

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 150 3258

132

Winners and Losers (FY2008)

- 63 employers are below 22%
- 92 are above 22%
 - (based on FY08 actuarially calculated rate on entire wage base)

How do we equalize this situation?

Losers – employers under 22%

- Employer's UAAL under 22% cost share minus employer's FY2008 actuarially calculated UAAL* (net present value) = \$
- Credit \$ to individual employers for future payments under cost share legislation
 - This equalizes each employers liability to the cost share rate (22%).

*based on the actuarially calculated value with no statutory floor

Winners – Employers over 22%

- Employer's FY2008 actuarially calculated UAAL minus employer's UAAL under 22% cost share (net present value) = \$
- \$ is transferred to the PERS Fund from the community. This equalizes each employers liability to the cost share rate (22%).
 - The State may transfer \$ to the PERS Fund from revenue sharing/dividend payments appropriated to a community by the State in an amount not to exceed 50% of the payment for that year.

Snapshot

- Calculations applied to all subsequent fiscal years will be made in FY2008 within the parameters set out in this presentation. The credit will be applied during the number of years necessary to equalize the rates in the shortest time possible.

If we do no “hold harmless”...

- It could be more advantageous for the 63 employers under 22% to terminate from the system, which would be detrimental to the system as a whole.

If all employers are at 22%...

- This equals a split of approximately 82.5/17.5 of the UAAL
 - The State is already responsible, with the University, State employees and school districts for 78% of the PERS UAAL

Appendix

FY2008 Actuarially calculated
employer contribution rates (no
statutory floor, calculated on entire
wage base)

Data obtained from PERS Supplement to the Actuarial Valuation Report as of June 30, 2005, Schedule 1.3

ER		FY08 Actuarially Calculated Rate (ARC before level dollar amortization)		FY08 Board Adopted Rate after level dollar amortization (i.e. no payroll growth)
162	ALEUTIAN REGION SD	0.00%	A	14.48%
283	ANDERSON, CITY OF	0.00%	A	14.48%
232	BERING STRAITS CRSA	0.00%	A	14.48%
169	TANANA, CITY OF	0.00%	A	14.48%
208	AKUTAN, CITY OF	1.13%	A	14.48%
266	QUINHAGAK, CITY OF	3.49%	A	14.48%
183	FORT YUKON, CITY OF	9.58%	A	14.48%
257	PELICAN CITY SD	11.09%	A	14.48%
103	ANNETTE ISLAND SD	11.53%	A	14.48%
285	HOOPER BAY, CITY OF	13.56%	A	14.48%
294	MOUNTAIN VILLAGE, CITY OF	14.38%	A	14.48%
259	ALLAKAKET, CITY OF	14.48%		14.48%
256	SAINT GEORGE, CITY OF	14.48%		14.48%
222	SELAWIK, CITY OF	14.48%		14.48%
290	UPPER KALSKAG, CITY OF	14.48%		14.48%
287	KOYUK, CITY OF	14.52%		14.48%
291	SHAKTOOLIK, CITY OF	14.64%		14.71%
293	TAGIUGMIULLU NUNAMIULLU HOUSING AUTHORIT	14.77%		14.90%
281	BARANOF ISLAND HA	14.91%		15.12%
227	KLAWOCK, CITY OF	14.97%		15.13%
241	NOORVIK, CITY OF	15.51%		15.92%
284	INTER-ISLAND FERRY AUTHORITY	15.53%		16.00%
275	ILISAGVIK COLLEGE	15.70%		16.19%
221	SAINT MARY'S SD	16.08%		16.66%
263	INTERIOR RHA	16.12%		16.73%
225	SKAGWAY CITY SD	16.14%		16.44%
192	GALENA, CITY OF	16.15%		16.88%
140	KOTZEBUE, CITY OF	16.27%		17.13%
262	COOK INLET HOUSING AUTHORITY	16.29%		17.00%
159	YUKON FLATS SD	16.42%		17.17%
282	DELTA JUNCTION, CITY OF	16.45%		17.27%
276	NORTH PACIFIC RIM HA	16.53%		17.37%
224	COPPER RIVER BASIN RHA	16.57%		17.45%
136	BETHEL, CITY OF	16.58%		17.40%
288	NORTHWEST INUPIAT HOUSING AUTHORITY	16.74%		17.65%
270	BERING STRAITS RHA	16.75%		17.62%
223	BRISTOL BAY RHA	16.78%		17.66%
171	BARROW, CITY OF	16.86%		17.70%
220	NORTHWEST ARCTIC BOROUGH	17.13%		18.24%
195	YUPIIT SD	17.13%		18.26%
267	ALEUTIAN HOUSING AUTHORITY	17.66%		18.92%
264	YAKUTAT SD	17.75%		18.96%
166	TANANA SD	17.81%		18.98%
160	YUKON / KOYUKUK SD	18.41%		20.02%

