

SJR 2

(FILE

1)

<TARGET><BILL>SJR 2</BILL><SUBJECT>SJR 2 (FILE
1)</SUBJECT><COMM>SSTA30</COMM></TARGET>

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 1/27/17

FURTHER: Judiciary
Finance

DATE TURNED
IN TO OFFICE: 2/16/18

State Affairs Committee considered SENATE JOINT RESOLUTION NO. 2

SJR 2-CONST AM: APPROPRIATION LIMIT

Proposing an amendment to the Constitution of the State of Alaska relating to an appropriation limit.

and recommends:

- be replaced with CS SJR 2 () Same Title [] New Title
- [] adopt previous CS _____ () [] Same Title [] New Title
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LEG			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	Wilson	✓			
	Giessel	✓			
	Coghill			✓	
	Sear		✓		
CHAIR:	MEYER	✓			

ALASKA STATE LEGISLATURE

Interim:

600 E. Railroad Ave.
Wasilla, AK 99654
(907) 376-3370



Session:

Alaska State Capitol, Rm 11
Juneau, AK 99801-1182
Phone: (907) 465-6600

MIKE DUNLEAVY

STATE SENATOR

Sen.Mike.Dunleavy@akleg.gov

SJR 2 Sponsor Statement

In 1982, Alaska's voters enacted a constitutional appropriation limit which can be found in Article IX, Section 16. It has applied to every budget since FY84. However, in practice the spending cap has grown too high to matter during the budget process. For example, the constitutionally calculated spending limit for this year is \$10.1 billion, while applicable state spending is roughly \$5.2 billion. Simply put, we could double the budget today before bumping into the cap. Unless we act to "reset" the spending limit, it will remain powerless to curb future government spending growth.

SJR 2 lowers the constitutional appropriation limit amount, to bring it in line with the state's current fiscal reality, and to respect the intent of voters who chose to restrict the size of their government. It ties the cap going forward to a percentage of the annual change in population and inflation, to allow for changing conditions in the state.

SJR 2 draws on the wisdom from experience since 1982, and aims to close loopholes which allow for spending to bypass the limit. It attempts to simplify the limit so that it can be easily understood by budget and policy makers, as well as ordinary citizens.

Alaskans are prepared to help get us through this short-term fiscal situation, but do not want to give government an open checkbook. One of the simplest and most impactful ways we can structurally reduce and cap government growth is through repairing the constitutional appropriation limit to ensure it functions, as the voters of Alaska intended when they enshrined it in the Constitution *not once, but twice*.

The state's fiscal situation calls upon Alaskans to make sacrifices, and the people want assurances that the size, spend, and growth of government will be kept in check. SJR 2 may be the most crucial piece of legislation that helps in accomplishing this goal.

I respectfully request your support for SJR 2.

DISTRICT E

MAT-SU • DELTA JUNCTION • COPPER RIVER VALLEY • TALKEETNA • VALDEZ

Alaska State Senate



Chairman: Senator Kevin Meyer
Senator John Coghill
Senator Cathy Giessel
Senator David Wilson
Senator Dennis Egan

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SENATE STATE AFFAIRS

To: Senator Kevin Meyer, Chair
From: Christine R. Marasigan, Committee Aide
Date: February 15, 2018
Re: Synopsis of Committee Consideration on SJR 2

Senate Joint Resolution 2 proposes amendments to the Constitution of the State of Alaska which would re-set an appropriation limit with certain exceptions. This bill was introduced January 27, 2017 and heard in the Senate State Affairs Committee three times: 2/14/17, 3/2/17, and 3/30/17. There were five people who provided invited testimony. This included Jeremy Price, State Director for Americans for Prosperity; Bob Williams from State Budget Solutions, Penn Pfiffner from the TABOR Foundation and former Colorado State Representative, Barry Poulson, Economist and Professor, and Matthew Mitchell, Senate Research Fellow. Public testimony was left open.

There were a number of documents relating to SJR 2, I have attached them for your review. What follows is a recap of each meeting.

2/14/17

Sponsor Presentation

This 14 slide presentation gave a lot of background and basics of the bill. It reviewed the term Appropriation Limit as it is used in Article IX, Section 16 of the Alaska State Constitution. It provided data on how many states have appropriation limits in the broader category of Tax & Expenditure Limits or TEL's. There is information on how the State of Alaska came to it's current appropriation limit, the rationale of why SJR 2 was brought forward and the basics of how the bill would work, including spending that is exempt or "outside" the limit as well as how the built in growth formula works.

Backup Document: Version N Side by Side Language Comparison

This two page document compares how the language is currently in the constitution and in version N. While a version M has been adopted, a majority of the comparisons remain the same.

Testimony (online)

- Jeremy Price, State Director, Americans for Prosperity testified in favor of the bill and stressed that the majority of Alaskans are largely supportive on limits to keep government from growing

excessively. He points out that the challenge is keeping spending under control when times are good.

- Bob Williams, State Budget Solutions Representative, American Legislative Exchange Council testified in favor of the bill. He served five terms in the Washington State Legislature where he worked on tax and spending limits.

Testimony (written)

- Dave Harbour, Author of Northern Gas Pipelines testified in favor of the bill.
- Matthew Mitchell, Senior Research Fellow at the Mercatus Center at George Mason University. He studies state fiscal policies and the institutions that govern them. He also included 77 pages of academic papers for consideration.
- National Federation of Independent Business Owners, letter of support

3/2/17

Invited Testimony

- Penn Pfiffner from the TABOR Foundation and a former Representative from Colorado's legislature testified in favor of SJR 2 and pointed out some of the differences between TABOR (Taxpayer Bill of Rights) and SJR 2.
- Barry Poulson, Emeritus Professor of Economics, University of Colorado, Boulder testified in favor of the bill.
- Matthew Mitchell, Senior Research Fellow, Mercatus Center at George Mason University testified in favor of the bill.

3/30/17

During the meeting CS for SJR 2 version M was moved by Senator Giessel. The Chair objected for discussion and there were five changes presented. There was a high-level calculation worksheet for the committee which shows how the base number in the bill was determined. The Chair wrapped up discussion by saying that there will be forthcoming some "interesting data" from a recent poll conducted by Dittman Research commissioned by the Alaska Chamber of Commerce. Public testimony was left open.

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS COMMITTEE

Senator Mike Dunleavy, Chair
State Capitol, Room 11
Juneau, AK 99801-1182
Phone (907) 465-6308
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Members:
Sen. Cathy Giessel
Sen. John Coghill
Sen. David Wilson
Sen. Dennis Egan

Explanation of Changes Senate CS for SJR 2 (STA) Version: 30-LS0123\M

Page 1, line 1: The bill title is clarified to reflect that the Constitution will be amended in two places, due to the addition of an applicability section within the CS. Article IX, Sec. 16 Appropriation Limit is a revision of an existing section, and Article XV, Sec. 30 Application of Appropriation Limit is a new section.

Page 1, line 7: Changes the appropriation limit from four billion two hundred fifty million dollars to four billion three hundred million dollars.

Page 1, lines 12- 13: Adds receipts of the Alaska permanent fund which are appropriated to the Alaska Permanent Fund Corporation to the list of appropriations exempt from the limit.

Page 2, lines 6-7: Clarifies the language of the bill to explain that the revenue limit excludes an appropriation that is duplicating the authorization to expend funds from another appropriation.

Page 2, lines 21-25: Adds a new section to clarify that the appropriation limit would apply to appropriations made for FY2020, and thereafter.

30-LS0123\M
Wallace
3/28/17

CS FOR SENATE JOINT RESOLUTION NO. 2(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE STATE AFFAIRS COMMITTEE

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 fiscal year
7 shall not exceed four billion three hundred million dollars by more than fifty percent
8 of the cumulative change in population and inflation since July 1, 2020, derived from
9 federal indices as prescribed by law. This subsection does not apply to an
10 appropriation

- 11 (1) to the Alaska permanent fund;
- 12 (2) of receipts of the Alaska permanent fund to the Alaska Permanent
- 13 Fund Corporation;
- 14 (3) for payment of permanent fund dividends;
- 15 (4) to meet a state of disaster declared by the governor as prescribed by
- 16 law;

- 1 (5) of State general obligation and revenue bond proceeds;
- 2 (6) required to pay obligations under State general obligation bonds
- 3 and revenue bonds;
- 4 (7) of money received from the federal government;
- 5 (8) that is a reappropriation of a previous unobligated appropriation;
- 6 (9) that is duplicating the authorization to expend funds from another
- 7 appropriation;
- 8 (10) of money held in trust by the State for a particular purpose;
- 9 (11) of money received by the State from a source other than the State
- 10 or federal government that is restricted to a specific use by the terms of a gift, grant,
- 11 bequest, or contract;
- 12 (12) of revenue of a public enterprise or public corporation that issues
- 13 revenue bonds;
- 14 (13) of money deposited into the budget reserve fund under Section
- 15 17(d) of this article back to the funds and accounts from which the money came;
- 16 (14) of money to a State savings account or fund that requires a
- 17 subsequent appropriation from that account or fund as prescribed by law; and
- 18 (15) of dedicated funds.

19 (b) The governor shall cause any unexpended and unappropriated balance in
 20 the general fund to be invested so as to yield competitive market rates to the treasury.

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

23 **Section 30. Application of Appropriation Limit.** The 2018 amendment
 24 limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for
 25 the fiscal year ending June 30, 2020, and thereafter.

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

30-LS0123V
Wallace
3/3/17

CS FOR SENATE JOINT RESOLUTION NO. 2(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE STATE AFFAIRS COMMITTEE

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- 11 bequest, or contract;
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 28 of Alaska, and the election laws of the state.

Alaska State Senate



Chairman: Senator Kevin Meyer
Senator John Coghill
Senator Cathy Giessel
Senator David Wilson
Senator Dennis Egan

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SENATE STATE AFFAIRS

Thursday, February 15, 2018
AGENDA NOTES

- I. CALL THE MEETING TO ORDER
 - a. I call the Senate State Affairs meeting to order. Today is Thursday, February 15, 2018, and the time now is __:__.
- II. MEMBERS PRESENT
 - a. Roll Call: Senator Giessel, Senator Wilson, Senator Coghill and Senator Egan are present.
 - b. Staff: Christine Marasigan, Christopher Dickrell, and Max Stankey
- III. TODAY'S AGENDA
 - a. SJR 2 Constitutional Amendment Relating to an Appropriation Limit
- IV. SJR 2 Constitutional Amendment Relating to an Appropriation Limit
 - a. This bill has been heard in this committee, I'd like to bring Committee Staff Christine Marasigan to review previous action.
 - i. Staff gives recap of three previous hearings.
 - ii. The last motion was Senator Giessel moving CS version M, the chair at the time objected for discussion purposes and the bill was held in committee.
 - iii. What is the will of the Chair/Committee? Overview, discussion, or questions.
 - b. Questions?
 - c. Public Testimony?
 - d. Committee Discussion

- e. Review Fiscal Notes: Zero from Legislative Affairs
- f. Committee Action: Entertain a motion

V. Bills Previously Scheduled and Heard

a. SCR 10 Alaska Reads

- b. When we last considered this legislation there was a conception amendment from Senator Wilson. Senator Wilson ~~do you withdraw your amendment?~~ *comment on conceptual amendment*
- c. Discussion?
- d. With that I will entertain a motion.

VI. ANNOUNCEMENTS/ADJOURN

- a. Do committee members have anything they want to bring up at this time?
- b. Our next meeting will be Tuesday, February 20th where we will hear the SCR 1 Uniform Rules: Abstain from Voting; HB 87 Conflict of Interest: Board of Fisheries/Game; HB 44 Legislative Ethics: Voting & Conflicts
- c. Thank you, the time now is ___:___ we are adjourned.

The following table is provided as a high-level explanation of the appropriation limit amount which appears in SJR 2 (*version M*)

Start	4,859,104.4	FY17 MgtPln Operating Budget under SJR 2
add	104,863.2	FY17 MgtPln Capital Budget under SJR 2
add	74,670.2	FY17 Governor's requested supplementals (as of 3/27/17)
TOTAL	5,038,637.8	FY17 Budget qualified spend under SJR 2
subtract	300,000.0	FY18 budget reductions targeted by Senate Majority
subtract	250,000.0	FY19 budget reductions targeted by Senate Majority
subtract	200,000.0	FY20 budget reductions targeted by Senate Majority
TOTAL	4,288,637.8	FY20 budget with \$750m reductions since FY17 Final budget
Headroom	11,362.2	Difference between SMAJ target budget and SJR 2 limit
SJR 2 Limit	4,300,000.0	Appropriation Limit for FY20 in SJR 2 CS(STA) version M (3/28/17)

All figures shown are in thousands

Prepared by the Senate State Affairs Committee using figures provided by the Legislative Finance Division - 3/29/2017

Multi-year Statewide Totals - Operating Budget - FY 2018 Dunleavy Structure

Numbers and Language Not Including Non-Additive Items Fund Groups: Dunleavy

	ID=> Session=> Column=>	[1] 2016 <u>16Fn1Bud</u>	[2] 2017 <u>17MgtPln</u>	[3] 2017 <u>18GovAmd</u>
Total		5,789,327.3	4,850,526.7	4,725,868.1
<u>Funding Sources</u>				
1003 G/F Match (UGF)		606,195.6	615,968.6	614,675.7
1004 Gen Fund (UGF)		4,523,919.6	3,427,433.5	3,389,988.2
1005 GF/Prgm (DGF)		112,264.6	117,452.6	121,080.4
1021 Agric RLF (DGF)		2,544.1	2,540.7	495.7
1030 School Fnd (DGF)		23,900.0	18,300.0	18,600.0
1031 Sec Injury (DGF)		4,012.5	3,412.5	3,414.3
1032 Fish Fund (DGF)		1,657.2	1,456.6	1,458.4
1036 Cm Fish Ln (DGF)		4,261.7	4,255.6	4,286.4
1037 GF/MH (UGF)		191,689.4	187,571.2	171,286.9
1040 Real Est (DGF)		290.7	290.1	290.8
1049 Trng Bldg (DGF)		798.5	799.5	803.2
1052 Oil/Haz Fd (DGF)		15,264.2	15,682.6	15,784.4
1054 STEP (DGF)		8,294.1	8,293.0	8,448.5
1062 Power Proj (DGF)		1,050.9	995.5	995.5
1070 FishEn RLF (DGF)		605.4	604.8	608.0
1074 Bulk Fuel (DGF)		55.3	55.3	55.3
1076 Marine Hwy (DGF)		60,378.0	53,626.0	51,993.3
1104 AMBB Rcpts (Other)		949.7	899.8	899.5
1109 Test Fish (DGF)		3,042.3	3,845.2	3,860.4
1141 RCA Rcpts (DGF)		10,618.5	11,223.5	11,279.8
1151 VoTech Ed (DGF)		13,052.2	13,828.5	12,518.3
1153 State Land (DGF)		6,095.5	5,959.1	5,914.9
1154 Shore Fish (DGF)		344.9	344.8	348.0
1155 Timber Rcp (DGF)		855.1	989.3	994.3
1156 Rcpt Svcs (DGF)		16,870.7	17,597.3	18,300.7
1157 Wrkrs Safe (DGF)		8,493.8	8,475.3	8,516.5
1162 AOGCC Rct (DGF)		7,592.6	7,619.3	7,625.1
1164 Rural Dev (DGF)		57.4	57.2	57.7
1166 Vessel Com (DGF)		1,442.2	1,440.3	1,779.5
1168 Tob ED/CES (DGF)		9,969.4	9,589.8	9,599.0
1169 PCE Endow (DGF)		41,787.6	54,268.3	38,595.4
1170 SBED RLF (DGF)		55.1	54.9	55.4
1172 Bldg Safe (DGF)		2,136.8	2,131.9	2,144.8
1173 GF MisEarn (UGF)		293.2	164.2	302.0
1180 A/D T&P Fd (DGF)		23,642.5	24,642.5	24,492.5
1181 Vets Endow (Other)		11.6	11.4	11.4
1200 VehRntITax (DGF)		8,320.2	8,812.3	8,847.0
1201 CFEC Rcpts (DGF)		7,695.8	8,413.9	8,480.8
1203 WCBenGF (DGF)		1,024.5	773.9	774.4
1209 Capstone (DGF)		133.6	133.6	133.6

