situation where the last two months of a fiscal year, no Medicaid reimbursements would be authorized. This could be considered a disaster and then be excluded from the limit, however, there is a statutory provision requiring the agency to institute the optional services list to manage its spending. The options list has not been initiated in past years and it has been the accepted practice for the agency to request additional appropriation authorization mid-fiscal year.*

The original language was:

*(c) If appropriations for a fiscal year exceed the amount that may be appropriated under (a) and (b) of this section, the governor shall reduce expenditures by the executive branch for its operation and administration to the extent necessary to avoid spending more than the amount that may be appropriated under (a) and (b) of this section.*

## Can the Governor spend less than what is appropriated?

Yes, and the governor typically spends less than that which is appropriated for many of the state's smaller programs. There is no limit to how little of an appropriation the governor is required to actually spend.

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## What constitutes a disaster?

### Hostile Action

#### Sec. 26.20.010. Policy and purpose.

(a) Because of the national emergency and the possibility of disasters or emergencies resulting from enemy attack, sabotage, or other hostile action, and in order to insure adequate preparations for disasters or emergencies, and generally to provide for the common defense, it is found and declared to be necessary. (abbreviated)

### Disaster Emergencies

#### Sec. 26.23.020. The governor and disaster emergencies.

(a) The governor is responsible for meeting the dangers presented by disasters to the state and its people.

(c) If the governor finds that a disaster has occurred or that a disaster is imminent or threatened, the governor shall, by proclamation, declare a condition of disaster emergency. The proclamation must indicate the nature of the disaster, the area threatened or affected, and the conditions that have brought it about or that make possible the termination of the disaster emergency. A proclamation to declare a condition of disaster emergency must also state whether the governor proposes to expend state funds to respond to the disaster.

### Federal Programs Available - Federal Development Fund

#### Section 44.33.285 Action by governor.

The governor may, upon recommendation of the commissioner of commerce and economic development, designate by proclamation an area as an area impacted by an economic disaster. When an area is so designated, the legislature may appropriate money for assistance grants and the governor may recommend in the governor's budget submission that capital projects planned for the area be accelerated and that new projects be funded for the area. The proclamation may provide that waivers of capital projects requirements, as authorized in AS 44.33.300, become effective only to the extent set out in the proclamation.

## APPENDIX C. STATE TAX AND EXPENDITURE LIMITS

STATE Year of Adoption Type of Limit Method of Approval	Limit Applied To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
ALASKA 1982' Constitutional Expenditure Legislative referendum	State appropriations	Yearly growth of appropriations may not exceed percentage increase in population and inflation	In the event of decreased revenues, an appropriation may be made from the Budget Reserve Fund.	None	None
ARIZONA 1978 Constitutional Expenditure Legislative Referendum	Appropriations of state tax revenues	Appropriations of state tax revenues shall not exceed 7.23 percent of state personal income	Requires two-thirds legislative approval for specific additional appropriations	Legislature shall provide for adjustments to limit if court order or legislative enactment transfers responsibility between state and local governments or between federal and state governments	None
CALIFORNIA 1979 Constitutional Expenditure Citizen Initiative	Appropriations of state tax revenues	Yearly growth in appropriations limit shall not exceed percentage increase in population and per capita personal income	In the event of an emergency, the appropriations limit may be exceeded provided increased expenditures are compensated for by reduced expenditures over three following years. Alternatively, the limit may be changed by voters but the change is operative for only four years	1) The appropriations limit shall be altered if program responsibility is transferred from one government entity to another, from government to private entity, or from funding through general revenues to funding through special revenues. 2) The state shall provide the funding when it requires local government to provide a program. 3) Appropriations required for purpose of complying with federal requirements are not under limit	One-half of all surplus revenues shall be returned to taxpayers by revision of tax rates or fee schedules within next two fiscal years; one-half shall be allocated to K-14 school districts.

