

SB

196

<TARGET><BILL>SB 196</BILL><SUBJECT>SB
196</SUBJECT><COMM>HSTA30</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
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Sponsor Statement Senate Bill 196

An Act relating to an appropriation limit; relating to the budget responsibilities of the governor

The State of Alaska relies on a single commodity to fund more than 85% of our government services. Today, with declining production and lower prices, Alaska continues to face a significant budget deficit. The Legislature has cut the operating and capital budgets by over \$3 billion in the last four fiscal years but has continued to draw from our savings accounts to fill the gap between revenue and expenditures.

Senate Bill 196 sets a \$4.1 billion statutory limit on how much the legislature can appropriate every year with regard to agency operating budget expenses. The limit would be adjusted annually for inflation. The appropriation limit does not apply to appropriations for the payment of permanent fund dividends, capital projects, state debt obligations, and receipt supported services such as receipts of the Alaska Marine Highway System.

Alaska must control its spending in order to refill our savings accounts and sustain the programs Alaskans rely on in their everyday lives. Senate Bill 196 is the needed framework to help guide the Governor and the Legislature through the budget making process.

Now is the time to pass an effective statutory appropriation limit.

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Sectional Analysis Senate Bill 196 Version O.A

An Act relating to an appropriation limit; relating to the budget responsibilities of the governor

- *Section 1: Intent language that the legislature reevaluate the appropriation limit in three years
- *Section 2: Removes the reference to the current statutory appropriation limit
- *Section 3: Statutory Appropriation Limit:
 - Unrestricted General Fund appropriations may not exceed \$4.1 billion
 - Adjusts for inflation using known inflation data
 - Inflation adjustment is based on the Consumer Price Index for Anchorage prepared by the United States Bureau of Labor Statistics

Appropriation Limit excludes appropriations:

- To the Alaska Permanent Fund;
- For Permanent Fund Dividend payments;
- For payment of Debt obligations of the state (e.g. - General Obligation Bonds and Certificates of Participation)
- Capital projects; and
- For disaster declarations

Defines:

- Capital project;
- Program Receipts; and
- Unrestricted general fund

- *Section 4: Requires the Governor to submit a report with his operating budget with the calculation of the appropriation limit. The report must be updated with the supplemental appropriation bill and budget amendments

Senate Bill 196 v. O.A Sectional Analysis

April 2, 2018

Page 2

- *Section 5: Repeals current statutory appropriation limit language
- *Section 6: Applicability language that the appropriation limit (Sec. 3) and Governor's report (Sec. 4) applies to Fiscal Year 2020
- *Section 7: Transition language that the calculation of the appropriation limit is not adjusted for inflation and may not exceed \$4,100,000,000 for FY2020

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Summary of Changes
Senate Bill 196 Version O.A

An Act relating to an appropriation limit; relating to the budget responsibilities of the governor

Title: Added relating to the budget responsibilities of the governor as a result of Section 4

*Section 1: Page 1, lines 4 – 8

Intent language that the legislature reevaluate the appropriation limit in three years

*Section 3: Page 2, line 14 – 15

Statutory Appropriation Limit:

Appropriation Limit excludes appropriations:

- For disaster declarations

*Section 4: Page 2, lines 23 – 30

Requires the Governor to submit a report with his operating budget with the calculation of the appropriation limit. The report must be updated with the supplemental appropriation bill and budget amendments

*Section 6: Page 3, lines 1 – 5

Applicability language that the appropriation limit and Governor's report applies to Fiscal Year 2020

*Section 7: Page 3, lines 6 – 11

Transition language that the calculation of the appropriation limit is not adjusted for inflation and may not exceed \$4,100,000,000 for FY2020

*Section 8: Effective date failed on the Senate Floor and was therefore removed

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	SB 196
Fiscal Note Number:	1
(S) Publish Date:	3/7/2018

Identifier: SB196-OOG-OMB-03-03-18
Title: APPROPRIATION LIMIT
Sponsor: FINANCE
Requester: S STA

Department: Various (for Fiscal Notes only)
Appropriation: Various
Allocation: All Branches
OMB Component Number: 0

Expenditures/Revenues

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

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial fiscal note.

Prepared By: Caroline Schultz, Policy Analyst
Division: Office of Management and Budget
Approved By: Pat Pitney, Director
Agency: Office of Management and Budget

Phone: (907)465-4663
Date: 03/03/2018 01:00 PM
Date: 03/03/18

**REPORTED OUT OF
SFC 03/16/2018**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

SB 196 establishes a limit for unrestricted general fund (UGF) appropriations made for a fiscal year. The bill sets the UGF appropriation limit at \$4.1 billion and provides for inflation adjustments based on the Consumer Price Index for all urban consumers in the Municipality of Anchorage (CPI-U, Anchorage).

The UGF appropriation limit in SB 196 does not apply to the following appropriations:

- to the Alaska Permanent Fund
- for payment of Permanent Fund Dividends
- debt service payments
- capital projects

SB 196 provides an effective date of July 1, 2018. This analysis assumes the FY2019 budget will be passed before this legislation takes effect; therefore, it will have no impact on FY2019 UGF appropriations nor any associated FY2019 implementation costs. Out year fiscal impacts are also estimated to be zero.

NFIB

The Voice of Small Business®

ALASKA

March 8, 2018

The Honorable Anna MacKinnon
Co-Chair of the Senate Finance Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: Senate Bill 196 – Appropriation Limit

Dear Senator MacKinnon:

On behalf of the NFIB/Alaska, I wish to respectfully share our support for Senate Bill 196. We appreciate and support the need to restrain the size and scope of our state government. NFIB, the Voice of Small Business, is the largest small-business advocacy group in Alaska.

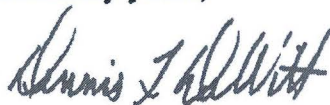
SB 196 sets a limit on state general fund expenditures at \$4.1 billion then adjusts the number for inflation. It excludes appropriations to the permanent fund, for the permanent fund dividend, for debt obligations, and for capital projects. This is a good target for limitations on spending.

The reality is that there is never “enough” money or “enough” programs to sustain our state government. On the other side of the balance sheet, there is a limit to the amount of funding that can be taken from taxpayers and the permanent fund earnings. An appropriation limit helps the legislature balance the equation by limiting the expenditure side.

We understand the argument for adjusting the appropriation limit. We might suggest that using half the CPI calculation would help reduce the size and scope of government over time. We are concerned that we cannot continue to sustain the current size and scope of our state government. Allowing it to grow with the CPI would not be as effective as using a lower calculation for government growth.

Thank you for your consideration.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council

SB 196 Appropriation Limit