Multi-year Statewide Totals - Operating Budget - FY 2018 Dunleavy Structure

Numbers and Language Not Including Non-Additive Items Fund Groups: Dunleavy

ID=>	[1]	[2]	[3]
Session=>	2016	2017	2017
Column=>	<u>16FnlBud</u>	<u>17MgtPln</u>	<u>18GovAmd</u>
<u>Funding Sources (continued)</u>			
1210 Ren Energy (DGF)	2,152.3	2,000.0	2,000.0
1211 Gamble Tax (UGF)	0.0	14,436.5	0.0
1217 NGF Earn (Other)	202.1	185.0	185.0
1223 CharterRLF (DGF)	19.2	19.2	19.2
1224 MariculRLF (DGF)	19.2	19.2	19.2
1225 CQuota RLF (DGF)	38.3	38.3	38.3
1226 High Ed (DGF)	24,022.6	112,978.6	81,921.1
1227 Micro RLF (DGF)	9.4	9.4	9.4
1234 LicPlates (DGF)	1.9	2.6	2.5
1237 VocRehab S (DGF)	125.0	200.0	200.0
1238 VaccAssess (DGF)	22,488.6	22,488.6	10,500.0
1241 GF/LNG (UGF)	18,581.7	0.0	0.0
1246 RcdvsmFund (DGF)	0.0	3,000.0	6,000.0
1247 MedRecover (DGF)	0.0	134.9	177.4
1248 ACHI Fund (DGF)	0.0	55,000.0	55,000.0
<u>Funding Summary</u>			
Unrestricted General (UGF)	5,340,679.5	4,245,574.0	4,176,252.8
Designated General (DGF)	447,484.4	603,856.5	548,519.4
Other State Funds (Other)	1,163.4	1,096.2	1,095.9

Multi-year Statewide Totals - FY 2018 Dunleavy Structure

Numbers and Language
Not Including Non-Additive Items
Fund Groups: Dunleavy

ID=> Budget=> Session=> Column=>	[1] Operating 2016 16Fn1Bud	[2] Capital 2015 16Fn1Bud	[3] FY16 Total	[4] Operating 2017 17MgtPln	[5] Capital 2016 17Budget	[6] FY17 Total	[7] Operating 2017 18GovAmd	[8] Capital 2017 GovAmd 2/14	[9] FY18 Total
Total	5,789,327.3	143,131.8	5,932,459.1	4,850,526.7	104,863.2	4,955,389.9	4,725,868.1	144,179.2	4,870,047.3
Funding Sources									
1003 G/F Match (UGF)	606,195.6	74,210.0	680,405.6	615,968.6	34,825.0	650,793.6	614,675.7	71,722.4	686,398.1
1004 Gen Fund (UGF)	4,523,919.6	23,792.7	4,547,712.3	3,427,433.5	41,465.4	3,468,898.9	3,389,988.2	30,147.8	3,420,136.0
1005 GF/Prgm (DGF)	112,264.6	0.0	112,264.6	117,452.6	0.0	117,452.6	121,080.4	0.0	121,080.4
1021 Agric RLF (DGF)	2,544.1	0.0	2,544.1	2,540.7	0.0	2,540.7	495.7	0.0	495.7
1030 School Fnd (DGF)	23,900.0	0.0	23,900.0	18,300.0	0.0	18,300.0	18,600.0	0.0	18,600.0
1031 Sec Injury (DGF)	4,012.5	0.0	4,012.5	3,412.5	0.0	3,412.5	3,414.3	0.0	3,414.3
1032 Fish Fund (DGF)	1,657.2	0.0	1,657.2	1,456.6	0.0	1,456.6	1,458.4	0.0	1,458.4
1036 Cm Fish Ln (DGF)	4,261.7	0.0	4,261.7	4,255.6	0.0	4,255.6	4,286.4	0.0	4,286.4
1037 GF/MH (UGF)	191,689.4	3,850.0	195,539.4	187,571.2	2,400.0	189,971.2	171,286.9	1,834.7	173,121.6
1040 Real Est (DGF)	290.7	0.0	290.7	290.1	0.0	290.1	290.8	0.0	290.8
1049 Trng Bldg (DGF)	798.5	0.0	798.5	799.5	0.0	799.5	803.2	0.0	803.2
1052 Oil/Haz Fd (DGF)	15,264.2	0.0	15,264.2	15,682.6	0.0	15,682.6	15,784.4	250.0	16,034.4
1054 STEP (DGF)	8,294.1	0.0	8,294.1	8,293.0	0.0	8,293.0	8,448.5	0.0	8,448.5
1062 Power Proj (DGF)	1,050.9	0.0	1,050.9	995.5	0.0	995.5	995.5	0.0	995.5
1070 FishEn RLF (DGF)	605.4	0.0	605.4	604.8	0.0	604.8	608.0	0.0	608.0
1074 Bulk Fuel (DGF)	55.3	0.0	55.3	55.3	0.0	55.3	55.3	0.0	55.3
1076 Marine Hwy (DGF)	60,378.0	0.0	60,378.0	53,626.0	0.0	53,626.0	51,993.3	0.0	51,993.3
1082 Vessel Rep (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22,000.0	22,000.0
1104 AMBB Rcpts (Other)	949.7	0.0	949.7	899.8	0.0	899.8	899.5	0.0	899.5
1109 Test Fish (DGF)	3,042.3	0.0	3,042.3	3,845.2	0.0	3,845.2	3,860.4	1,000.0	4,860.4
1139 AHFC Div (UGF)	0.0	8,691.4	8,691.4	0.0	12,746.6	12,746.6	0.0	13,744.3	13,744.3
1140 AIDEA Div (UGF)	0.0	19,250.0	19,250.0	0.0	4,700.0	4,700.0	0.0	0.0	0.0
1141 RCA Rcpts (DGF)	10,618.5	0.0	10,618.5	11,223.5	0.0	11,223.5	11,279.8	0.0	11,279.8
1151 VoTech Ed (DGF)	13,052.2	0.0	13,052.2	13,828.5	0.0	13,828.5	12,518.3	0.0	12,518.3
1153 State Land (DGF)	6,095.5	0.0	6,095.5	5,959.1	0.0	5,959.1	5,914.9	0.0	5,914.9
1154 Shore Fish (DGF)	344.9	0.0	344.9	344.8	0.0	344.8	348.0	0.0	348.0
1155 Timber Rcp (DGF)	855.1	0.0	855.1	989.3	0.0	989.3	994.3	0.0	994.3

Computed Column Definitions: [3]=[1]+[2], [6]=[4]+[5], [9]=[7]+[8]

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Legislative Finance Division

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Multi-year Statewide Totals - FY 2018 Dunleavy Structure

**Numbers and Language
Not Including Non-Additive Items
Fund Groups: Dunleavy**

ID=> Budget=> Session=> Column=>	[1] Operating 2016 16Fn1Bud	[2] Capital 2015 16Fn1Bud	[3] FY16 Total	[4] Operating 2017 17MgtPln	[5] Capital 2016 17Budget	[6] FY17 Total	[7] Operating 2017 18GovAmd	[8] Capital 2017 GovAmd 2/14	[9] FY18 Total
Funding Sources (continued)									
1156 Rcpt Svcs (DGF)	16,870.7	0.0	16,870.7	17,597.3	0.0	17,597.3	18,300.7	0.0	18,300.7
1157 Wrkrs Safe (DGF)	8,493.8	0.0	8,493.8	8,475.3	0.0	8,475.3	8,516.5	0.0	8,516.5
1162 AOGCC Rct (DGF)	7,592.6	0.0	7,592.6	7,619.3	0.0	7,619.3	7,625.1	0.0	7,625.1
1164 Rural Dev (DGF)	57.4	0.0	57.4	57.2	0.0	57.2	57.7	0.0	57.7
1166 Vessel Com (DGF)	1,442.2	0.0	1,442.2	1,440.3	0.0	1,440.3	1,779.5	0.0	1,779.5
1168 Tob ED/CES (DGF)	9,969.4	0.0	9,969.4	9,589.8	0.0	9,589.8	9,599.0	0.0	9,599.0
1169 PCE Endow (DGF)	41,787.6	0.0	41,787.6	54,268.3	2,746.1	57,014.4	38,595.4	0.0	38,595.4
1170 SBED RLF (DGF)	55.1	0.0	55.1	54.9	0.0	54.9	55.4	0.0	55.4
1172 Bldg Safe (DGF)	2,136.8	0.0	2,136.8	2,131.9	0.0	2,131.9	2,144.8	0.0	2,144.8
1173 GF MisEarn (UGF)	293.2	0.0	293.2	164.2	0.0	164.2	302.0	0.0	302.0
1180 A/D T&P Fd (DGF)	23,642.5	1,500.0	25,142.5	24,642.5	1,500.0	26,142.5	24,492.5	1,500.0	25,992.5
1181 Vets Endow (Other)	11.6	0.0	11.6	11.4	0.0	11.4	11.4	0.0	11.4
1195 Snow Rcpts (DGF)	0.0	250.0	250.0	0.0	0.0	0.0	0.0	250.0	250.0
1200 VehRntlTax (DGF)	8,320.2	0.0	8,320.2	8,812.3	0.0	8,812.3	8,847.0	1,650.0	10,497.0
1201 CFEC Rcpts (DGF)	7,695.8	0.0	7,695.8	8,413.9	0.0	8,413.9	8,480.8	0.0	8,480.8
1202 Anat Fnd (DGF)	0.0	75.0	75.0	0.0	80.0	80.0	0.0	80.0	80.0
1203 WCBenGF (DGF)	1,024.5	0.0	1,024.5	773.9	0.0	773.9	774.4	0.0	774.4
1209 Capstone (DGF)	133.6	0.0	133.6	133.6	0.0	133.6	133.6	0.0	133.6
1210 Ren Energy (DGF)	2,152.3	11,512.7	13,665.0	2,000.0	0.0	2,000.0	2,000.0	0.0	2,000.0
1211 Gamble Tax (UGF)	0.0	0.0	0.0	14,436.5	0.0	14,436.5	0.0	0.0	0.0
1217 NGF Earn (Other)	202.1	0.0	202.1	185.0	4,400.0	4,585.0	185.0	0.0	185.0
1223 CharterRLF (DGF)	19.2	0.0	19.2	19.2	0.0	19.2	19.2	0.0	19.2
1224 MariculRLF (DGF)	19.2	0.0	19.2	19.2	0.0	19.2	19.2	0.0	19.2
1225 CQuota RLF (DGF)	38.3	0.0	38.3	38.3	0.0	38.3	38.3	0.0	38.3
1226 High Ed (DGF)	24,022.6	0.0	24,022.6	112,978.6	0.0	112,978.6	81,921.1	0.0	81,921.1
1227 Micro RLF (DGF)	9.4	0.0	9.4	9.4	0.0	9.4	9.4	0.0	9.4
1234 LicPlates (DGF)	1.9	0.0	1.9	2.6	0.0	2.6	2.5	0.0	2.5
1237 VocRehab S (DGF)	125.0	0.0	125.0	200.0	0.0	200.0	200.0	0.0	200.0
1238 VaccAssess (DGF)	22,488.6	0.0	22,488.6	22,488.6	0.0	22,488.6	10,500.0	0.0	10,500.0

Computed Column Definitions: [3]=[1]+[2], [6]=[4]+[5], [9]=[7]+[8]

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Multi-year Statewide Totals - FY 2018 Dunleavy Structure

Numbers and Language Not Including Non-Additive Items Fund Groups: Dunleavy
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ID=>	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Budget=>	Operating	Capital		Operating	Capital		Operating	Capital	
Session=>	2016	2015		2017	2016		2017	2017	
Column=>	<u>16Fn1Bud</u>	<u>16Fn1Bud</u>	<u>FY16 Total</u>	<u>17MgtPln</u>	<u>17Budget</u>	<u>FY17 Total</u>	<u>18GovAmd</u>	<u>GovAmd 2/14</u>	<u>FY18 Total</u>
<u>Funding Sources (continued)</u>									
1241 GF/LNG (UGF)	18,581.7	0.0	18,581.7	0.0	0.0	0.0	0.0	0.0	0.0
1246 RcdvsmFund (DGF)	0.0	0.0	0.0	3,000.0	0.0	3,000.0	6,000.0	0.0	6,000.0
1247 MedRecover (DGF)	0.0	0.0	0.0	134.9	0.0	134.9	177.4	0.0	177.4
1248 ACHI Fund (DGF)	0.0	0.0	0.0	55,000.0	0.0	55,000.0	55,000.0	0.0	55,000.0
<u>Funding Summary</u>									
Unrestricted General (UGF)	5,340,679.5	129,794.1	5,470,473.6	4,245,574.0	96,137.1	4,341,711.1	4,176,252.8	117,449.2	4,293,702.0
Designated General (DGF)	447,484.4	13,337.7	460,822.1	603,856.5	4,326.1	608,182.6	548,519.4	26,730.0	575,249.4
Other State Funds (Other)	1,163.4	0.0	1,163.4	1,096.2	4,400.0	5,496.2	1,095.9	0.0	1,095.9

ANCHORAGE

01/24/17

Consumer Price Index, All Items, 1982-84=100 for All Urban Consumers (CPI-U)

SEMI-ANNUAL AVERAGE				OVER-THE-YEAR PERCENT CHANGE			
YEAR	1st Half	2nd Half	ANNUAL AVERAGE	YEAR	1st Half	2nd Half	ANNUAL AVERAGE
1989	110.9	112.5	111.7	1989	2.3	3.3	2.9
1990	116.9	120.4	118.6	1990	5.4	7.0	6.2
1991	123.3	124.7	124.0	1991	5.5	3.6	4.6
1992	127.3	129.1	128.2	1992	3.2	3.5	3.4
1993	131.5	132.8	132.2	1993	3.3	2.9	3.1
1994	134.3	135.8	135.0	1994	2.1	2.3	2.1
1995	138.2	139.5	138.9	1995	2.9	2.7	2.9
1996	141.8	143.7	142.7	1996	2.6	3.0	2.7
1997	144.1	145.4	144.8	1997	1.6	1.2	1.5
1998	146.7	147.0	146.9	1998	1.8	1.1	1.5
1999	148.6	148.3	148.4	1999	1.3	0.9	1.0
2000	150.0	151.9	150.9	2000	0.9	2.4	1.7
2001	154.4	156.0	155.2	2001	2.9	2.7	2.8
2002	157.5	159.0	158.2	2002	2.0	1.9	1.9
2003	161.1	163.9	162.5	2003	2.3	3.1	2.7
2004	165.6	167.8	166.7	2004	2.8	2.4	2.6
2005	169.6	174.1	171.8	2005	2.4	3.8	3.1
2006	176.7	177.9	177.3	2006	4.2	2.2	3.2
2007	179.394	183.080	181.237	2007	1.5	2.9	2.2
2008	187.659	191.335	189.497	2008	4.6	4.5	4.6
2009	190.032	193.456	191.744	2009	1.3	1.1	1.2
2010	194.834	195.455	195.144	2010	2.5	1.0	1.8
2011	200.278	202.576	201.427	2011	2.8	3.6	3.2
2012	205.215	206.617	205.916	2012	2.5	2.0	2.2
2013	210.853	213.910	212.381	2013	2.7	3.5	3.1
2014	214.777	216.833	215.805	2014	1.9	1.4	1.6
2015	217.111	216.706	216.909	2015	1.1	-0.1	0.5
2016	216.999	218.660	217.830	2016	-0.1	0.9	0.4

Table of over-the-year percent increases. An entry for 2ndHalf 2005 indicates the percentage increase from 2ndHalf 2004 to 2ndHalf 2005 (in this example 3.8 percent).

ANCHORAGE

01/24/17

Consumer Price Index, All Items, 1982-84=100 for Urban Wage Earners and Clerical Workers (CPI-W)

SEMI-ANNUAL AVERAGE				OVER-THE-YEAR PERCENT CHANGE			
YEAR	1st Half	2nd Half	ANNUAL AVERAGE	YEAR	1st Half	2nd Half	ANNUAL AVERAGE
1989	110.5	112.1	111.3	1989	2.2	3.3	2.8
1990	116.6	120.2	118.4	1990	5.5	7.2	6.4
1991	123.0	124.5	123.8	1991	5.5	3.6	4.6
1992	127.0	129.1	128.0	1992	3.3	3.7	3.4
1993	131.4	132.6	132.0	1993	3.5	2.7	3.1
1994	134.1	135.5	134.8	1994	2.1	2.2	2.1
1995	137.8	139.1	138.5	1995	2.8	2.7	2.7
1996	141.4	143.5	142.4	1996	2.6	3.2	2.8
1997	144.0	145.0	144.5	1997	1.8	1.0	1.5
1998	146.1	146.6	146.3	1998	1.5	1.1	1.2
1999	147.7	148.0	147.8	1999	1.1	1.0	1.0
2000	150.0	152.2	151.1	2000	1.6	2.8	2.2
2001	154.9	156.8	155.8	2001	3.3	3.0	3.1
2002	158.2	159.7	158.9	2002	2.1	1.8	2.0
2003	162.0	164.8	163.4	2003	2.4	3.2	2.8
2004	166.2	168.7	167.4	2004	2.6	2.4	2.4
2005	170.2	174.1	172.2	2005	2.4	3.2	2.9
2006	176.6	178.0	177.3	2006	3.8	2.2	3.0
2007	179.112	182.957	181.035	2007	1.4	2.8	2.1
2008	187.396	190.568	188.982	2008	4.6	4.2	4.4
2009	188.161	191.881	190.021	2009	0.4	0.7	0.5
2010	193.257	194.038	193.647	2010	2.7	1.1	1.9
2011	199.061	200.987	200.024	2011	3.0	3.6	3.3
2012	203.514	204.607	204.060	2012	2.2	1.8	2.0
2013	209.005	212.554	210.779	2013	2.7	3.9	3.3
2014	213.142	215.679	214.411	2014	2.0	1.5	1.7
2015	215.424	214.803	215.113	2015	1.1	-0.4	0.3
2016	214.522	216.266	215.394	2016	-0.4	0.7	0.1

Table of over-the-year percent increases. An entry for 2ndHalf 2005 indicates the percentage increase from 2ndHalf 2004 to 2ndHalf 2005 (in this example 3.2 percent).