1. Automatic vote for reconsideration of limit in 1986 continued the provision.

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STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
<b>COLORADO</b> 1991 Statutory Expenditure Legislative vote  1992 Constitutional Expenditure & Revenue Citizen Initiative	State general fund appropriations  All state spending and tax increases	6 percent of prior year's appropriation  Spending can only increase based on population growth and increase in CPI; no change in taxes or tax policy without voter approval; current spending limits cannot be weakened without voter approval	Legislative majority  Any voter-approved increases; General Assembly can declare emergency by two-thirds vote and raise emergency taxes subject to voter approval	None  Locals can reduce or end its subsidy for any state-mandated program except K-12 education; 90 days notice required and adjustment can occur in a maximum of three equal annual installments. Local taxes supporting these programs must be reduced accordingly	None  Excess revenue must be refunded to the citizens
<b>CONNECTICUT</b> 1991-Statutory (resolution for a constitutional amendment) 1992-Constitutional Expenditure Legislative vote-1991 Legislative referendum-1992	State appropriations (but excludes debt service, state grants to distressed municipalities, first year expenditures for federal mandates or court orders, and expenditures from the Budget Reserve Fund).	Appropriations shall not increase by more than the increase in personal income in the state (average of the annual increase for each of the preceding five years) or the increase in inflation (CPI-U, preceding 12 month period), whichever is greater	Governor can declare an emergency or the existence of extraordinary circumstances, plus approval by three-fifths of both House and Senate	None	1) Budget Reserve Fund (rainy-day fund) 2) Reduction of bonded indebtedness 3) Any purpose authorized by at least three-fifths of both House and Senate
<b>DELAWARE</b> 1978 Constitutional Expenditure Legislative referendum	State general fund appropriations	98 percent of estimated general fund revenue and prior year's unencumbered funds	Declaration of an emergency and three-fifths vote of each chamber	None	Goes into an accumulative cash balance and is available for appropriations in ensuing fiscal year
<b>FLORIDA</b> 1994 Constitutional Revenue Legislative referendum	All state revenues including taxes, fees, licenses and charges	Prior year's revenue plus growth, defined as a five year rolling average of personal income growth	Two-thirds vote of the Legislature	Legislature by statute can adjust the limit to reflect transfers in funding responsibilities between state and local governments	Excess revenues go to the budget stabilization fund. When the fund reaches statutory maximum, the excess is rebated to taxpayers

2. The constitutional amendment will not take effect until the legislature defines terms with a three-fifths vote

STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
HAWAII 1978 Constitutional Expenditure Constitutional Convention	State general fund appropriations	General fund appropriations shall not exceed the average rate of growth of state personal income for three previous years.	Specific appropriations over the limit require two-thirds approval in both chambers	The state must share the cost of any new program or service increase required of local governments by the Legislature	If the state general fund balance in each of two succeeding years exceeds 5 percent of general fund revenues, the Legislature will provide for a tax refund
IDAHO 1980 Statutory Expenditure Legislative vote	State general fund appropriations (modified in 1994 to exclude one-time expenditures)	Appropriations shall not exceed five and one third percent of state personal income	No provision	Adjustments to limit shall be made if court order or legislative enactment transfers responsibility between state and local governments or between federal and state governments	No provision
IOWA 1992 Statutory Expenditure Legislative vote	State general fund appropriations	Appropriations can be 99 percent of adjusted general fund receipts	None	None	Excess goes to Cash Reserve Fund, then to the Rebuild Infrastructure Account, then to Economic Recovery Fund
LOUISIANA 1979 Statutory Revenue Legislative vote	State tax revenue	Tax revenue shall not exceed the ratio of FY 1978- 79 tax revenue to 1977 state personal income. Expenditures for any given year shall not exceed anticipated state revenues for that year	Statute may be amended by vote of the Legislature	None	State tax revenue in excess of limit shall be deposited in the Tax Surplus Fund; appropriations from that fund may be made for paying tax refunds
1993 Constitutional Expenditure Legislative referendum	State general fund appropriations	State spending limited to 1992 appropriations plus per capita personal income growth	Two-thirds vote by the Legislature	None	Surplus may only be used to retire debt in advance of maturity
MASSACHUSETTS 1986 Statutory Revenue Legislative vote	State revenue	General fund balance may not exceed one-half of 1 percent of the year's tax revenue	Statute may be amended by vote of the legislature	Vote of legislature	Excess revenues transferred to a budget stabilization fund which is only allowed to grow to 5 percent of the state tax revenue, if the fund grows by more, the excess goes back to the taxpayers as an income tax credit  Proportional personal

STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
MASSACHUSETTS, cont. 1986 Statutory Revenue Initiative petition	State revenue	Revenues limited to the average growth of wages and salaries of the previous three years	Statute may be amended by vote of the legislature	Vote of legislature	Income tax credit
MICHIGAN 1970 Constitutional Revenue Citizen initiative	All state revenues less federal aid	For any fiscal year, state revenue may not exceed 9.49 percent of total personal income for the year prior	Governor must first specify an emergency; then the Legislature must concur by two-thirds vote in each chamber	1) Limit may be adjusted if program responsibility is transferred from one level of government to another by means of a constitutional amendment. 2) State is prohibited from reducing current proportion of local services financed through state aid. 3) No new program shall be required of local governments unless funded by state. 4) The proportion of total state spending paid to all units of local government as a group shall not be reduced below proportion for FY78-79	Revenues exceeding limit by 1 percent or more shall be used for tax refunds set in proportion to income tax liability. Excess less than 1 percent may be transferred to the State Budget Stability Fund
MISSISSIPPI 1992 Statutory Expenditure Legislative vote	Budget recommendations and appropriations	Budget and appropriations are limited to 98 percent of projected revenues	None	None	One-half of year-end surplus remains in the general fund, and one-half goes into a working cash/stabilization reserve fund up to the 7.5 percent ceiling, then remainder goes into a special education fund
MISSOURI 1980 Constitutional Revenue Citizen initiative	Total state revenue	Revenue shall not exceed the ratio of FY 1980-81 state revenue to 1979 state personal income, multiplied by the greater of state personal income in any calendar year or the average state personal income over the previous three calendar	Governor must first specify an emergency; then the legislature must concur by two-thirds vote in each chamber	1) Limit may be adjusted if program responsibility is transferred from one level of government to another. 2) State is prohibited from reducing current proportion of local services financed through state aid. 3) No new program shall be	Revenues exceeding limit by 1 percent or more shall be used for tax refunds set in proportion to income tax liability. Excess less than 1 percent may be transferred to the general revenue fund

STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
MISSOURI, cont.  1996 Constitutional Revenue Citizen Initiative	Total state revenue	years  Voter approval required for any tax or fee increase that will produce revenues greater than: 1) \$50 million adjusted annually by the percentage change in state personal income for the second previous fiscal year, or 2) one percent of the state revenues for the second fiscal year prior to the legislature's action, whichever is less	Governor must first specify an emergency; then the legislature must concur by two-thirds vote in each chamber	required of local governments unless funded by state.  None	Does not affect 1980 amendment—same as above
MONTANA 1981 Statutory Expenditure Legislative vote	State appropriations	State biennial appropriations shall not exceed state appropriations for the preceding biennium plus the product of preceding biennial appropriations and the growth percentage. The growth percentage is the difference between average state personal income for three calendar years immediately preceding the next biennium and the average state personal income for the three calendar years immediately preceding the current biennium	Governor must declare an emergency. Legislature must then approve specific additional expenditures by two-thirds vote of each chamber	None	No provision
NEVADA 1979 Statutory Expenditure Non-binding Legislative Vote	Governor's proposed general fund expenditures	State expenditures are tied to population growth and inflation using the 1975-76 biennium as the base	Not applicable because non-binding	None	No provision

