

SJR

14

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 1/18/08

FURTHER:

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

DATE TURNED
 IN TO OFFICE: 2/4/08

Finance Committee considered SENATE JOINT RESOLUTION NO. 14

SJR 14 BUDGET RESERVE FUND VOTE REQUIREMENT

Proposing an amendment to the Constitution of the State of Alaska relating to appropriations from the budget reserve fund.

and recommends:

- be replaced with SCS or CS SJR 14 (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
<input type="checkbox"/> Same Title
<input checked="" type="checkbox"/> New Title
HOUSE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
006	1/25	✓			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
		✓			
				✓	
				✓	
					✓
CO-CHAIR:		✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SJR14
() Publish Date: _____

Identifier (file name): SJR014-OOG-DOE-1-25-08 Dept. Affected: OOG
Title: Constitutional amendment relating to appropriations RDU: Elections
from the budget reserve fund Component: Elections
Sponsor: Senator Hoffman
Requester: Senate Finance Committee Component Number: 21

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	1.5							
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF	1.5						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)
The passage of this resolution would require the constitutional amendment to appear on the 2008 general election ballot. The cost of providing information about the constitutional amendment in the Official election Pamphlet, as required by AS 15.58 is \$1.5. Should the addition of this question require printing an 8-1/2 by 18 inch ballot, the cost will increase to \$22.0.

Prepared by: Gail Fenomial, Director
Division: Division of Elections
Approved by: Linda Perez, Administrative Director
Office of the Governor

Phone: 465-2644
Date/Time: 1/25/2008, 2:33pm
Date: 1/25/2008

CS FOR SENATE JOINT RESOLUTION NO. 14(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR HOFFMAN

A RESOLUTION

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

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

4 * Section 1. Article IX, sec. 17(c), Constitution of the State of Alaska is amended to read:

5 (c) An appropriation from the budget reserve fund may be made for any public
6 purpose upon affirmative vote of two-thirds [THREE-FOURTHS] of the members of
7 each house of the legislature.

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

9 (d) If an appropriation is made from the budget reserve fund, until the amount
10 appropriated is repaid, the amount of money in the general fund available for
11 appropriation at the end of each succeeding fiscal year shall be deposited in the budget
12 reserve fund. For purposes of this subsection, each amount deposited into the fund
13 under (a) of this section shall be treated as a repayment of money appropriated
14 from the fund. If the amount deposited under (a) of this section exceeds the
15 amount due in repayment, the excess amount shall be treated as a credit to be
16 applied as a repayment of money appropriated from the fund in the future. The

1 legislature shall implement this subsection by law.

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

*Adopted
1/28/08*

RECEIVED

JAN 28 2008

25-LS1350A.1
Cook
1/25/08

AMENDMENT

OFFERED IN THE SENATE
TO: SJR 14

BY SENATOR STEDMAN

1 Page 1, line 1:

2 Delete "an amendment"

3 Insert "amendments"

4

5 Page 1, line 2:

6 Delete "appropriations from"

7

8 Page 1, following line 7:

9 Insert a new resolution section to read:

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

11 (d) If an appropriation is made from the budget reserve fund, until the amount
12 appropriated is repaid, the amount of money in the general fund available for
13 appropriation at the end of each succeeding fiscal year shall be deposited in the budget
14 reserve fund. For purposes of this subsection, each amount deposited into the fund
15 under (a) of this section shall be treated as a repayment of money appropriated
16 from the fund. If the amount deposited under (a) of this section exceeds the
17 amount due in repayment, the excess amount shall be treated as a credit to be
18 applied as a repayment of money appropriated from the fund in the future. The
19 legislature shall implement this subsection by law."

20

21 Renumber the following resolution section accordingly.

22

- 1 Page 1, line 8:
- 2 Delete "amendment"
- 3 Insert "amendments"



[Click here to return to the original story](#)

Budget reserve battle lines drawn

Some critics say fund promotes unnecessary pork-barrel spending

The state of Alaska owes more than \$5.2 billion to its Constitutional Budget Reserve, but there appears to be little sentiment in the Legislature to fully repay the money borrowed from the fund.

Some legislators, in fact, say they'd like to see the reserve done away with entirely.

While the voters had good intentions when they tried to save money in the reserve, it has actually had the opposite effect and resulted in unnecessary pork-barrel spending, critics such as House Speaker John Harris, R-Valdez, say.

The problem with the reserve, he said, is that it takes a three-quarters majority to take money out of the reserve, meaning that almost any legislator can parlay a single vote into pork for his or her district.

"It's legalized bribery, but it's still bribery," he said.

The voters approved the creation of the budget reserve in 1990 as a way to save money for lean years. It proved crucial in the 1990s when oil prices fell and billions of dollars from the reserve were used to balance the state budget.

The reserve was originally funded with money from tax settlements, which are required by law to be deposited in it.

Sen. Gary Wilken, R-Fairbanks, said the reserve isn't working as hoped.

"The CBR is well intended, but what it does is bastardize the budget process," he said.

The three-quarters vote required for dipping into the reserve means it takes 15 of 20 senators to access the money.

"The cost of getting the 15th vote really dirties up the budget process," Wilken said. "It drives up spending rather than reducing spending."

Oil prices are now at all-time highs, a new oil tax is bringing in new money, and oil production may never be as high as it is today.

Gov. Sarah Palin has proposed a budget putting \$379 million repayment over the next two years, a repayment rate Sen. Kim Elton, D-Juneau, said is unlikely to replenish the reserve before declining state finances have the state tapping it again.

Sen. Bert Stedman, R-Sitka, co-chairman of the Senate Finance Committee, said now is the time to boost the reserve, while the state is flush with money.

"This is a golden opportunity to make a substantial contribution in the CBR," he said.

The state will need the budget reserve to bridge the gap between declining oil revenues and the beginning of natural gas flowing to market.

"If we were to put \$2 billion to \$3 billion in the CBR, the state would be in a very strong financial position heading to first gas," he said.

Without it, he said, there will likely be calls for new taxes or tapping the Alaska Permanent Fund to run the state, Stedman said.

Rep. Beth Kerttula, D-Juneau, said she thought there would be support for Palin's plan, and maybe more than the governor proposed.

"There seems a pretty good consensus through the Legislature that there ought to be savings," she said. "I personally think you've got to put it in a place where it is hard to get to so it will be around for a while, and I think the CBR is the place to do it."

Last year Palin proposed putting \$1 billion in the CBR, but despite a big surplus, the Legislature put only \$50 million in the reserve, instead saving the remainder so it would be readily available this year.

Harris said that despite his personal opposition, at least some of this year's surplus will go the reserve.

"I have a feeling that we'll put some in the CBR," he said.

Kerttula said there may be disagreement over the merits of the CBR, but the Alaska Constitution requires repayment of borrowed money, and unless it is amended it will continue to do so.

"At the moment we have an obligation to refund the CBR," she said.

Wilken said he'd be open to changing the constitution.

"Tell me where I sign up," he said.

• Contact Pat Forgey at 586-4816 or patrick.forgey@juneauempire.com.

Click here to return to story:

http://juneauempire.com/stories/011808/sta_20080118022.shtml

1/20/08

THE CONSTITUTION OF THE STATE OF ALASKA

ARTICLE 09

FINANCE AND TAXATION

Section 9.17 - Budget Reserve Fund.

(a) There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

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

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

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