NFIB

The Voice of Small Business.®

ALASKA

January 27, 2017

The Honorable Mike Dunleavy
Chair
Senate State Affairs Committee
State Capitol Building
Juneau, Alaska 99801-1182

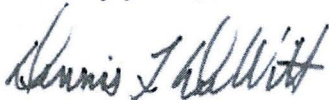
RE: Senate Joint Resolution 2

Dear Senator Dunleavy:

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for SJR 2. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

Small businesses in Alaska have long been concerned about the growth in the size and scope of our state government. SJR 2 proposes a limit on the amount that can be spent by state government. We believe this can be a significant step in addressing Alaska's current fiscal situation.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council

From: [Daniel George](mailto:Daniel.George@akleg.gov)
To: [Christa McDonald](mailto:Christa.McDonald@akleg.gov)
Subject: FW: Senator Dunleavy's Invitation to Testify Tonight On Improving Alaska's Constitutional Spending Limitation (SJR 2)
Date: Thursday, February 16, 2017 8:47:57 PM

From: DaveHarbour . [mailto:daveharbour@gmail.com]
Sent: Tuesday, February 14, 2017 3:09 PM
To: Sen. Mike Dunleavy <Sen.Mike.Dunleavy@akleg.gov>
Cc: Daniel George <Daniel.George@akleg.gov>
Subject: Senator Dunleavy's Invitation to Testify Tonight On Improving Alaska's Constitutional Spending Limitation (SJR 2)

Honorable Mike Dunleavy
Chairman, Senate State Affairs Committee
Alaska State Senate
Juneau, Alaska

Dear Chairman Dunleavy:

Thank you for inviting me to participate in tonight's hearing on SJR 2 and, while unavailable due to travel, I look forward to testifying at future meetings. I did have time today to prepare a few remarks that might provide Members with some background they consider useful. However, I ask your advance forgiveness for a somewhat hurried and probably error-ridden email.

As the legislative session progresses, I'll do everything I can to assist you and this committee in completing what I believe to be one of the most important tasks before you: providing Alaskans -- and those who choose to invest in this state -- with the certainty of knowing Alaskans have a disciplined fiscal regime that provides some buffer against uncontrolled government growth, unsustainable budgeting and unpredictable tax policies affecting investors as well as citizens.

I represent no clients or special interests other than my friends and family and the best interest of all of our fellow citizens.

While I have written much on this subject, an earlier commentary below may assist with a historical perspective, though in the near future I hope to more thoroughly piece together my 35 year old journals, notes and documents on the magnificent effort an earlier generation mustered to do what you are embarked on today.

* * *

Sometimes we can observe the past without having to reinvent the wheel!

THIS, then, is the continuing saga of the most resource rich of the United States suffering from a fiscal crisis of its own making. This legislative session may be Alaska's one last chance to achieve fiscal sustainability. Establishing a more effective Constitutional spending

limitation than the one now in place is surely the most critical way of controlling future spending. It is a long term solution.

Between here and that long term solution is the immediate problem of deficit spending and vanishing savings, which the legislature is addressing in other ways. For the purpose of this committee, I focus on the long term spending solution.

Imagine a state churning out so much dough it could – and did – buy just about anything any politician or special interest wanted. That was Alaska in the 1979-81 period.

And the early 1980s era marked the peak of Prudhoe Bay production. All the stars were aligned. Oil prices were robust following the Arab oil embargo, in the range of \$36 per barrel (i.e. nearly \$100/barrel adjusted to current values), and the Trans Alaska Pipeline System (TAPS), not yet a decade old, was transporting over 2 million barrels of oil per day, about 20-25% of total U.S. domestic production.

Those were heady times for proud elected officials, your predecessors. After all, they presided over a state twice as big as Texas and occupied a fifth of U.S. geography that included $\frac{3}{4}$ of the U.S. coastline. And, in their defense, they wanted to provide for their voters, "the maximum benefit of natural resource extraction".

This was America's only Arctic state and the permanent population was under a half million folks. Their revenue from oil taxes and royalties approached \$5 billion before oil prices began to plummet in the later 80s – a commodity volatility affecting mostly severance taxes and royalties (Note: and **following a 1981 consensus** to repeal a discriminatory, new oil income tax, replacing it with an increased severance tax — while simultaneously eliminating the state's personal income tax. That consensus, by the way, resulted in a 20-year era of tax stability -- until the early 2000s. That stability may have resulted in the increased investment that produced over 17 billion barrels of Prudhoe Bay production from a TAPS financing package based on proven reserves of 9.6 billion barrels.)

We're not wanting to be especially hard on elected officials or fellow citizens for we are all subject to human weakness. And, we all wanted to provide ourselves with the maximum benefit of natural resource extraction. Unfortunately, human weakness if unrestrained leads to the **ant-grasshopper** phenomenon wherein one faces the decision to consume all resources during times of plenty, or sacrifice one's greed in order to **reserve resources** for times of shortage. Don't elected officials usually tend to err on the side of fulfilling constituent demands until the last cent is spent?

In the spirit of learning from history without having to repeat the mistakes, one recalls Alaska's actions in the decade following the 1969, \$900 million Prudhoe Bay lease sale. The Legislature hardly acknowledged its dependence on the volatile oil commodity as it proceeded to increase oil taxes about a dozen times in as many years, along with spending.

Legislators' Constitutional mantra was to achieve from resources, "maximum benefit for the people", but **we have long observed** that this Constitutional mandate has been used to support the greed of a grasshopper rather than the prudence of an ant. Instead of creating policy that benefits the people of this *and* future generations, lawmakers were, over the years, inclined to provide every possible benefit to their own generation of constituents without regard to the non-voting children of their constituents (i.e. intergenerational inequity).

Yes, we know they meant well, but should they interpret the Constitution in a way that ONLY

benefits THIS generation of citizens?



Governor Jay Hammond. File photo by Dave Harbour, Northern Gas Pipelines

One exception was Governor **Jay Hammond's** 1976 creation of the Alaska Permanent Fund. It would collect a portion of oil revenue and protect that savings account by Constitutional fiat. For some, the purpose was to "save for a rainy day" (i.e. the "ants"). For others (i.e. the "grasshoppers"), the enticement of an annual "dividend" paid to current residents, attracted sufficient votes for passage.

In 1979 and into the 1980s businessman **Bill Sheffield** (i.e. a future governor), others and I served, successively, as Chairmen of a non-profit organization consisting of citizens concerned with the sustainability of Alaska's taxing and spending policies. (While that organization began to drift in a different direction in the late 90s and then disbanded, it was at its "non-partisan, community-organizing" best during the period we are discussing.)

In 1979-80, the group, *Common Sense for Alaska*, organized a truly inclusive, non-partisan effort to bring all geographic, employment, cultural and political sectors together. That effort culminated in the intense 1980 event they called *The Challenge of Plenty* (Please review important link here).



Governor Bill Sheffield. Northern Gas Pipelines file photo by Dave Harbour

Readers will truly appreciate the enormity of the volunteer event which included current and past leaders of government, industry, environment, Native, Labor, non-profit and education sectors from the far north to Southeast Alaska. It was certainly the "Alaska Pioneering Spirit" at work to solve a mutual problem.'

If you take time to review this document, you'll hear both support and warnings from Mayor Vince O'Reilly, Dr. Glen Olds, Larry Crawford, Terry Miller, Robert Richards, Jan Faiks, Lee Fisher, Heathr Flynn, Shelby Stastny, George Easley, Vern Hickel, Judy Meidinger, Mitch Gravo, Dwayne Carlson, Bill Pargeter, Ken Showalter, Joe Josephson, Flip Todd, Wally Parker, Bob Penney, Eric Wohlforth, Governors Hickel, Egan and Sheffield, Chancy Croft,

Tom Fink, Morris Thompson, Fran Ulmer, David Dittman.

My Common Sense fellow board members, in addition to those mentioned elsewhere, included: Paul Robison, Richard Hall, Tom Soper, Rick Baldwin, Richard Lauber, Jeff Wilson, Chris Beardsley, Ken Calhoun, Al Fleetwood, Gary Johanson, Jackie Lindauer, Rod McDonald, Len McLean, Rick Nerland, John Norman, Ken Showalter, Chris Stephens, George Trefry, Ray Waters, Frank Van Zant, Bobbye Young, Bob Dempsey, Paul Gavora, Albro Gregory, Bob Groff, Thelma Cutler, Fred Eastaugh, Bob Horchover, Dick Morgan, Kay Poland, Lew Williams, Hazel Hogan, Mary Jo Evans, Maurie Bunes, Jean Peterson.

And, joining Common Sense as co-sponsors, were, AGC, Alaska Council on Economic Education, General Federation of Women's Clubs, Alaska State Chamber of Commerce, Alaska Support Industry Alliance, Alaska Trucking Association, Anchorage Chamber of Commerce, Anchorage School District, Laborers Union Local #341, National Federation of Independent Business, Resource Development Council for Alaska, Territorial Sportsmen, Inc., Afognak Logging, Providence Hospital, and more....representing other segments of Alaska Native and minority populations.

In the following year, Common Sense organized a similar, powerful statewide consensus which it called, **The Challenge of Shortage** -- with even more of Alaska's thought leaders from the North and West to Southeast Alaska -- anticipating that the recent, Arab oil embargo would devolve into more supply and lower prices as state spending continued to increase.

(Note: a concurrent, dramatic drop in natural gas prices prohibited development of an economically feasible, Alaska North Slope natural gas transportation project, as well.)

Out of that magnificent, Common Sense for Alaska "Challenge" project came a recommended draft, "Constitutional amendment to limit government spending". The intent was to limit spending to a sustainable level *benefitting both current and future generations of Alaska's "people"*. The technique was to establish a reasonable spending base, allowing it to reasonably increase along with population and inflation. During the plush years, savings surpluses would accrue that could be used when oil price volatility took the commodity on a nosedive...and/or when Alaska production began to decline.

So we may truly credit a prior generation for anticipating future Challenges of Shortage and how to deal with them.

Sadly, we have observed that the way the legislature of that day finally worded the spending limit, did not actually result in any spending containment as the years went by.

Spending, especially mandatory, entitlement spending, continued to mushroom along with more programs.

Today, Alaska has a history of having undertaken little fiscal discipline or sacrifice — outside of the low-oil price, mid-late '80s era...and even the warnings of fiscal disaster a decade ago in the ACES era.

And now Alaska faces a true fiscal crisis. Its non-constitutionally protected savings are going fast. Last we looked, the state had about a \$6 billion unfunded liability in its state/municipal/education pension funds. As this current session of the Legislature meets, Alaska could face a several billion dollar deficit depending on action the Governor and lawmakers take to increase revenue and/or reduce FY 2018 spending.

With this history and this present circumstance, Senator Dunleavy and his thoughtful colleagues present a 'fix' to the Constitutional spending limit that would cap spending, enabling legislators to tell demanding constituents *in the future*, "We'd like to fund that for you but we just don't have the money. We can't exceed the spending limit."

While he has revived a noble effort initiated over 35 years ago, the question is whether there is the political will and the time to both create a future spending limit via his resolution *and* agree on a current tax and spend solution to an imposing wall of potential deficits.

If all Alaskan interest groups like Common Sense for Alaska once organized can come together again, perhaps a truly effective spending cap can be adopted to the benefit of Alaska's *current and future people*.

This is why SJR 2 reflects Alaska's heralded "pioneering spirit" and may be one of the most important but least appreciated efforts of the current legislative session to develop long-term fiscal sustainability.

I, of course, plan to support it because we continue to be convinced that a constitutional spending limit is the only way to contain the political pressures to "spend every cent". But beware of the potential for ingenious ways to avoid the limitations when oil revenue again increases -- that surplus should be saved to fund future challenges of shortage!

It is true that, in concept, Alaska today has one foot on the edge of a fiscal cliff and the other on a banana peel. So we end this little commentary on history wondering if Alaska in 2017 will contain its human nature proclivity to tax and spend the most resource rich state in the nation into bankruptcy.

We know that, "Hope is not a strategy". Nevertheless, we fervently hope all citizens will commit to creating a happy ending to their fiscal challenge and bequeath to their children a history of prudence, sacrifice and fiscal responsibility.

* * *

Early today I provided my Northern Gas Pipelines readers with a Valentine's Day comment on the importance of a reliable Constitutional spending (i.e. or appropriations) limitation. The link is here.

* * *

For the record, here is a link to a biographical resolution adopted by the National Association of Regulatory Utility Commissioners.

* * *

Godspeed in your important work. I look forward to assisting the Committee in any way possible.

Side-By-Side Language Comparison of SJR 2 and Article IX, Section 16

The following document has been prepared by the office of Senate State Affairs Chairman, Senator Mike Dunleavy.

Existing language in Article IX, Sect. 16 is presented in chronological order and compared side-by-side with applicable language in SJR 2 introduced on 1/27, version N.

Items which vary significantly are highlighted.

NOTE: The language of SJR 2 is presented out of order, for the sake of comparison.

Article IX, Section 16 - Existing Language:	SJR 2 - LS-0123\N (1/27/17) - Section 1 (only)	STAFF COMMENTARY
1	<i>(Repeal & Readopt To Read)</i>	
2 Except for	This subsection does not apply to an appropriation	
3 appropriations for Alaska permanent fund dividends,	(2) for payment of permanent fund dividends;	LFD Recommendation: Remove Exemption STAFF: To include PFDs within the limit makes them directly compete with general government spending & growth. They are currently constitutionally outside the limit. This draft maintains PFDs outside the limit.
4 appropriations of revenue bond proceeds,	(4) of State general obligation and revenue bond proceeds;	Removes municipal debt reimbursement exemption. Exempts GO bond proceeds.
5 appropriations required to pay the principal and interest on general obligation bonds, and	(5) required to pay obligations under State general obligation bonds and revenue bonds;	STAFF: GO Bonds are approved by voters statewide, and their exclusion from the limit is continued under this draft. <u>Revenue bonds are included--this will need to be refined.</u> LFD: Excluding debt service encourages borrowing. Unless some sort of revenue enhancement is established to pay for debt service, payments will be competing for UGF with other programs. LFD Recommendation: Remove exemption.
6 appropriations of money received from a non-State source in trust for a specific purpose,	(6) of money received from the federal government (9) of money held in trust by the State for a particular purpose;	Substantially same. This provision includes EVOS, MHTA, Pub School Trust, Retirement Funds, etc. LFD includes federal funds in this category, although the language arguably does not refer to federal receipts. This version adopts LFD recommendation to specify that federal funds are exempt from the limit. <u>There will need to be a discussion about unrestricted Federal Funds.</u> LFD Recommends clarifying and considering statutory changes to discourage the creation of sham corporations designed to circumvent the spending limit.
7 including revenues of a public enterprise or public corporation of the State that issues revenue bonds,	(11) of revenue of a public enterprise or public corporation that issues revenue bonds;	Removes reference to "of the State." This exemption may include appropriation of UA receipts, per Legal Services. LFD may need to clarify how this has historically been accounted. SSTA may wish to clarify whether UA receipts are intended to inside the limit.
8	(7) that is a reappropriation of a previous unobligated appropriation;	LFD Recommendation: Remove exemption for Reappropriations because they can be abused to stash money in a large/mega-project for use in a future year. STAFF: Reappropriations are maintained outside of the limit under this draft. Reappropriations are spending of money which has already been applied to the limit in a prior year, but was not expended (beginning five years after effect of this amendment). Scope Changes are another question category which will arise.
9	(8) of money for expenditure by a State agency to provide internal services, or to provide services to another State agency, and another State agency has also received an appropriation of the same money;	This language is intended to exempt duplicate appropriations. LFD Recommendation: Further clarification of this item's language may be necessary.
10	(10) of money received by the State from a source other than the State or federal government that is restricted to a specific use by the terms of a gift, grant, bequest, or contract;	Statutorily Designated Program Receipts (SDPR) verbatim description from OMB.
11	(12) of money deposited into the budget reserve fund under Section 17(d) of this article back to the funds and accounts from which the money came;	CBR annual "Reverse-Sweep" until \$13.2 bn repayment obligation is satisfied.
12	(13) of money to a State savings account or fund that requires a subsequent appropriation from that account or fund as prescribed by law; and	STAFF: Statutory companion legislation at some point ought to have a clause clarifying which state fund(s) this is.