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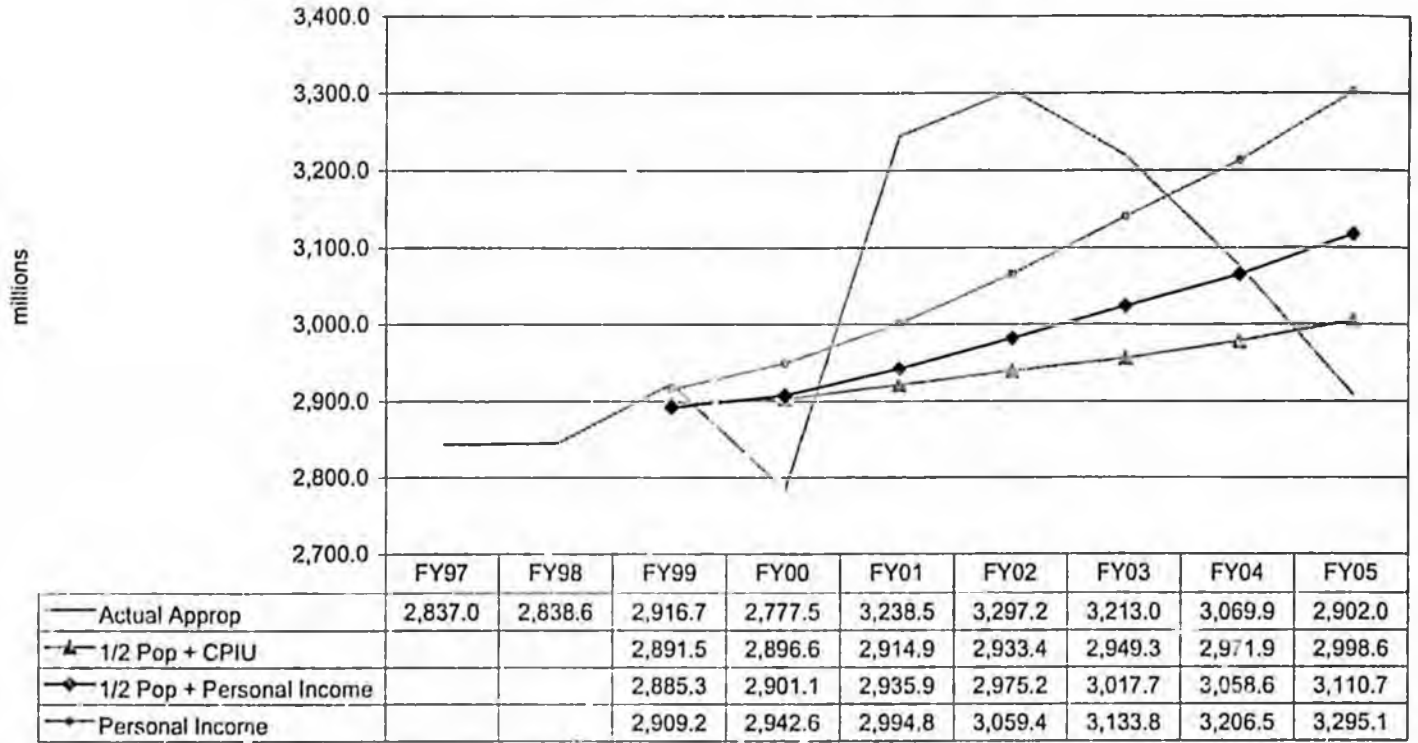
STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
NEW JERSEY 1990 Statutory Expenditure Legislative vote	General fund state appropriations less exemptions for debt service, state aid, grants-in-aid and capital construction	Appropriations shall not exceed the average prior three years of state per capita annual income	Two-thirds vote of the Legislature	Adjustment to limit shall be made if program responsibility is transferred between state and local governments	No provision, but the state has a rainy day fund
NORTH CAROLINA 1991 Statutory Expenditure Legislative vote	State appropriations	Fiscal year operating budget shall not be greater than 7 percent of the projected total state personal income for that fiscal year	Limit may be exceeded to the extent that Medicaid, prison operations or state health insurance increases exceed increases in state personal income	None	Revert to general fund credit balance
OKLAHOMA 1985 Constitutional Expenditure Legislative referendum	Appropriated revenues	1) 12 percent yearly increase (adjusted for inflation) 2) 95 percent of certified revenue	None	None	Revenue to general fund in excess of estimate (up to 10 percent) shall be deposited in a rainy day fund
OREGON 1979 Statutory Expenditure Legislative vote	State appropriations	The rate of growth of appropriations in each biennium shall not exceed rate of growth of state personal income in the two prior calendar years	Legislative majority	Adjustment to limit shall be made if program funding is transferred from general fund to non-general fund sources or vice-versa	Revenue exceeding close of session revenue forecast by 2 percent or more shall be used for tax refunds proportional to income tax liability
RHODE ISLAND 1992 Constitutional Expenditure Legislative referendum	State general fund appropriations	98 percent of estimated general fund revenue and prior year's unencumbered funds	None	None	2 percent must be put into rainy day fund
SOUTH CAROLINA 1980, 1984 Constitutional Expenditure Legislative Referendum	State appropriations approved by General Assembly	Yearly growth in state appropriations shall not exceed average growth of personal income over three preceding years or 9.5 percent of total state personal income, whichever is greater. Also, the number of state employees is tied to state population	Limit may be exceeded for one year by a two-thirds vote of the legislature if it first declares a financial emergency. Also, every five years the legislature can review the composition of the limit	None	Excess revenues may be spent to match federal programs, for debt purposes, tax relief, or transferred to reserve fund

