

SJR

3



SENATOR FRED DYSON

SJR 3

Sponsor Statement

"A Resolution Proposing an Appropriation and Spending Limit"

Updated: March 13, 2003

Contact: Senator Fred Dyson's office at (907) 465-2199

The adoption of an effective, reasonable constitutional spending limit is an integral step in the development of any effective long-range fiscal plan for the state. Senate Joint Resolution 3 (SJR 3) would amend Article IX, sec 16 of Alaska's Constitution by lowering the existing appropriation limit to better reflect Alaska's current revenue picture. Passage of SJR 3 would ensure a limit on the growth of state government and force the state to further reasonably reduce non-essential 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. A primary reason for its failure is that the starting amount of \$2.5 billion was too high and its escalator factor based on population and inflation was too liberal. In fact, given the increases in inflation and population over the last 19 years, the general fund spending limit imposed by Article IX, Section 16 is over \$6 billion. That is about \$3 billion more than general fund spending in Fiscal Year 2002. SJR 3 more accurately reflects today's spending by amending the existing appropriation limit.

The appropriation limit proposed by this resolution is based on a non-cumulative amount appropriated from two years prior and would allow for up to a 2% increase per year (4% total) upon a simple majority vote. An additional 2% may be appropriated bringing the total to 6%. This additional 2% would require a two-thirds vote of both houses. Yet another 2% may be appropriated bringing the total allowable increase to 8%. This last 2% increase would require a three-fourths vote of both houses. The next year's appropriation limit would be based on the portion of the budget passed with a simple majority vote. If, for example, 6% more was appropriated for FY08 than FY 06, the FY08 limit would be based on the original 4% increase that passed with a simple majority, not the full 6%.

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.

The existing provision that one-third of the budget be appropriated for capital expenditures is also removed in SJR 3. Over the years, several attorney general opinions have been written on the meaning of the constitutional limit; those opinions counter the plain English meaning of the language and have allowed the legislature and the administration to avoid this requirement. The resolution removes this arbitrary and superfluous requirement.

SJR 3 simplifies and clarifies exactly what spending counts towards the appropriation limit, something that is not clear in the existing constitutional language.

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



SENATOR FRED DYSON

SJR 3

Sectional Analysis

"A Resolution proposing an appropriation and spending limit"

Updated: March 14, 2003

Contact: Senator Fred Dyson's office at (907) 465-2199

Section 1

- (a) Rewrites the existing constitutional spending limit formula. With the exception of certain types of appropriations and reappropriations, provides that appropriations made for a fiscal year shall not exceed by more than four percent the amount appropriated for the fiscal year two years preceding the fiscal year for which the appropriations are being made.***
- (b) Permits an appropriation that exceeds the limit under (a) to be made by affirmative vote of two-thirds of the members of each house, and establishes a limit on the amount of these types of appropriations.***
- (c) Permits an appropriation that exceeds the limit under (a) and (b) to be made by affirmative vote of three-fourths of the members of each house and establishes a limit on the amount of these types of appropriations.***
- (d) Directs the Governor to reduce expenditures to the extent necessary to avoid spending more than may be appropriated under (a), (b), and (c).***

Section 2

Adds a new section to the Alaska Constitution that requires a "reconsideration of appropriation and spending limit" choice to be included on the ballot at the general election and every eight years thereafter unless rejected.

Section 3

The proposed amendments would be voted on during the 2004 general election.

Existing Alaska Constitution
(To be repealed and replaced by SJR 3)

Section 9.16 - Appropriation Limit.

Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

CS FOR SENATE JOINT RESOLUTION NO. 3()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR DYSON

A RESOLUTION

1 Proposing an amendment to the Constitution of the State of Alaska relating to an
2 appropriation limit and a spending 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 and Spending Limit.** (a) Appropriations made
7 for a fiscal year shall not exceed the amount appropriated for the fiscal year two years
8 preceding the fiscal year for which the appropriations are made by more than the
9 percentage equal to one-half of the product of the annual percentage rate of change in
10 the Consumer Price Index for all urban consumers for the Anchorage metropolitan
11 area compiled by the Bureau of Labor Statistics, United States Department of Labor,
12 for the calendar year preceding the beginning of the fiscal year for which the
13 appropriations are made multiplied by one-fourth of the annual percentage change in
14 the statewide population as of July 1 of that calendar year. This subsection does not
15 apply to an appropriation

16 (1) to the Alaska permanent fund;

1 (2) of Alaska permanent fund income for payments of permanent fund
2 dividends to State residents;

3 (3) to meet a state of disaster declared by the governor as prescribed by
4 law;

5 (4) for the Alaska Railroad;

6 (5) of State general obligation and revenue bond proceeds;

7 (6) required to pay obligations under general obligation bonds, revenue
8 bonds, and certificates of participation issued by the State;

9 (7) of money received from the federal government;

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

12 (9) of money received by the University of Alaska;

13 (10) of money received by the Alaska Vocational Technical Center; or

14 (11) made under (b) of this section.