13		(14) of dedicated funds.	A spreadsheet of these 14 dedicated funds (not including PF) has been provided by LFD for reference. They total \$82,594.6 in Gov's FY18 budget proposal.
14			
15	appropriations from the treasury made for a fiscal year shall not exceed:	(a) Appropriations made for a fiscal year shall not exceed	Broadens to include appropriations made from sources other than the treasury. This also is intended to capture the "AHCC loophole" <i>Per LFD</i> : "From the treasury" implies exclusion of transfers and duplicate appropriations
16	\$2,500,000,000	four billion two hundred fifty million dollars	This is the base-number of the appropriation limit. <i>STAFF</i> : This number was arrived at by determining the FY18 proposed budget's spend under SJR 2, and subtracting \$1.1 billion, which would take effect for FY2020.
17	by more than the cumulative change,	by <u>more than</u> fifty percent of the cumulative change in population and inflation	
18	derived from federal indices as prescribed by law,	derived from federal indices as prescribed by law.	<i>STAFF</i> : A statutory companion may address the indices and how they are calculated.
19	in population and inflation	by more than <u>fifty percent of the cumulative change in population and inflation</u>	(50% of population plus 50% of inflation) cumulative change. <i>LFD Recommendation</i> : Consider using some portion of inflation and population as part of the annual adjustment.
20	since July 1, 1981.	since July 1, 2020,	Inflation adjusting to begin for FY21
21			
22	Within this limit,		
23	at least one-third shall be reserved for capital projects and loan appropriations.		Alaska has not once met this requirement since enactment. AG opinion states that whenever economic conditions impose a limit less than the Constitutional limit, then this 1/3 reservation may be disregarded. <i>LFD</i> agrees with removing this requirement.
24			
25	The legislature may exceed this limit in bills for		
26	appropriations to the Alaska permanent fund and	(1) to the Alaska permanent fund;	
27	in bills for appropriations for capital projects,		Simplifies that the capital budget is within the overall appropriation limit. Having the capital budget outside the limit provides a large loophole. It is easy to include primarily operating items in the capital budget, and it has been done.
28	whether of bond proceeds or otherwise,		
29	if each bill is approved by the governor,		
30	or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto,		
31	or becomes law without signature,		
32	and is also approved by the voters as prescribed by law.		
33			
34	Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type,		<i>STAFF</i> : A similar provision to this ought to be included with any spending override mechanism, if added later. Spending which exceeds the limit may be clarified to be approved on an <i>item by item</i> basis.
35	and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects.		
36			
37	No other appropriation in excess of this limit may be made except		
38	to meet a state of disaster declared by the governor as prescribed by law.	(3) to meet a state of disaster declared by the governor as prescribed by law;	
39			
40	The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.	(b) The governor shall cause any unexpended and unappropriated balance in the general fund to be invested so as to yield competitive market rates to the treasury.	



ALASKA CHAMBER

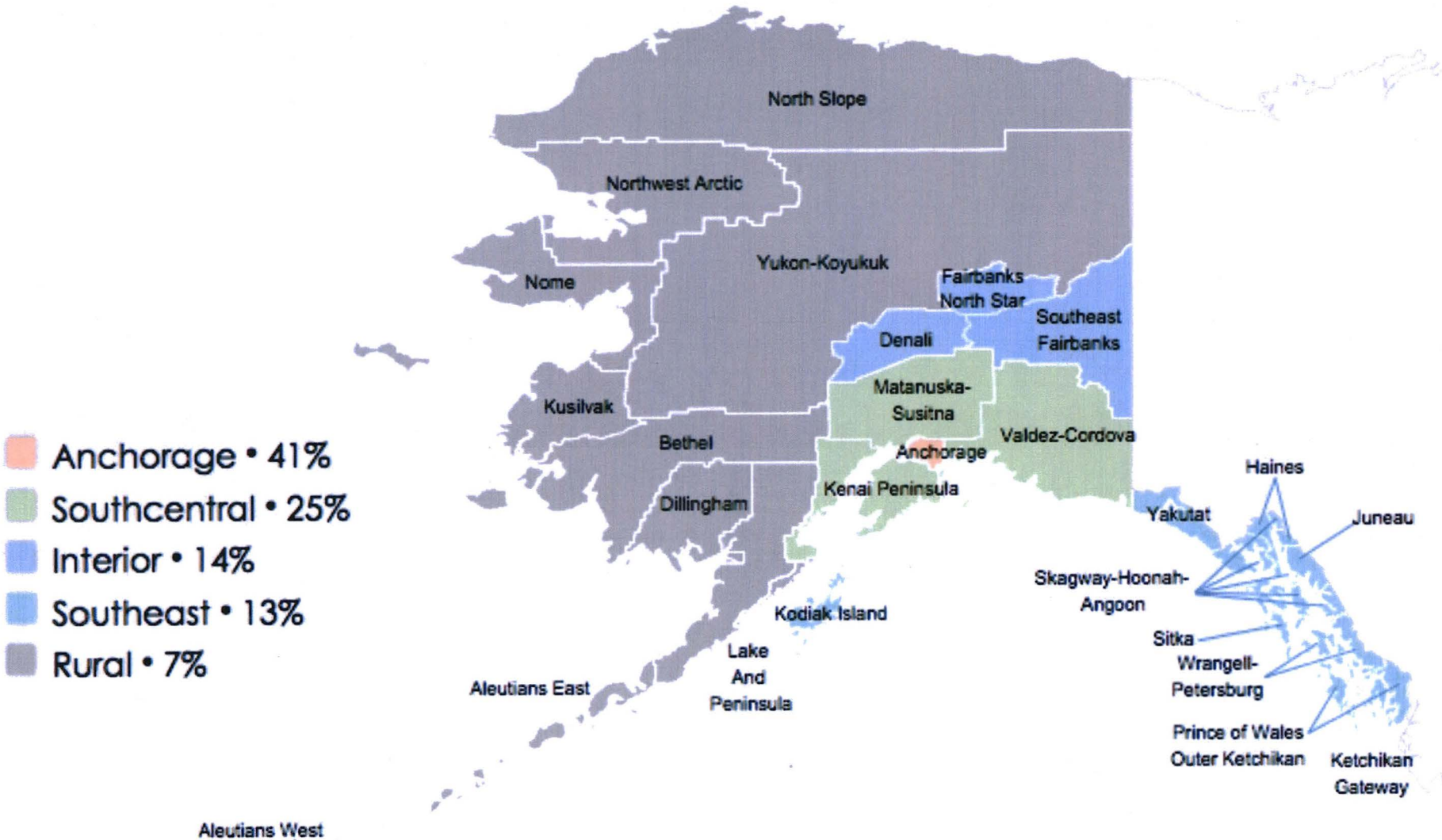
The Voice of Alaska Business

Curtis W. Thayer
President and CEO

Methodology

- Field Dates: Feb 21 – March 1, 2017
- Sample:
 - 808 Alaskan likely voters
 - Interview quotas by location, age and gender
- Interview Method:
 - 75% landline, 25% cell phone
 - Live interviewers
- Weighting:
 - Based on most recent Alaska voter statistics
 - Highly representative sample in terms of age, gender, education level, political registration, and geographic location
- Margin of Error:
 - $\pm 3.44\%$ at 95% confidence interval for total sample

Geographic Representation

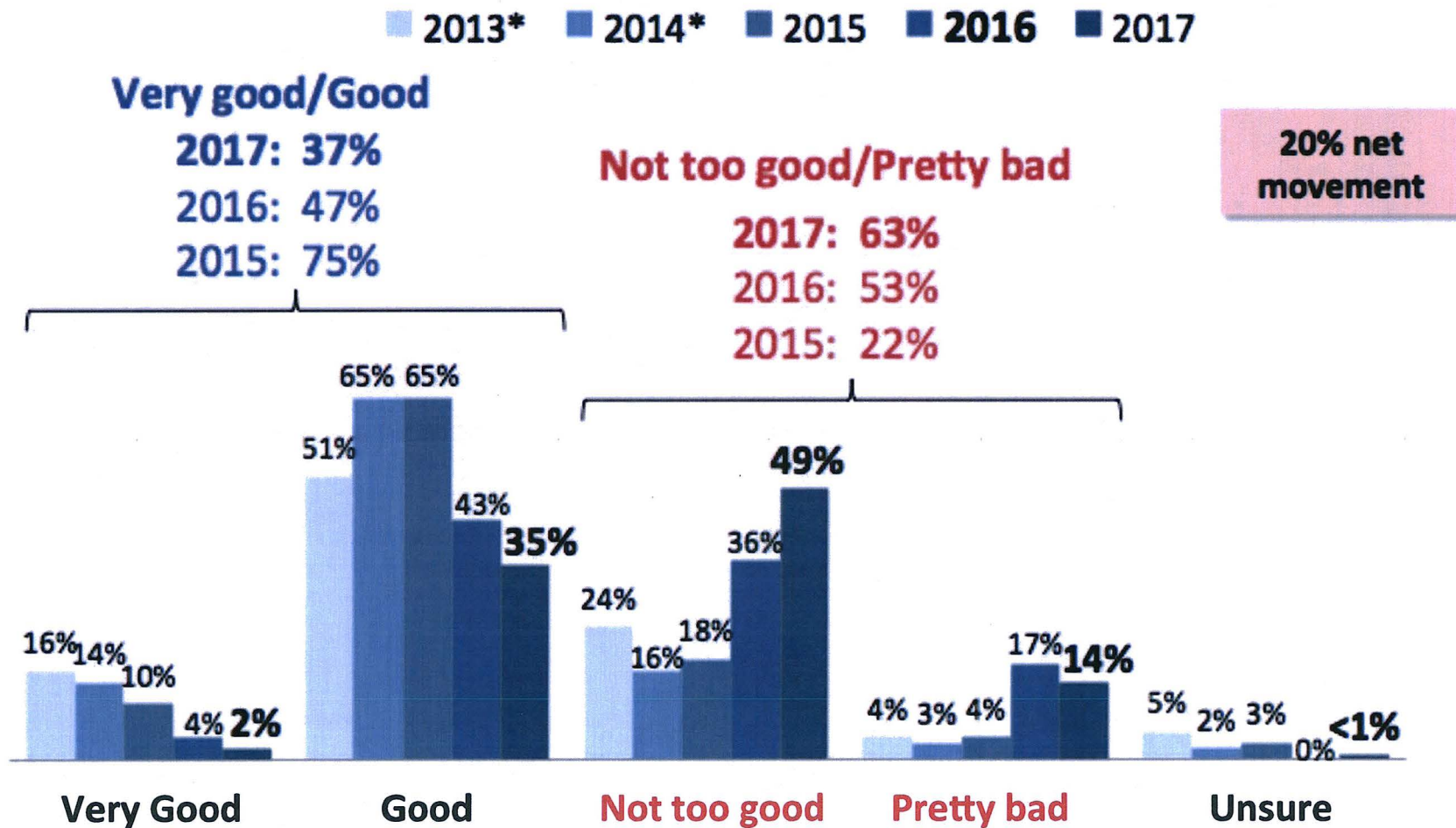




Economy

Alaska's Current Economy

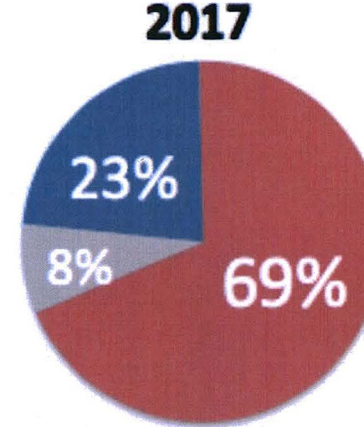
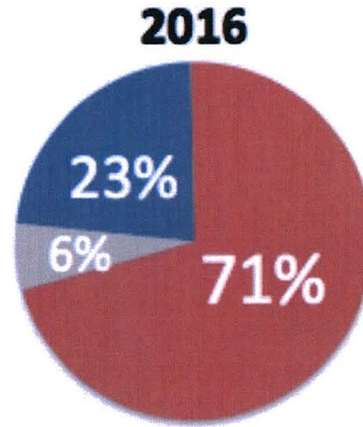
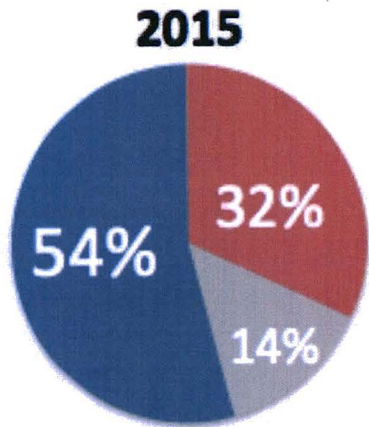
Generally speaking, how would you rate Alaska's current economy?



Direction of State

Thinking about Alaska right now, do you think things are headed in the right direction, or do you think things have gotten off on the wrong track?

■ Right direction
■ Wrong track
■ Unsure



Location	Right direction	Wrong track
Anchorage	18%	76%
Southcentral	23%	67%
Interior	29%	59%
Southeast	30%	60%
Rural	27%	67%

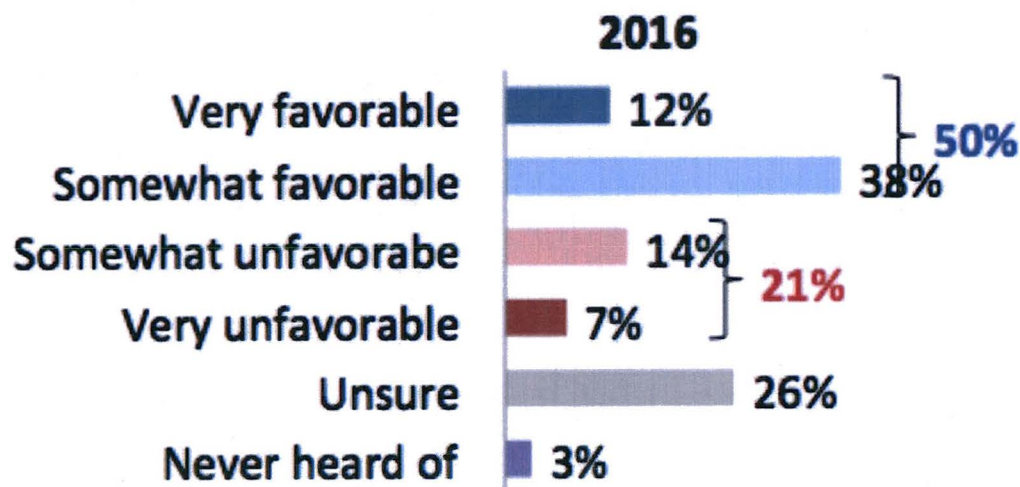
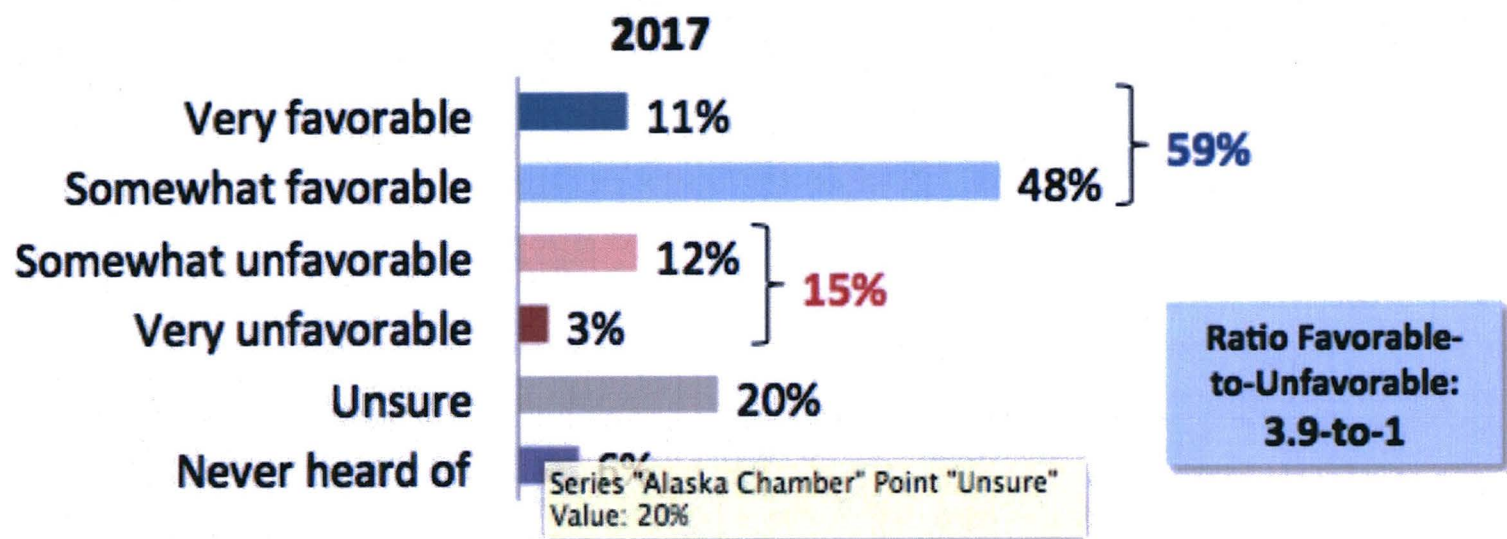
	Right direction	Wrong track
Gender		
Male	21%	70%
Female	24%	68%
Party		
Democrat	25%	67%
Republican	21%	73%
Non-Partisan	27%	64%
Undeclared	22%	68%