STATE Year of Adoption Type of Limit Method of Approval	Limit Applies To	The Limit Is	Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses <sup>1</sup>
TENNESSEE 1970 Constitutional Expenditure Constitutional Convention	Appropriations of state tax revenue	Growth in state appropriations shall not exceed growth in state personal income	Specific additional amount may be approved by majority vote of the legislature	State must share in cost if it increases expenditure requirements of local government	No provision
TEXAS 1970 Constitutional Expenditure Legislative referendum	Appropriations of state tax revenues not dedicated by the state constitution	Growth of biennial appropriations shall not exceed rate of growth of state personal income	Specific additional amount may be approved by majority vote of the Legislature if it first adopts a resolution that an emergency exists	None	No provision
UTAH 1989 Statutory Expenditure Legislative vote	State appropriations	Yearly growth in appropriations tied to population growth and inflation	Emergency must be declared by governor and confirmed by more than two-thirds of both houses of the Legislature	1) Adjustment to limit shall be made if program responsibility is transferred between state and local governments 2) Adjustment to limit shall be made if program funding is transferred from general fund to non-general fund sources or vice-versa	No provision
WASHINGTON 1993 Statutory Expenditure Citizen initiative	State expenditures	State expenditures are tied to a three year rolling average of inflation and population growth	An emergency must be declared and approved with two-thirds vote of the Legislature. Revenue increases need two-thirds legislative approval if within expenditure limit, voter approval needed to exceed limit	Prohibits state from imposing new mandates on local governments unless fully reimbursed	Excess revenue goes into Emergency Reserve Fund; if fund exceeds five percent of general fund revenue, the additional surplus is placed in the Education Construction Fund

Source: NCSL survey of legislative fiscal officers, April 1996

3-25-04

CS HJR 9 (FIN) Spending Limit  
 Base Year of 3 prior year avg & 3 yr floating avg for variable



1) Exemptions: Federal funds; permanent fund; permanent fund income for dividends; g.o. bonds, revenue bonds; debt service on revenue bonds; reappropriations; university tuition