ER		FY08 Actuarially Calculated Rate (ARC before level dollar amortization)	FY08 Board Adopted Rate after level dollar amortization (i.e. no payroll growth)
230	ALEUTIANS EAST BOROUGH	18.63%	20.31%
254	MEKORYUK, CITY OF	18.70%	20.53%
154	NORTHWEST ARCTIC BOROUGH SD	18.87%	20.70%
279	TLINGIT-HAIDA RHA	18.96%	20.69%
202	WHITTIER, CITY OF	19.33%	21.40%
196	NENANA CITY SD	19.57%	21.62%
286	SELDOVIA, CITY OF	19.58%	21.58%
187	PETERSBURG MEDICAL CENTER	19.59%	21.73%
219	BARTLETT REGIONAL HOSPITAL	19.75%	21.87%
175	NOME JOINT UTILITY SYSTEM	20.20%	22.82%
145	NORTH SLOPE BOROUGH	20.54%	22.96%
280	TOKSOOK BAY, CITY OF	20.59%	23.16%
179	UNALASKA, CITY OF	20.81%	23.34%
206	THORNE BAY, CITY OF	20.84%	23.11%
141	GALENA CITY SD	21.07%	23.72%
255	ALASKA GATEWAY SD	21.41%	24.18%
131	WASILLA, CITY OF	21.52%	24.38%
157	LOWER KUSKOKWIM SD	21.57%	24.45%
104	BERING STRAIT SD	21.61%	24.49%
218	SPECIAL EDUCATION SERVICE AGENCY	21.97%	25.10%
248	YAKUTAT, CITY AND BOROUGH	22.10%	25.22%
132	SKAGWAY, CITY OF	22.26%	25.36%
168	HYDABURG CITY SD	22.97%	25.87%
151	KING COVE, CITY OF	23.07%	26.53%
152	ALASKA HOUSING FINANCE CORPORATION	23.20%	26.68%
211	KASHUNAMIUT SD	23.29%	26.87%
209	UNALASKA CITY SD	23.33%	26.87%
205	DILLINGHAM CITY SD	23.59%	27.30%
199	HOONAH, CITY OF	23.75%	27.46%
278	SAXMAN SEAPORT	24.20%	28.13%
172	SAINT PAUL, CITY OF	24.37%	28.44%
178	DILLINGHAM, CITY OF	24.52%	28.49%
203	ANCHORAGE PARKING AUTHORITY	25.00%	29.27%
156	PRIBILOF SD	25.09%	29.28%
161	NORTH SLOPE BOROUGH SD	25.25%	29.57%
249	UNALAKLEET, CITY OF	25.40%	29.89%
144	BRISTOL BAY BOROUGH	25.46%	29.90%
176	SAND POINT, CITY OF	25.46%	29.98%
163	CORDOVA COMMUNITY MEDICAL CENTER	25.49%	29.97%
116	FAIRBANKS NORTH STAR BOROUGH	25.56%	29.98%
170	NORTH PACIFIC FISHERY MGMT COUNCIL	25.57%	30.04%
102	SOUTHWEST REGION SD	25.61%	30.08%
244	ALEUTIANS EAST BOROUGH SD	25.63%	29.88%
182	SEWARD, CITY OF	26.41%	31.14%
271	EGEGIK, CITY OF	26.46%	31.40%