Favorability Ratings

Alaska Chamber Favorability

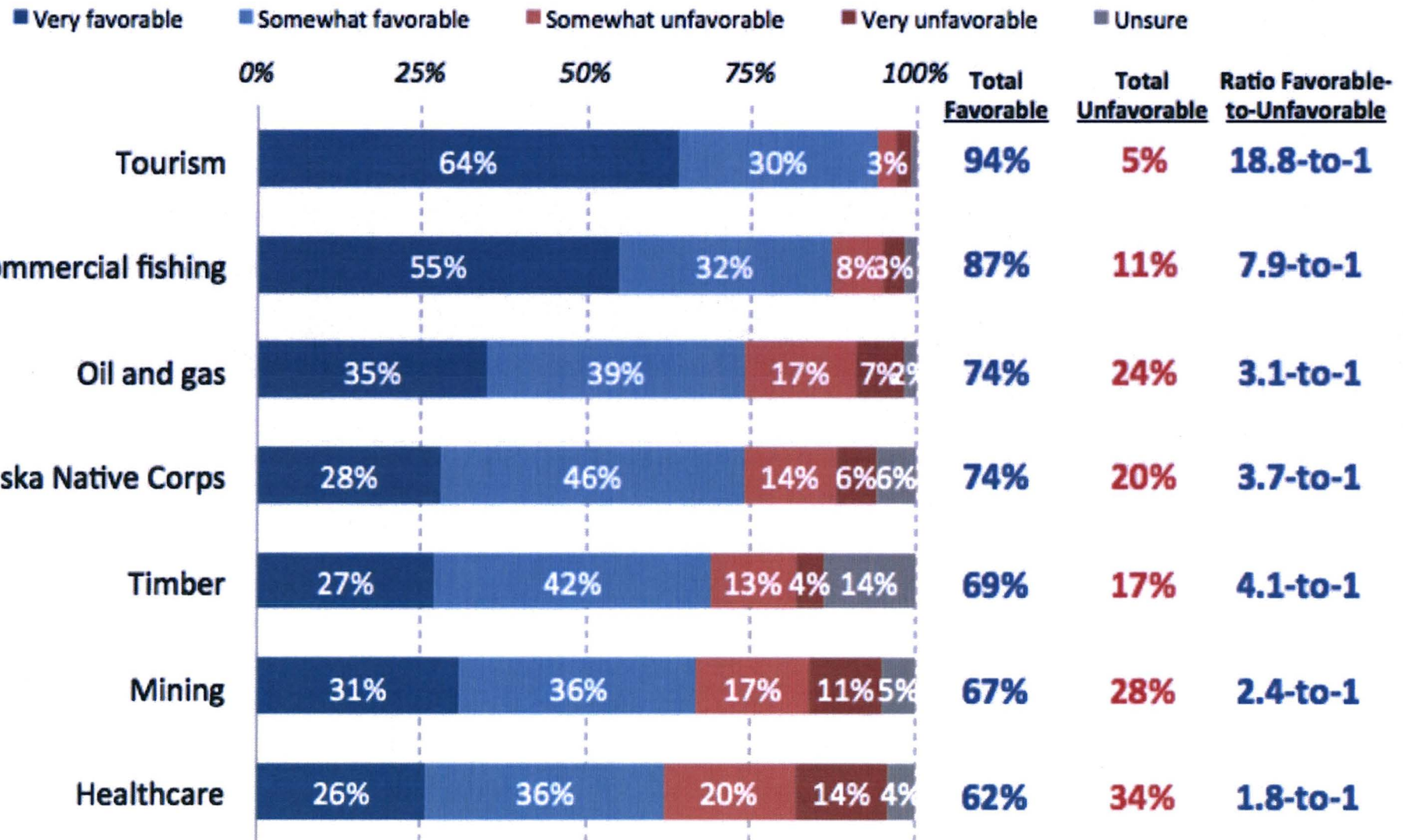
Please tell me whether you have a favorable or unfavorable opinion of the Alaska Chamber of Commerce?

+15% total change in support



Industry Favorability

I'm going to read the names of some sectors in Alaska's economy. Please tell me whether you have a favorable or unfavorable opinion of each.

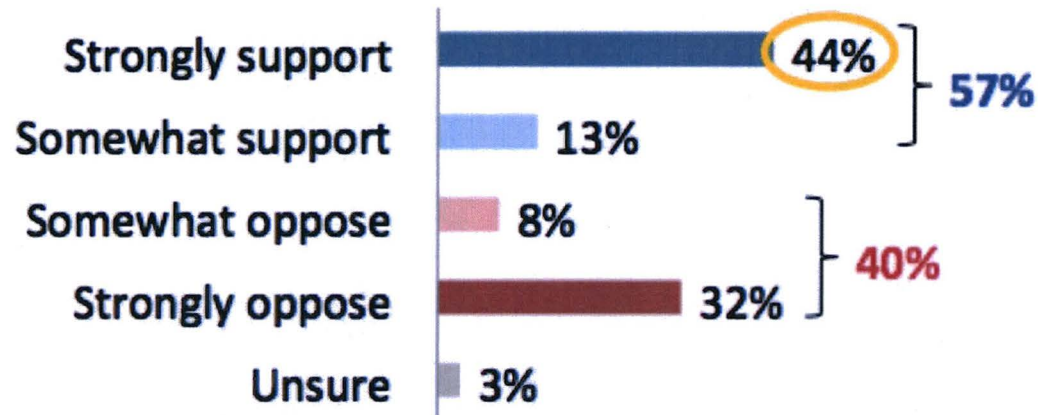


Industry Favorability Tracking

	2016 Favorable		2017 Favorable
Tourism.....	92%	➔	94%
Commercial fishing.....	81%	➔	87%
Oil and gas.....	66%	➔	74%
Alaska Native Corps.....	67%	➔	74%
Timber.....	65%	➔	69%
Mining.....	64%	➔	67%
Healthcare.....	58%	➔	62%

Repeal & Replace Obamacare

Do you support or oppose efforts to repeal and replace the Affordable Care Act, also known as Obamacare?



Gender	Support	Oppose
Male	67%	30%
Female	49%	48%

Union	Support	Oppose
Public employee	42%	55%
Other union	61%	39%
Non-union	60%	36%

Education	Support	Oppose
High school or less	68%	28%
Some college	67%	30%
Graduated college	56%	42%
Graduate school	39%	59%

Employed	Support	Oppose
Full-time	62%	36%
Part-time	53%	44%
Homemaker	69%	31%
Student	23%	68%
Unemployed	54%	39%
Retired	52%	46%

Location	Support	Oppose
Anchorage	55%	43%
Southcentral	72%	25%
Interior	61%	37%
Southeast	43%	55%
Rural	42%	48%

Party	Support	Oppose
Democrat	19%	80%
Republican	90%	8%
Non-Partisan	46%	52%
Undeclared	52%	44%



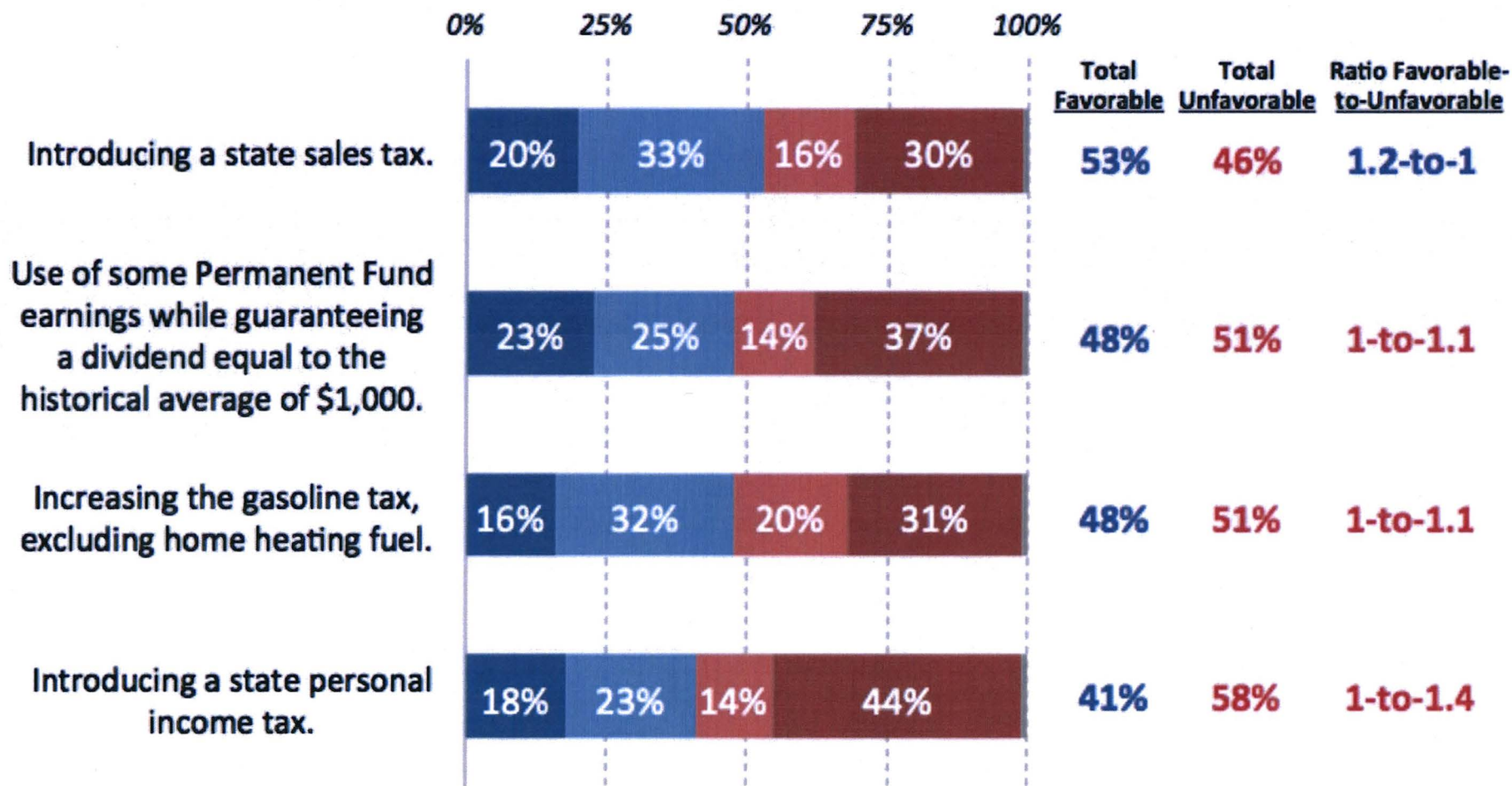


Budget

Support to address budget deficit...?

Please tell me whether you support or oppose each of the following items as part of a larger package to address the state budget deficit and raise new revenue to pay for government services.

■ Strongly support
 ■ Somewhat support
 ■ Somewhat oppose
 ■ Strongly oppose
 ■ Unsure



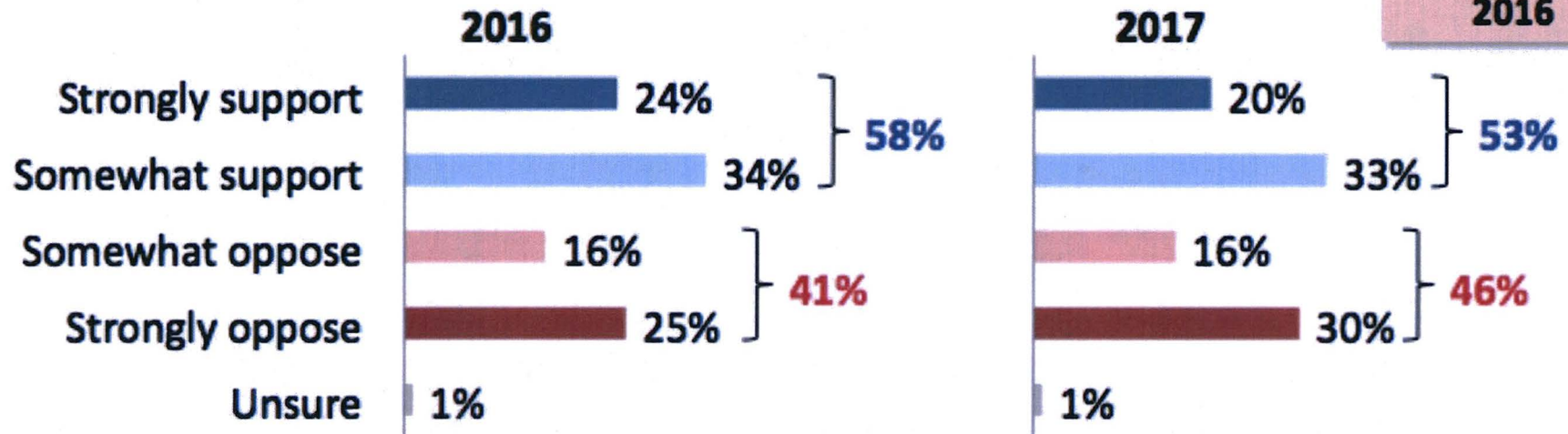
Support to address budget deficit...?

Please tell me whether you support or oppose each of the following items as part of a larger package to address the state budget deficit and raise new revenue to pay for government services.

	Total Support	Total Oppose	Strongly Support	Strongly Oppose
Introducing a state sales tax.	53%	46%	20% →	30%
Use of some Permanent Fund earnings while guaranteeing a dividend equal to the historical average of \$1,000.	48%	51%	23% →	37%
Increasing the gasoline tax, excluding home heating fuel.	48%	51%	16% →	31%
Introducing a state personal income tax.	41%	58%	18% →	44%

Introducing a state sales tax.