HJR 9	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
(from Historical Funding 75-present and Fiscal Summaries)										
* Total Non-Duplicated Funds	4,249.2	4,252.7	4,294.8	4,720.0	4,904.7	5,498.8	5,967.1	6,007.0	6,034.5	6,154.3
Federal Funds	1,109.8	1,133.9	1,176.2	1,493.3	1,841.2	1,953.9	2,329.5	2,494.8	2,609.5	2,863.1
COPI/GO/Rev bonds										
Trust Funds	36.2	60.7	82.2	77.1	75.4	76.3	81.3	73.2	86.5	75.5
Dedicated Funds	34.3	43.5	37.6	88.5	81.3	67.2	71.4	72.2	73.1	73.9
** University Tuition	53.8	52.5	57.5	57.5	59.0	59.0	55.0	59.4	60.0	60.0
Debt Service	146.2	125.1	102.7	86.8	70.2	103.8	132.7	94.5	135.6	179.7
Limit Applies to:	2,868.9	2,837.0	2,838.6	2,916.7	2,777.5	3,238.5	3,297.2	3,213.0	3,069.9	2,902.0
* Bond Proceeds				378.8	25.0	171.5	275.3	526.1	92.4	115.2

\*Bond proceeds are already added and duplicated out in the "Total Non-Duplicated Funds"

\*\* FY04 forward: Univ Rcpts include ALL rcpts (books, housing, svcs, fees). Would need to be seperated if bill goes thru

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
<b>1/2 Sum Pop + Income (3 Yr Floating Avg)</b>										
Limit Factor (Pop + Income)				1.0130	1.0166	1.0212	1.0233	1.0273	1.0277	1.0310
New Limit				2,885.5	2,901.1	2,935.9	2,975.2	3,017.7	3,058.6	3,110.7
Change in spending					15.8	34.8	39.3	42.5	40.9	52.1
Personal Income Average	5.584%	4.637%	3.395%	2.144%	2.829%	3.383%	3.747%	4.497%	4.699%	5.166%
Pop Average	2.571%	1.821%	0.839%	0.462%	0.499%	0.852%	0.916%	0.971%	0.835%	1.034%
1/2 (Pop + Income) Avg	4.08%	3.23%	2.12%	1.30%	1.66%	2.12%	2.33%	2.73%	2.77%	3.10%

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
<b>1/2 sum of Pop + CPI (3 Yr Floating Avg)</b>										
Limit Factor (Pop + CPI)				1.0152	1.0143	1.0137	1.0112	1.0118	1.0134	1.0159
New Limit				2,891.5	2,896.6	2,914.9	2,933.4	2,949.3	2,971.9	2,998.6
Change in spending					5.1	18.3	18.4	15.9	22.6	26.7
CPI Average	3.687%	2.875%	2.709%	2.581%	2.365%	1.886%	1.311%	1.385%	1.852%	2.156%
Pop Average	2.571%	1.821%	0.839%	0.462%	0.499%	0.852%	0.916%	0.971%	0.835%	1.034%
1/2 (Pop + CPI) Avg	3.13%	2.35%	1.77%	1.52%	1.43%	1.37%	1.12%	1.18%	1.34%	1.59%

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
<b>Personal Income (3 Yr Floating Avg)</b>										
Limit Factor (Personal Income)				1.0214	1.0283	1.0338	1.0375	1.0450	1.0470	1.0517
New Limit				2,909.2	2,942.6	2,994.8	3,059.4	3,133.8	3,206.5	3,295.1
Change in spending					33.3	52.2	64.5	74.4	72.8	88.6
Personal Income Avg	5.58%	4.64%	3.40%	2.14%	2.83%	3.38%	3.75%	4.50%	4.70%	5.17%

Variables:

Inflation	3%
Population	1%
50% of Avg annual growth (3 yrs)	2%

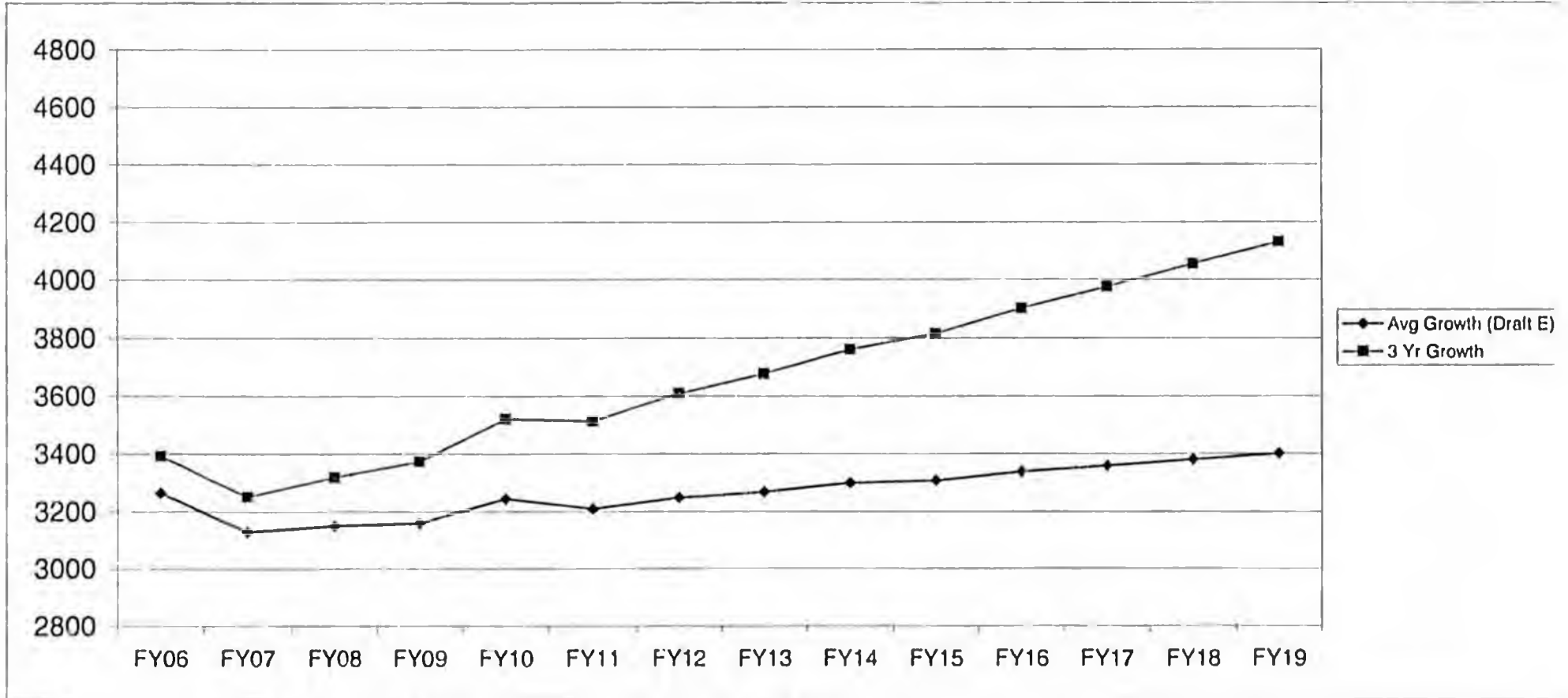
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FY06 is the first calculated year and uses FY02-04 actual approps (based on the exemptions) for the base.

<del>Wage Growth (Draft E)</del>	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
"the avg annual rate of change"	3300	3200	3100	2900	3264	3128	3150	3159	3244	3209	3248	3268	3298	3306	3337	3357	3380
annual growth					364	-136	22	10	85	-36	40	20	30	8	31	20	23
annual % change						-4.17%	0.70%	0.30%	2.69%	-1.10%	1.23%	0.62%	0.92%	0.25%	0.92%	0.59%	0.70%

Inflation	3%																
Population	1%																
50% of growth during 3 yrs	6%																
<b>3 yr growth</b>	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
"the rate of change"	3300	3200	3100	2900	3392	3251	3319	3372	3520	3512	3607	3676	3759	3815	3902	3975	4055
annual growth					492	-141	68	53	148	-7	95	69	83	55	87	73	80
annual % change						-4.17%	2.09%	1.60%	4.39%	-0.20%	2.71%	1.90%	2.27%	1.47%	2.29%	1.88%	2.01%



Legislative Finance

3/28/04