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 three-fourths of the
17 members of each house of the legislature. The total amount of appropriations under
18 this subsection made for a fiscal year may not exceed two percent of the amount
19 appropriated for the fiscal year two years preceding the fiscal year for which the
20 appropriations are made.

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

25 * Sec. 2. The amendment 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.

SJR 3

Sectional Analysis

"A Resolution proposing an appropriation and spending limit"

Updated: May 12, 2003

Contact: Senator Fred Dyson's office at (907) 465-2199

Section 1

- (a) *Rewrites the existing constitutional spending limit formula. With the exception of certain types of appropriations, provides that the appropriation increase made for a fiscal year shall not exceed $\frac{1}{2}$ (annual percentage change of Consumer price index (CPIU) + $\frac{1}{4}$ annual percentage change in population) over the amount appropriated for the fiscal year two years preceding the fiscal year for which the appropriations are being made.*

$$A = A_{-2} + A_{-2} [\frac{1}{2} (\Delta \text{CPIU} + \frac{1}{4} \Delta p)]$$

(A = appropriations, A_{-2} = appropriations two years ago, ΔCPIU = annual percentage change in Consumer Price index for urban consumers two years ago, and ΔP = annual percentage change in population two years ago)

- (b) *Permits an appropriation that exceeds the limit under (a) to be made by affirmative vote of three-fourths of the members of each house, and establishes a limit on the amount of these types of appropriations.*
- (c) *Directs the Governor to reduce expenditures to the extent necessary to avoid spending more than may be appropriated under (a) and (b). This is the "spending limit" portion of the bill.*

Section 2

The proposed amendments would be voted on during the 2004 general election.

SJR 3

Sponsor Statement

"A Resolution Proposing an Appropriation and Spending Limit"

Updated: May 12, 2003

Contact: Senator Fred Dyson's office at (907) 465-2199

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The existing constitutional appropriation limit, adopted by voters in 1981, has not worked as anticipated and has never been effective in restraining state spending. A primary reason for its failure is that the starting amount of \$2.5 billion was too high and its escalator factor based on population and inflation was too liberal. In fact, given the increases in inflation and population over the last 19 years, the general fund spending limit imposed by Article IX, Section 16 is over \$6 billion. That is about \$3 billion more than general fund spending in Fiscal Year 2002. SJR 3 more accurately reflects today's spending by amending the existing appropriation limit.

The appropriation limit proposed by this resolution is tied to growth in the Consumer Price Index for Urban Consumers compiled by the U.S. Bureau of Labor Statistics and population growth by a simple formula. An increase beyond this formula would require a three-fourths vote of both houses.

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.

The existing provision that one-third of the budget be appropriated for capital expenditures is also removed in SJR 3. Over the years, several attorney general opinions have been written on the meaning of the constitutional limit; those opinions counter the plain English meaning of the language and have allowed the legislature and the administration to avoid this requirement. The resolution removes this arbitrary and superfluous requirement.

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FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SJR 3
 (S) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title Const Am: Appropriation/Spending Lin BRU _____
 Component _____
 Sponsor Senator Dyson
 Requester Senate Judiciary Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: SENATE JUDICIARY COMMITTEE Phone 465-2327
 Division _____ Date/Time 5/15/03 11:52 AM
 Approved by: /s/Senator Seekins, Chair Date 5/15/2003
 Agency _____



SENATOR FRED DYSON

MEMORANDUM

March 13, 2003

To: Senator Ralph Seekins, Chair
Senate Judiciary Committee

From: Senator Fred Dyson *Sen. Dyson*
wcd

RE: Hearing Request, SJR 3

I respectfully request the scheduling of SJR 3, "An Resolution Proposing an Appropriation and Spending Limit" at your earliest convenience. Thank You.