10% swing in support since 2016



Location	Support	Oppose
Anchorage	53%	46%
Southcentral	54%	45%
Interior	50%	50%
Southeast	55%	45%
Rural	50%	49%

Party	Support	Oppose
Democrat	58%	41%
Republican	49%	51%
Non-Partisan	59%	41%
Undeclared	53%	46%

Union	Support	Oppose
Public employee	63%	36%
Other union	52%	48%
Non-union	51%	49%

Household income	Support	Oppose
<\$40K	49%	50%
\$40-60K	51%	48%
\$60-80K	52%	47%
\$80-100K	51%	49%
\$100K +	59%	41%

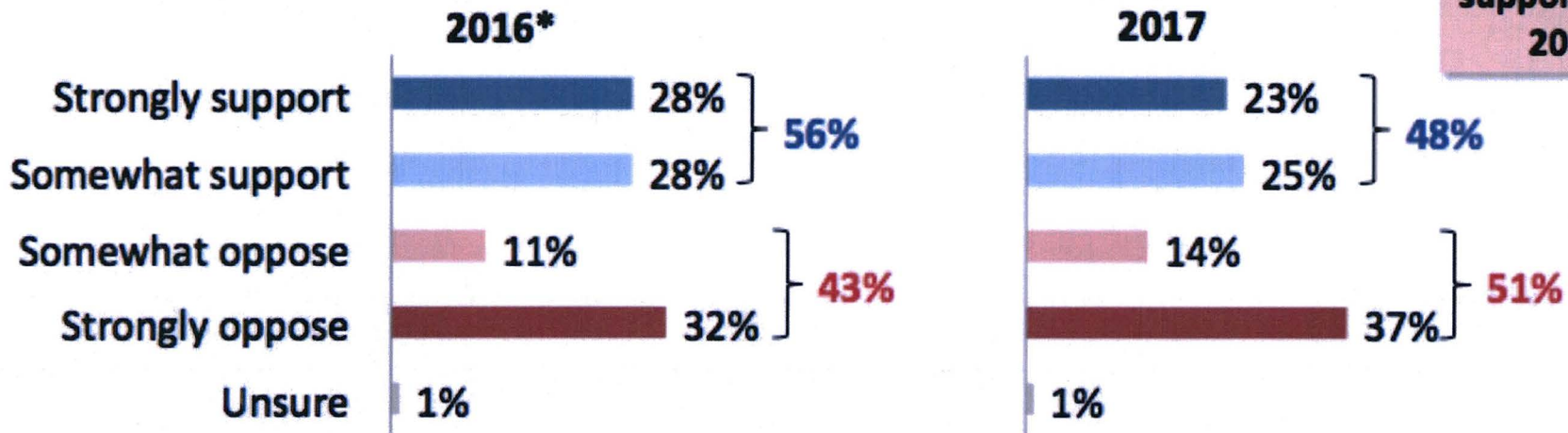
Employed	Support	Oppose
Full-time	55%	44%
Part-time	54%	45%
Homemaker	54%	46%
Student	59%	37%
Unemployed	52%	46%
Retired	47%	53%

Gender	Support	Oppose
Male	52%	47%
Female	54%	46%



Use of some Permanent Fund earnings while guaranteeing a dividend equal to the historical average of \$1,000.

16% swing in support since 2016



Location	Support	Oppose
Anchorage	56%	44%
Southcentral	35%	62%
Interior	45%	55%
Southeast	54%	44%
Rural	50%	48%

Age	Support	Oppose
18-34 years	40%	59%
35-44 years	45%	54%
45-59 years	51%	49%
60 years +	53%	46%

Party	Support	Oppose
Democrat	57%	41%
Republican	44%	56%
Non-Partisan	51%	48%
Undeclared	48%	51%
Other	31%	62%

Household income	Support	Oppose
<\$40K	36%	62%
\$40-60K	39%	60%
\$60-80K	45%	55%
\$80-100K	53%	45%
\$100K +	56%	43%

Gender	Support	Oppose
Male	47%	53%
Female	50%	48%

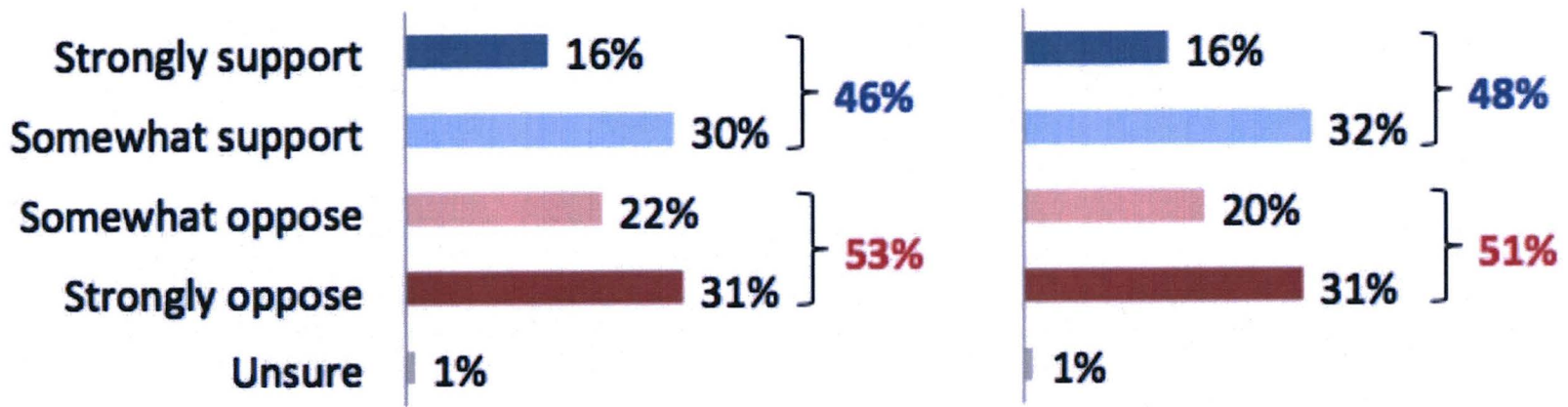
Follow local news...	Support	Oppose
Very closely	55%	44%
Somewhat closely	46%	54%
Not closely	41%	54%



*Previously read: Use of some Permanent Fund earnings with dividends capped to \$1,000 per year.

Increasing the gasoline tax, excluding home heating fuel.

4% swing in support since 2016



Location	Support	Oppose
Anchorage	51%	48%
Southcentral	38%	59%
Interior	44%	55%
Southeast	58%	41%
Rural	50%	50%

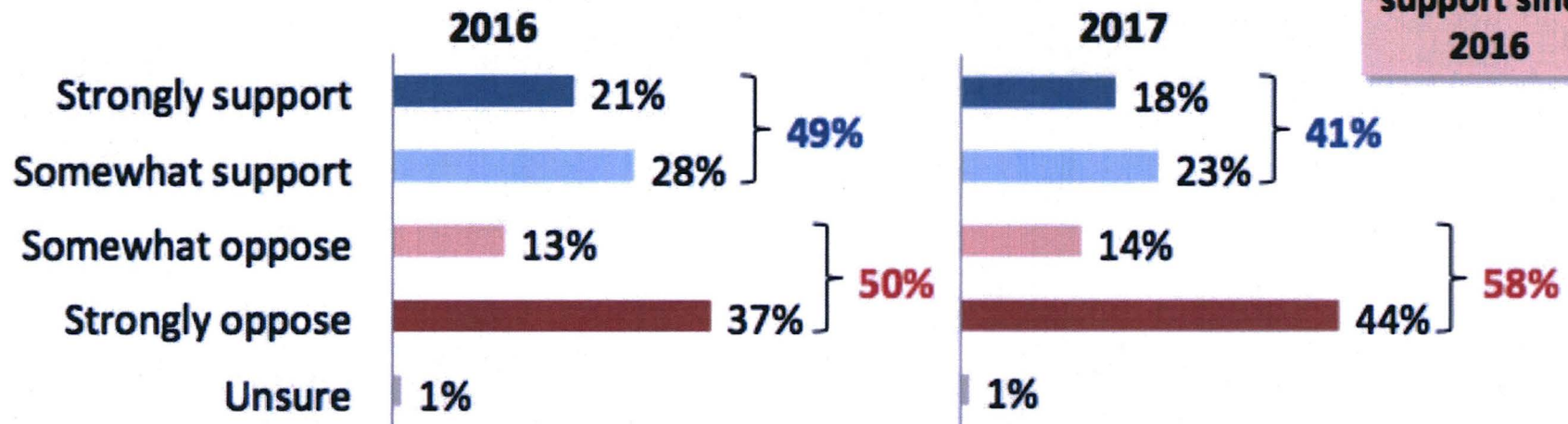
Gender	Support	Oppose
Male	51%	48%
Female	44%	54%

Party	Support	Oppose
Democrat	55%	44%
Republican	39%	60%
Non-Partisan	56%	42%
Undeclared	49%	49%

Household income	Support	Oppose
<\$40K	45%	53%
\$40-60K	45%	54%
\$60-80K	42%	57%
\$80-100K	50%	50%
\$100K +	51%	47%

Introducing a state personal income tax.

16% swing in support since 2016



Location	Support	Oppose
Anchorage	42%	57%
Southcentral	34%	65%
Interior	40%	58%
Southeast	51%	47%
Rural	46%	52%

Age	Support	Oppose
18-34 years	36%	62%
35-44 years	39%	59%
45-59 years	38%	60%
60 years +	51%	49%

Gender	Support	Oppose
Male	40%	59%
Female	43%	56%

Party	Support	Oppose
Democrat	62%	37%
Republican	23%	77%
Non-Partisan	50%	50%
Undeclared	45%	53%

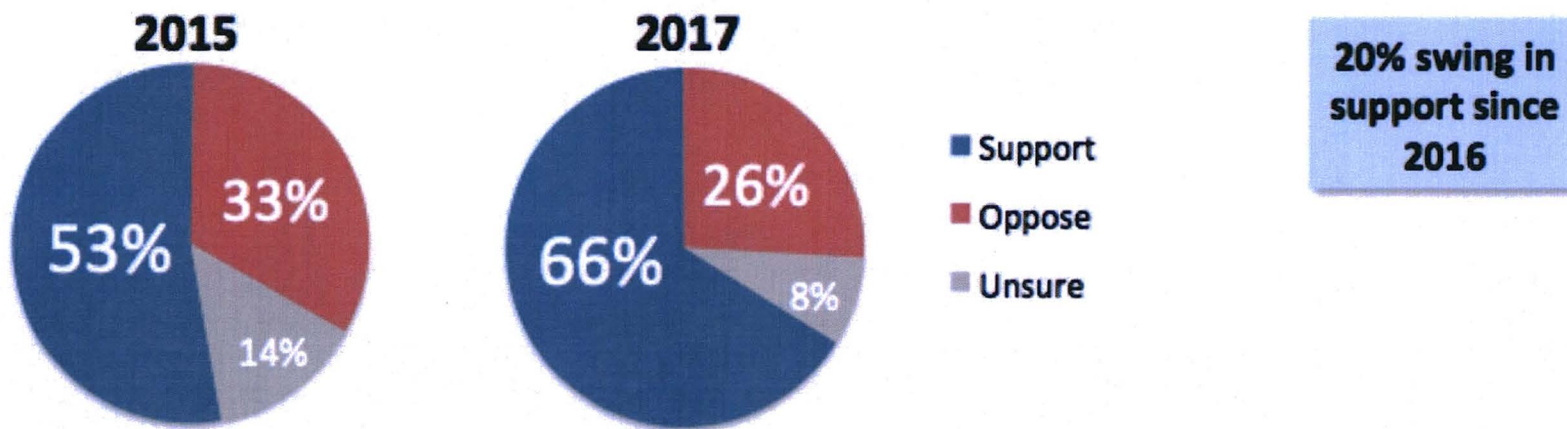
Household income	Support	Oppose
<\$40K	45%	54%
\$40-60K	39%	60%
\$60-80K	35%	65%
\$80-100K	44%	54%
\$100K +	43%	56%

Union	Support	Oppose
Public employee	53%	46%
Other union	43%	56%
Non-union	39%	61%

Education	Support	Oppose
High school or less	28%	68%
Some college	40%	60%
Graduated college	42%	57%
Graduate school	55%	44%

Spending Cap

There is currently a proposal to get an initiative on the ballot before voters. The initiative would put in place a spending cap for state spending. The spending cap level would be tied to the consumer price index. If passed, state spending each year could not exceed the spending cap. Is this an initiative that you would most likely support or oppose?



Location	Support	Oppose
Anchorage	66%	28%
Southcentral	73%	19%
Interior	62%	29%
Southeast	58%	29%
Rural	63%	32%

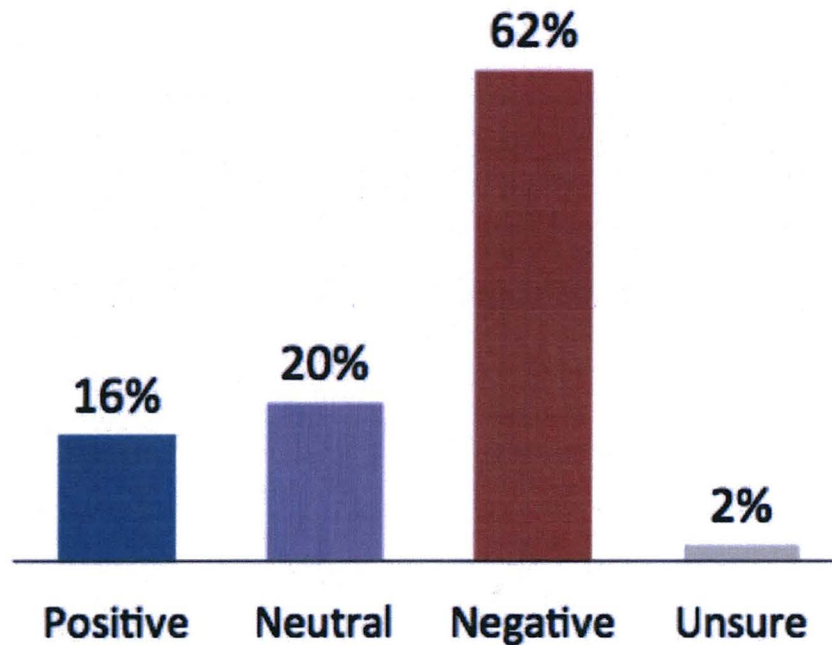
Party	Support	Oppose
Democrat	45%	40%
Republican	83%	12%
Non-Partisan	51%	37%
Undeclared	68%	28%

Union	Support	Oppose
Public employee	52%	40%
Other union	70%	21%
Non-union	68%	25%

Education	Support	Oppose
High school or less	75%	21%
Some college	75%	19%
Graduated college	62%	27%
Graduate school	50%	41%

Impact to economy from taxes

Alaska is currently in a recession. In response, Alaska's private sector is investing less and laying off workers, and Alaska has the highest unemployment rate in the country. At the same time, there are proposals in the legislature to close the state's budget deficit through five hundred million to one billion dollars in new taxes on businesses and individuals. Do you think adding new taxes on the private sector will have a positive, negative, or neutral impact on Alaska's economy?



Location	% Negative
Anchorage	60%
Southcentral	69%
Interior	60%
Southeast	61%
Rural	49%

Gender	% Negative
Male	64%
Female	60%

Party	% Negative
Democrat	42%
Republican	78%
Non-Partisan	57%
Undeclared	59%

Follow local news...	% Negative
Very closely	61%
Somewhat closely	64%
Not closely	57%

Union	% Negative
Public employee	48%
Other union	62%
Non-union	64%

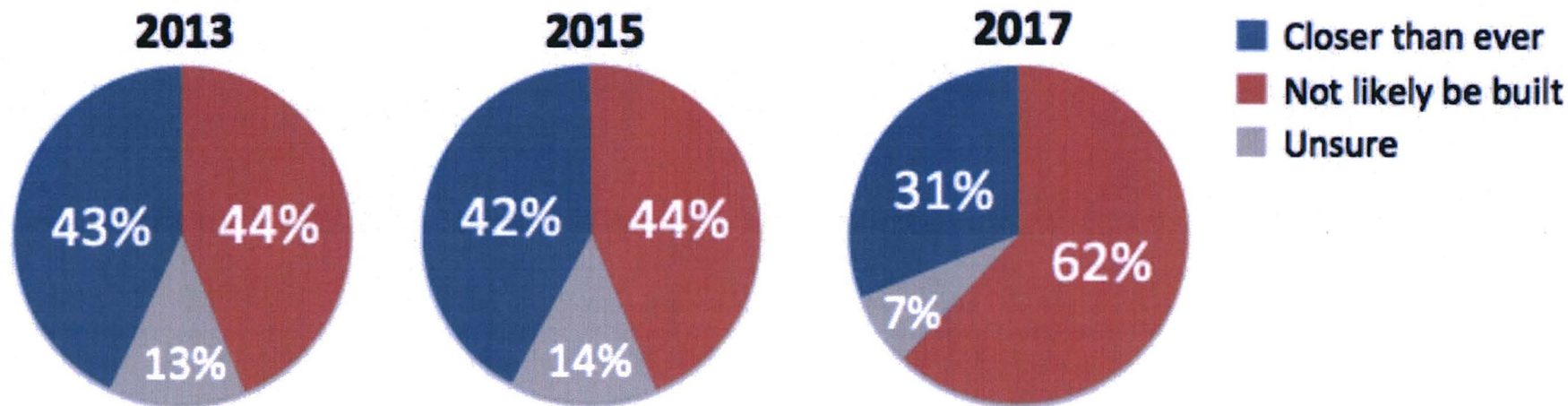
Resource Development

Natural Gas Pipeline

Please tell me which of the following two statements comes closest to your view regarding a potential natural gas pipeline from the North Slope:

Alaska is closer than ever to getting a natural gas pipeline built
 or
A natural gas pipeline will not likely be built in the foreseeable future

29% swing in confidence since 2015



Location	Closer	Not likely built
Anchorage	28%	67%
Southcentral	34%	57%
Interior	22%	75%
Southeast	38%	51%
Rural	38%	51%

Follow local news...	Closer	Never likely built
Very closely	26%	69%
Somewhat closely	30%	63%
Not closely	41%	46%

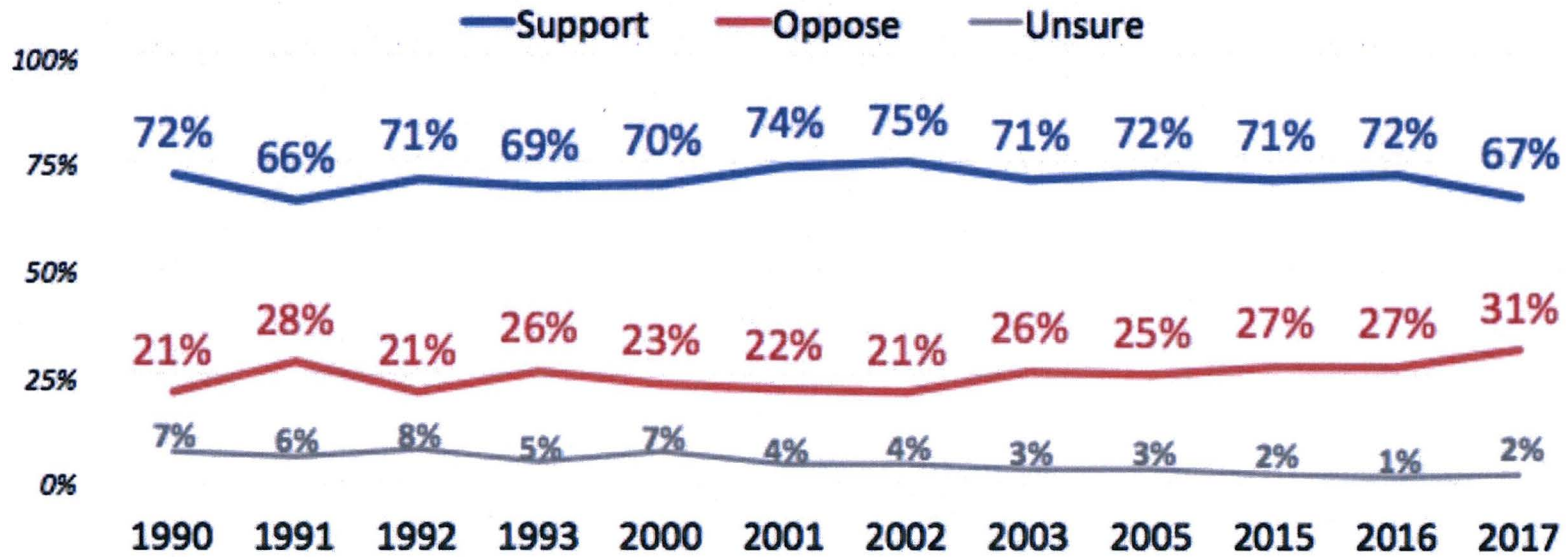
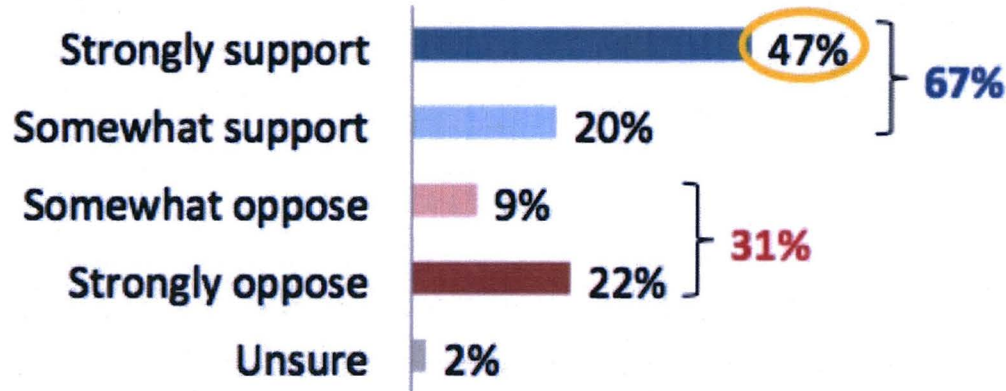


Historical results from House of Representatives public opinion surveys.

Alaska Public Opinion Survey :: March 2017

ANWR Exploration & Production

Do you support or oppose exploration and production of oil and gas in a portion of ANWR, that is the Arctic National Wildlife Refuge?



Prior to 2015 question read: "What is your opinion of oil and gas exploration in the Arctic National Wildlife Refuge, usually referred to as ANWR? Do you feel oil and gas exploration should or should not be allowed in that area?"

ANWR Exploration & Production, cont'd

Do you support or oppose exploration and production of oil and gas in a portion of ANWR, that is the Arctic National Wildlife Refuge?

Overall

	Support	Oppose
Overall	67%	31%

Location

	Support	Oppose
Anchorage	69%	29%
Southcentral	78%	21%
Interior	64%	35%
Southeast	46%	51%
Rural	62%	36%

Age

	Support	Oppose
18-34 years	59%	39%
35-44 years	68%	30%
45-59 years	73%	25%
60 years +	66%	33%

Gender

	Support	Oppose
Male	76%	23%
Female	58%	39%

Party

	Support	Oppose
Democrat	35%	64%
Republican	89%	10%
Non-Partisan	61%	37%
Undeclared	64%	34%

Time in Alaska

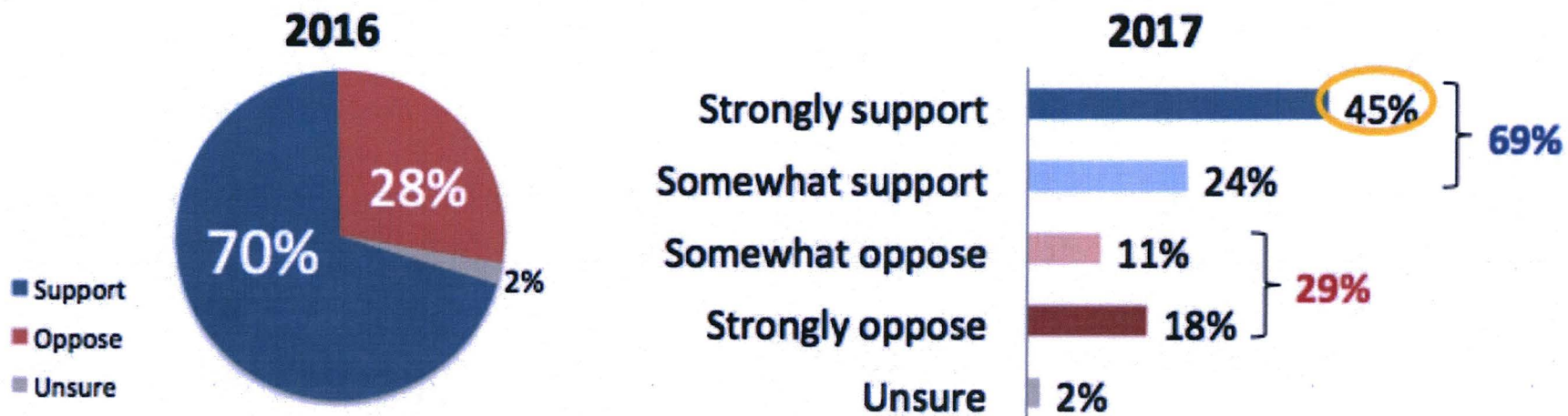
	Support	Oppose
0-9 yrs	52%	46%
10-20 yrs	65%	34%
20+ yrs	70%	28%

Education

	Support	Oppose
High school or less	74%	24%
Some college	75%	23%
Graduated college	64%	34%
Graduate school	54%	44%

Alaska Arctic Offshore Exploration & Production

Do you support or oppose exploration and production of oil and gas in Alaska's Arctic offshore?



Location	Support	Oppose
Anchorage	69%	29%
Southcentral	76%	22%
Interior	72%	27%
Southeast	55%	44%
Rural	66%	31%

Gender	Support	Oppose
Male	76%	23%
Female	63%	35%

Party	Support	Oppose
Democrat	40%	57%
Republican	92%	7%
Non-Partisan	63%	34%
Undeclared	64%	34%

Time in Alaska	Support	Oppose
0-9 yrs	65%	33%
10-20 yrs	73%	27%
20+ yrs	69%	29%



Senate State Affairs Committee
February 14, 2017

SJR 2

CONSTITUTIONAL APPROPRIATION LIMIT - REVISION

What is the Appropriation Limit?

2



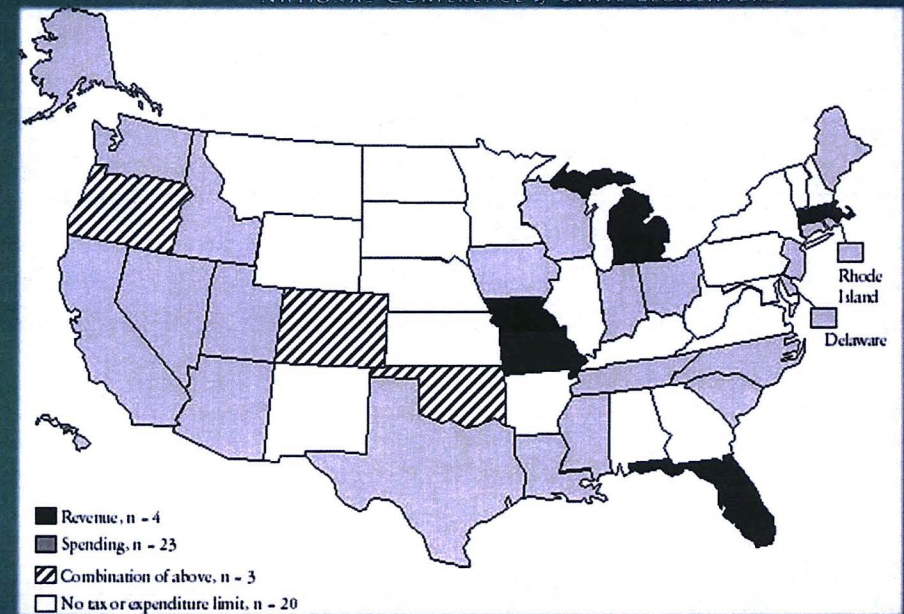
The Constitution of the State of Alaska
~ Fiftieth Anniversary Edition ~

- ▶ **Article IX, Section 16 of Alaska's Constitution**
- ▶ **In Alaska:** An annual cap on appropriations which can be enacted, which grows yearly by the increase in population and inflation, and held binding by the constitution. Some categories of appropriations are exempted.
- ▶ **According to Alaska's OMB – “Appropriation”** is defined as:
Statutory authorization to spend a specific amount of money for a stated purpose. Appropriations are often subdivided into allocations in the appropriations bill. Funds may not be spent without an appropriation made by law.”

How Many States Have Limits?



- ▶ Appropriation limits are part of a broader category of Tax & Expenditure Limits, or TELs.
- ▶ According to NCSL, as of 2010:
 - ▶ 30 states operate under a tax or expenditure limit
 - ▶ Spending Limit – 23 states
 - ▶ Tax Limits – 3 states
 - ▶ Both Spending & Tax Limits – 4 states
 - ▶ Roughly half of these limits are constitutional, the other half are statutory

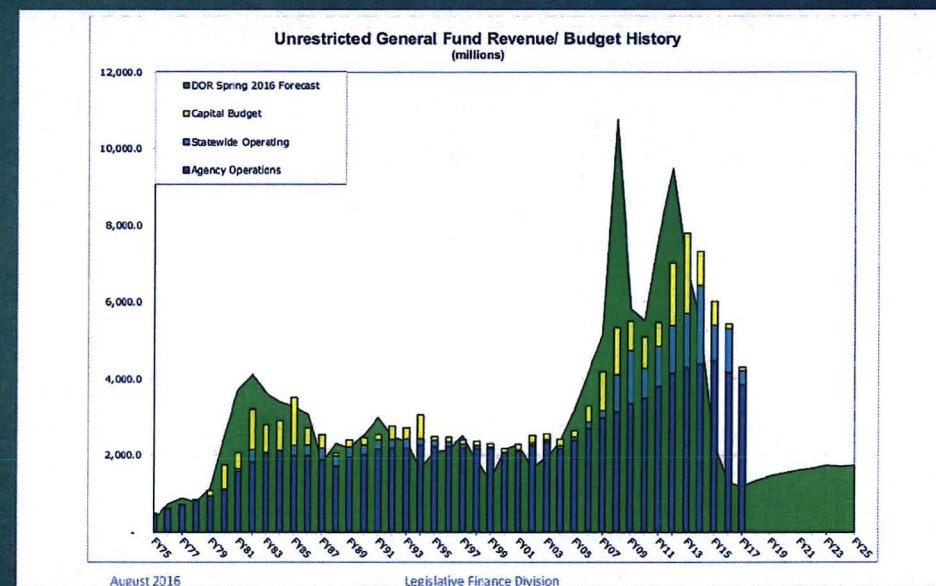
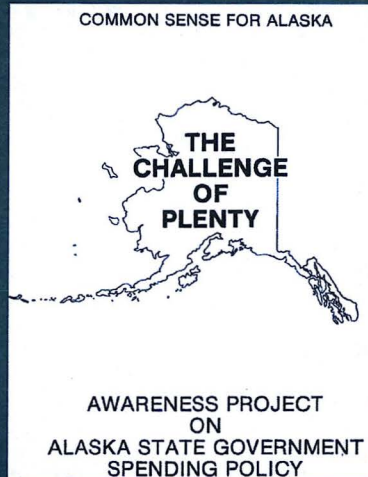


Source: NCSL, 2010 at <http://www.ncsl.org/research/fiscal-policy/state-tax-and-expenditure-limits-2010.aspx>

How Did We Get Our Appropriation Limit?

▶ Historical Context:

- ▶ TAPS completed, first oil flowed June 20, 1976
- ▶ Alaska's Permanent Fund established by voters November 2, 1976
- ▶ From FY79 to FY82, Alaska's total budget tripled, going from \$1,079.4 bn to \$3,209.7 bn (*excl. fund transfers*)
 - ▶ For reference, the FY2006 budget was \$3,290.5 bn.



Source: https://www.lfd.state.ak.us/Charts/Budget_History_Presentation_8-10-16.pdf

How Did We Get Our Limit? (cont'd.)