ER		FY08 Actuarially Calculated Rate (ARC before level dollar amortization)	FY08 Board Adopted Rate after level dollar amortization (i.e. no payroll growth)
265	KAKE CITY SD	26.52%	31.20%
125	KUSPUK SD	27.01%	32.06%
122	KETCHIKAN GATEWAY BOROUGH	27.13%	32.18%
165	SITKA COMMUNITY HOSPITAL	27.38%	32.58%
186	CRAIG, CITY OF	28.18%	33.56%
113	UNIVERSITY OF ALASKA PERS	28.23%	33.75%
243	ATKA, CITY OF	28.27%	34.02%
109	MATANUSKA-SUSITNA BOROUGH	28.28%	33.89%
110	MATANUSKA-SUSITNA BOROUGH SD	28.28%	33.89%
123	SOLDOTNA, CITY OF	28.41%	33.94%
167	SOUTHEAST REGIONAL RESOURCE CENTER	28.61%	34.41%
177	KETCHIKAN GATEWAY BOROUGH SD	28.70%	34.44%
149	NOME CITY SD	28.85%	34.58%
200	PELICAN, CITY OF	28.85%	34.82%
191	NORTH POLE, CITY OF	28.90%	34.59%
246	DELTA/GREELY SD	29.17%	35.15%
240	HAINES BOROUGH SD	29.19%	35.16%
251	KLAWOCK CITY SD	29.22%	35.15%
204	CRAIG CITY SD	29.36%	35.26%
153	LOWER YUKON SD	29.37%	35.46%
228	PETERSBURG CITY SD	29.70%	35.92%
139	NOME, CITY OF	29.79%	36.02%
215	HOMER, CITY OF	29.82%	35.96%
124	IDITAROD AREA SD	29.83%	35.80%
117	FAIRBANKS NORTH STAR BOROUGH SD	30.13%	36.49%
180	KENAI PENINSULA BOROUGH	30.84%	37.39%
164	LAKE AND PENINSULA BOROUGH SD	30.93%	37.60%
112	COPPER RIVER SD	31.58%	38.55%
245	ALEUTIANS WEST CRSA	31.62%	38.35%
108	JUNEAU BOROUGH SD	32.14%	39.28%
173	ANCHORAGE, MUNICIPALITY OF	32.16%	39.33%
235	HUSLIA, CITY OF	33.00%	40.43%
111	ANCHORAGE SD	33.27%	40.89%
158	KODIAK ISLAND BOROUGH SD	33.42%	41.11%
143	PETERSBURG, CITY OF	33.53%	41.15%
146	WRANGELL PUBLIC SD	33.97%	41.94%
247	LAKE AND PENINSULA BOROUGH	34.11%	41.95%
193	NENANA, CITY OF	34.11%	41.79%
121	CHUGACH SD	34.21%	42.23%
126	JUNEAU, CITY AND BOROUGH	34.51%	42.56%
118	DENALI BOROUGH SD	34.64%	42.65%
184	BRISTOL BAY BOROUGH SD	34.75%	42.77%
134	PALMER, CITY OF	34.79%	43.05%
120	SITKA, CITY AND BOROUGH	35.00%	43.31%
189	HAINES BOROUGH	35.52%	43.85%