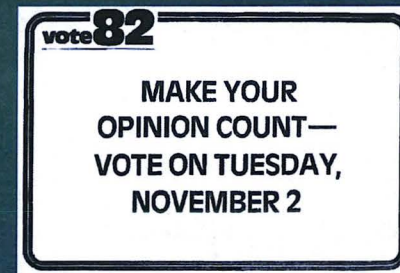
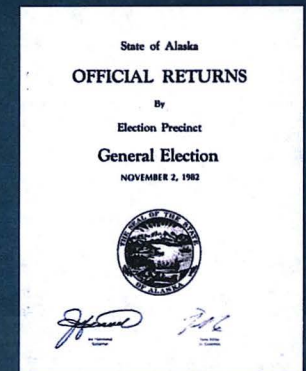
5

▶ Timeline:

- ▶ July 15, 1981 - Legislature passed Governor Hammond's SJR 4 in a special session
- ▶ November 2, 1982 - Voters enshrined the amendment limiting appropriation increases in the Alaska constitution, passing Ballot Measure 4 with a 61% to 39% tally
- ▶ November 4, 1986 - Voters reaffirmed the amendment in a planned revisit of the limit. This time support was 71% to 29%

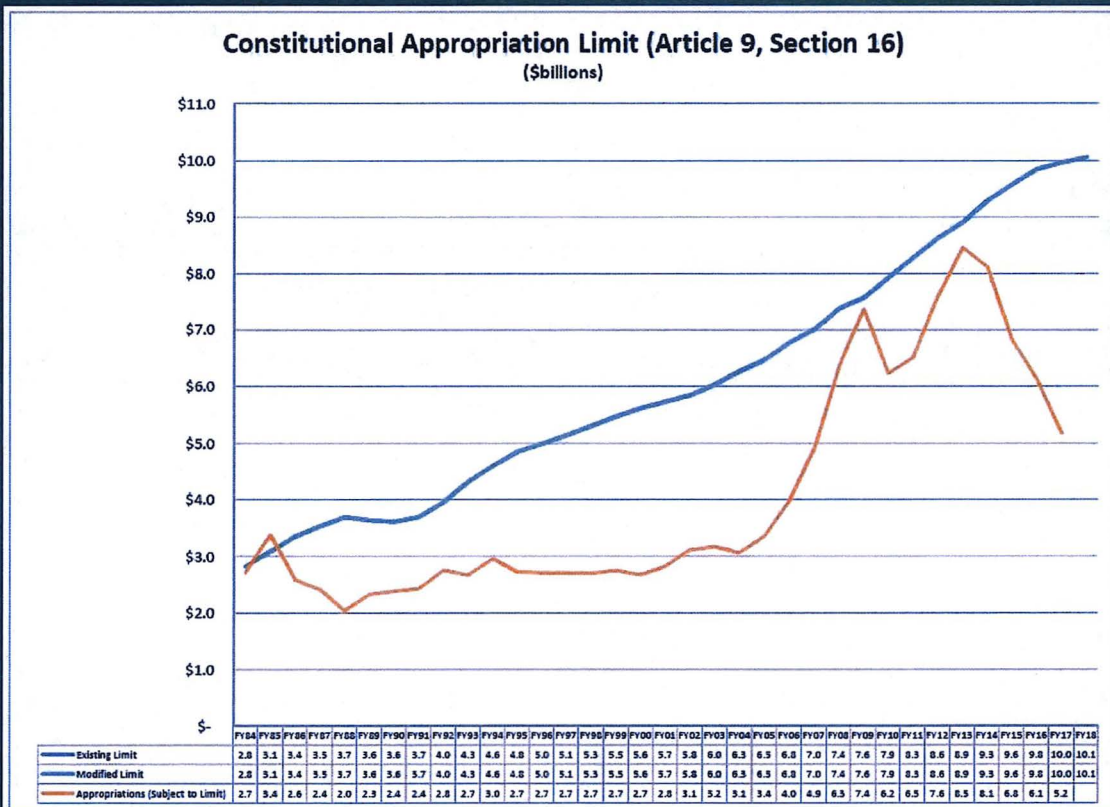
▶ Later Fiscal Measures:

- ▶ 1986 – Statutory Appropriation Limit
- ▶ 1991 – Statutory Budget Reserve Fund
- ▶ 1991 - Constitutional Budget Reserve Fund



Sources: <http://treasury.dor.alaska.gov/Debt-Management/Reserve-Balances.aspx>,
Alaska Division of Elections Official Election Pamphlets, and
<http://archives2.house.state.ak.us/PublicImageServer.asp?lib=8600790&FILE=CONSTITUTIONAL%200197%20ALASKA%2075%20CONSTITUTIONAL%20PENDING%20LIMIT.pdf>

Why SJR 2 Was Brought Forward



- ▶ The appropriation limit in Article IX, Section 16 is in need of repair. It has soared out of reach, and failed to impact any spending since its enactment.
 - ▶ FY17 budget was \$5.2bn, while the limit was \$10.0 bn
- ▶ The limit may never come into play again unless it is “reset.”
- ▶ The intent of the voters should be respected, and there should be a meaningful appropriation limit.

Why SJR 2 Was Brought Forward (cont'd)

7

- ▶ During the 2016 interim, Senator Dunleavy asked Legislative Finance Division (LFD) to review the existing Statutory and Constitutional Appropriation Limits.
- ▶ LFD responded with analysis, and also provided a look at problems associated with the state's spending limits, loopholes in the limits, and recommendations for ways to assist in “developing a workable loophole-proof (*as much as possible*) spending limit that would:
 - ▶ 1. Suppress the growth of government during revenue surpluses, and
 - ▶ 2. Address rapid burning of reserves during revenue shortfalls”
- ▶ Staff worked with LFD, Legal Services Division, and individuals involved in the creation of the existing appropriation limit, to craft a revised appropriation limit for Alaska.

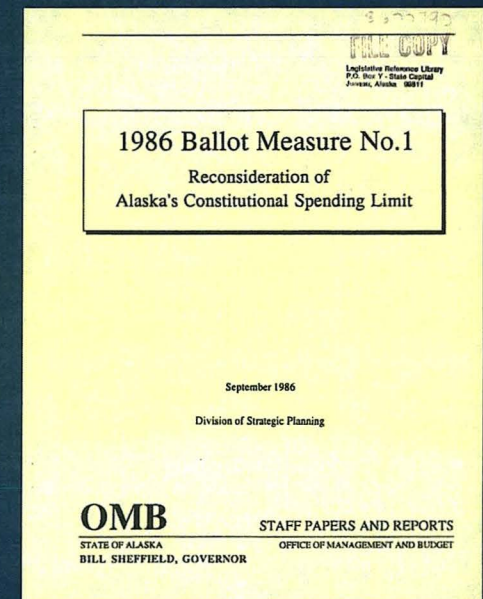
Key Elements of SJR 2's Revisions to the Constitutional Appropriation Limit

▶ Simplicity in Presentation

- ▶ Voters must be able to clearly understand the limit. It must not be so complex or wonky that it cannot be easily explained.
- ▶ SJR 2 was designed to simplify the existing limit.

▶ Sophisticated in Function

- ▶ Borrows from lessons learned following implementation of the 1982 limit.
- ▶ OMB's Division of Strategic Planning wrote a paper in 1986 which characterized the 1982 limit as:
“...complex, because it has to be. Like all legislation, it was designed to strike a balance between accomplishing something in a particular way, yet simultaneously preserving the flexibility to respond to unforeseen events and changing circumstances.”



Basics of SJR 2

9

- ▶ Would need to pass during the 30th Legislature, prior to the November 2018 General Election
 - ▶ Constitutional Amendments & Conventions:
 - ▶ **AS 15.50.030. Placing proposition on ballot.** The lieutenant governor shall direct the director to place the ballot title and proposition on the ballot for the next statewide general election held after the amendment proposed by the legislature or held 120 days after the amendment proposed by a constitutional convention. If there is insufficient time to permit the proposition to be placed on the regular ballot by the director, the lieutenant governor shall direct the director to prepare a separate ballot for the proposition.
- ▶ **Effective Date:** Under AS 15.50.060, would become effective 30 days after certification.
- ▶ This means SJR 2 would be effective for the FY2020 budget, contemplated in early 2019.



Basics of SJR 2 (cont'd)

10

Spending exempt (“outside”) the limit: Appropriations made:

1. To the Alaska Permanent Fund
2. For payment of PFDs
3. To meet a state of disaster declared by the governor as prescribed by law (*see AS 26.23.020*)
4. Of state general obligation or revenue bond proceeds
5. Required to pay obligations under State general obligation bonds and revenue bonds
6. Of money received from the federal government
7. That is a reappropriation of a previous unobligated appropriation
8. Of money for expenditure by a state agency to provide internal services, or to provide services to another agency, and another state agency has also received an appropriation of the same money
9. Of money held in trust by the state for a particular purpose
10. Of money received by the state from a source other than the state or federal government that is restricted to a specific use by the terms of a gift, grant, bequest, or contract
11. Of revenue of a public enterprise or public corporation that issues revenue bonds
12. Of money deposited into the CBR, back to the funds and accounts from which the money came (*reverse sweep*)
13. To a state savings account or fund as prescribed by law
14. Of dedicated funds

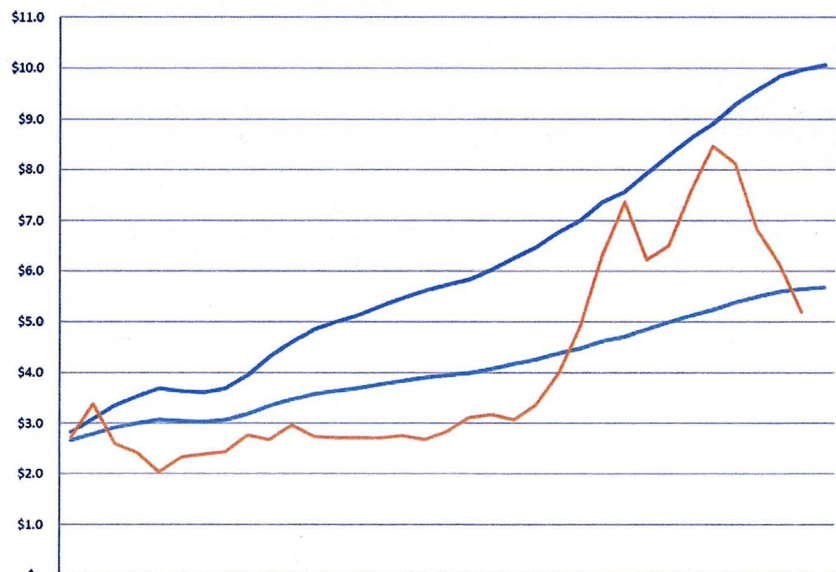
What Is Inside & Outside The Limit?

APPROPRIATION ITEM COMPARISON for SJR 2 - 30-LS0123\N - 1/27/2017		
Type of Appropriation	Existing Limit	"New Limit"
Permanent Fund Dividends	Outside	Outside
General Obligation Bond Proceeds (STATE)	Inside, unless in Capital Budget & approved by voters	Outside, universally
General Obligation Bond Principal Repayment (STATE)		
General Obligation Bond Interest Repayment (STATE)	Outside	Outside
Municipal Debt Service	Outside	Inside
Revenue Bond Proceeds	Outside	Outside
Revenue Bond Debt Service	Inside	Outside
Money held in trust by the State for a particular purpose	Outside	Outside
Revenues of public enterprise or public corporation of the State that issues revenue bonds	Outside	Outside
Federal receipts	Outside	Outside
Reappropriations	Outside, per AG Opinion	Outside, explicitly
I/A Services & Duplicate Appropriations	Implied Outside	Outside, specified
Gift, grant, bequest, or contract --restricted money from neither Feds or State for a specific use	Implied Outside	Outside, specified
CBR reverse-sweep	Not contemplated	Outside
To a state savings account, as prescribed by law (designated in the statutory bill), which require further appropriation in order to spend. (SBR, CBR)	Implied Outside	Outside, specified
Dedicated funds (per Constitutional definition)	Outside w/exceptions	Outside
Appropriations from other than the Treasury	Outside	Inside
Appropriations into the Permanent Fund	Outside	Outside
State Capital Budget	Inside, unless valid & approved by voters as prescribed by law	Inside, generally
Disaster (when declared by governor, as provided by law)	Outside	Outside

The Built-In Growth Formula

50% pop + 50% inf

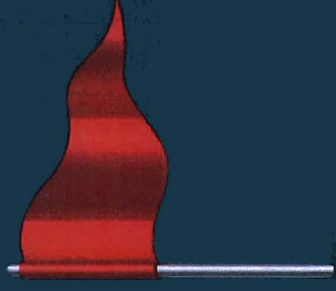
Constitutional Appropriation Limit (Article 9, Section 16)
(\$billions)



	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	FY53	FY54	FY55	FY56	FY57	FY58	FY59	FY60	FY61	FY62	FY63	FY64	FY65	FY66	FY67	FY68	FY69	FY70	FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Existing Limit	2.8	3.1	3.4	3.5	3.7	3.6	3.6	3.7	4.0	4.3	4.6	4.8	5.0	5.1	5.3	5.5	5.6	5.7	5.8	6.0	6.3	6.5	6.6	7.0	7.4	7.6	7.9	8.3	8.6	8.9	9.3	9.6	9.8	10.0	10.1																																																												
Modified Limit	2.7	2.8	2.9	3.0	3.1	3.0	3.0	3.1	3.2	3.3	3.5	3.6	3.6	3.7	3.8	3.8	3.9	4.0	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.9	5.0	5.1	5.2	5.4	5.5	5.6	5.7																																																													
Appropriations (Subject to Limit)	2.7	3.4	2.6	2.4	2.0	2.3	2.4	2.4	2.6	2.7	3.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	3.1	3.2	3.1	3.4	4.0	4.8	6.3	7.4	6.2	6.5	7.6	8.5	8.1	6.5	6.1	5.2																																																												

- ▶ The mechanism which adjusts the appropriation cap annually is a critically important element.
- ▶ The existing limit's formula adjusts the spending cap by 100% of the cumulative change in population and inflation.
- ▶ This led to a trajectory for the limit which quickly became unattainable.
- ▶ If the formula in 1982 had been set at 50% of the cumulative change in population and inflation, the limit would have performed as indicated on this slide.

Further Policy Considerations



- ▶ Flagged spending items for further examination:

- ▶ Revenue Bond Debt Service
 - ▶ Specifically, whether this exemption should be limited to bonds that generate sufficient revenue (or anticipated reductions) to cover debt service.
- ▶ Unrestricted Federal Funds (approx. \$7.4m in FY18)
- ▶ Reappropriations (and scope changes)
- ▶ University Receipts (DGI or Other)
- ▶ Appropriations to a state savings account, as designated by law
 - ▶ Statutory clarification needed. CBR, SBR, ???
- ▶ Dedicated Funds
 - ▶ *Ex:* Fish & Game Fund currently inside the limit, the introduced bill would place all dedicated funds outside the limit.
Note: Dedicated Funds are not the same as Designated Funds
- ▶ Capital Budget
 - ▶ This is an obvious loophole if placed outside the limit

- ▶ Pressure-Relief Valve

- ▶ A method to exceed the appropriation limit, whether it be through referral to voters, legislative super-majority, or otherwise

Questions?



The New York Times

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July 16, 1981

ALASKA LEGISLATURE VOTES TO LIMIT RISE IN STATE'S SPENDING

AP

JUNEAU, Alaska, July 15— The Alaska Legislature, called into special session at the insistence of Gov. Jay Hammond, voted today to rewrite the constitution to limit spending of the state's oil revenues.

In the past two years, Alaska spent more money than in the entire 20 years after becoming a state in 1959. Within hours of passage of the constitutional amendment, which would limit annual increases in spending, several lawmakers vowed to campaign against it when it goes before voters for ratification next year. Others, however, defended the compromise amendment, which was passed by a narrow margin, ending the special session.

Capital Projects Have No Cap

"This is a sham, a farce. I'm not willing to go to the public and say we've passed a spending limitation when it's not really a spending limit," said Representative Oral Freeman, Democrat of Ketchikan. Mr. Freeman, a longtime advocate of such limitations, was unhappy with the measure because it did not put a cap on expenditures for capital projects.

In the regular legislative session, which ended last month, the lawmakers approved a record \$6.3 billion budget for the fiscal year 1982, up from \$3.2 billion in 1981 and \$1 billion in 1980. The 1982 operating budget for 1982 was nearly 32 percent higher than that for the previous year, and capital spending was up by 127 percent.

The constitutional amendment would set a base spending level of \$2.5 billion as of July 1, 1981, and allow annual increases equal to inflation and population growth, roughly 12 to 14 percent. Surpluses, which could be in the billions of dollars as taxes and royalties on the 1.5 million barrels of oil produced daily at Prudhoe Bay continue to roll in, would be invested.

However, lawmakers could exceed the limit for capital projects and certain other appropriations if the additional spending is approved by voters. Veto of Pet Projects Threatened

Governor Hammond had warned the legislators that, "without an effective limitation on spending, the state will almost inevitably be bankrupt sometime in the not-too-far future," and he had publicly threatened to veto as much as \$1 billion worth of lawmakers' pet projects unless they approved the amendment.

The Governor said today that he thinks the amendment, which will go before voters in November 1982, "can do much to put some controls on state spending."

Since 1976, when voters approved a constitutional amendment, at least 25 percent of all mineral lease rentals, royalties and bonuses had gone into a special savings account, with the money to be invested and only the interest spent. The current appropriation includes \$1.8 billion, up from \$900 million a year ago, to be contributed over the next two years to the Alaska Permanent Fund.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SJR 2
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SJR2-LEG-LEG-02-15-18
Title: CONST AM: APPROPRIATION LIMIT
Sponsor: STATE AFFAIRS
Requester: SENATE STATE AFFAIRS

Department:
Appropriation:
Allocation:
OMB Component Number: 0

Expenditures/Revenues

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

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
			FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
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?
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

INITIAL VERSION. ONE PAGE ZERO NOTE.

Prepared By: <u>SANTE LESH, BUDGET ANALYST</u>	Phone: (907)465-4824
Division: <u>LEGISLATIVE AFFAIRS AGENCY</u>	Date: 02/15/2018 11:13 AM
Approved By: <u>JESSICA GEARY, DEPUTY EXECUTIVE DIRECTOR</u>	Date: 02/15/2018
Agency: <u>LEGISLATIVE AFFAIRS AGENCY</u>	