ER		FY08 Actuarially Calculated Rate (ARC before level dollar amortization)	FY08 Board Adopted Rate after level dollar amortization (i.e. no payroll growth)
101	STATE OF ALASKA PERS	35.54%	44.01%
190	KENAI PENINSULA BOROUGH SD	36.48%	45.44%
138	HOONAH CITY SD	36.61%	45.14%
115	KENAI, CITY OF	36.67%	45.71%
107	VALDEZ, CITY OF	37.14%	46.32%
137	VALDEZ CITY SD	37.40%	46.80%
135	WRANGELL, CITY OF	38.14%	47.74%
128	KODIAK, CITY OF	38.34%	48.05%
174	KODIAK ISLAND BOROUGH	39.14%	49.23%
133	SITKA BOROUGH SD	40.21%	50.66%
148	CORDOVA, CITY OF	41.46%	52.49%
258	DENALI BOROUGH	41.64%	51.83%
181	KETCHIKAN, CITY OF	41.68%	52.61%
106	ALASKA MUNICIPAL LEAGUE	41.98%	52.74%
185	CORDOVA CITY SD	44.74%	56.88%
155	SOUTHEAST ISLAND SD	53.03%	68.73%
105	CHATHAM SD	53.47%	69.18%
237	KALTAG, CITY OF	57.16%	74.74%
260	KACHEMAK, CITY OF	68.25%	90.23%
198	SAXMAN, CITY OF	79.96%	105.76%
242	ELIM, CITY OF	99.57%	134.60%
129	FAIRBANKS, CITY OF	135.91%	184.95%

A. The actuarially calculated rate is below the statutory floor of 14.48%. AS 39.35.270(B) states, "The employer contribution rate may not be less than the rate required, after subtracting the member contributions rate, to fully fund the actuarially calculated benefits expected to earned by active members during a fiscal year."

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUENBERG

TO: HB 206

1 Page 7, following line 31:

2 Insert a new bill section to read:

3 ** Sec. 15. AS 39.35.260(b), enacted in sec. 7 of this Act, is repealed July 1, 2008."

4

5 Renumber the following bill sections accordingly.

6

7 Page 8, line 28:

8 Delete "Sections 15 and 16"

9 Insert "Sections 16 and 17"

10

11 Page 8, line 29:

12 Delete "sec. 18"

13 Insert "sec. 19"

AMENDMENT

2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HB 206

1 Page 8, following line 14:

2 Insert a new subsection to read:

3 "(c) Notwithstanding AS 39.35.255, added by sec. 5 of this Act, an employer that
4 made employer contributions under former AS 39.35.270 for the period beginning July 1,
5 2002, and ending June 30, 2006, that, when combined, exceed the minimum required of the
6 employer for that period by former AS 39.35.270 shall receive a credit equal to the excess and
7 may apply the credit toward payment of employer contributions under AS 39.35.255 for
8 subsequent years."

SCOMM

150:13

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HJR001-OOG-DOE-3-15-07
Bill Version: HJR 1
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
Title: Constitutional Amendment creating and relating RDU: Elections
to the gas endowment fund..... Component: Elections
Sponsor: Representative Hawker
Requester: House Ways and Means Committee Component No. 21

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual		1.5				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	1.5	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1.5				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	1.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

If this amendment appears on the 2008 ballot, the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58 is \$1.5. Should the addition of this questions require the printing of an 8-1/2 by 18-inch ballot the cost will increase to \$22.0.

Prepared by: Gail Fenumiai, Asst. Admin. Director Phone: 465-3885
Division: Division of Administrative Services Date/Time: 3/15/2007, 10:18am
Approved by: Whitney Brewster, Director Date: 3/15/2007
Agency: Office of the Lt. Governor, Division of Elections

Representative Mike Hawker

Alaska State Legislature



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907 465-4979 fax

Interim:

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House Finance Committee
Legislative Budget & Audit
Committee

Representing

House District 32
Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

House Joint Resolution 1

Sponsor Statement

House Joint Resolution 1 answers the Alaskan prayer:

"Lord, please grant me another Prudhoe Bay;
I promise not to fritter this one away."

Representative Mike Hawker

Alaska State Legislature



Session:

State Capitol
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Member:

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House District 32:

Eagle River
Anchorage
Rainbow
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Bird
Girdwood
Portage
Whittier
Sunrise
Hope

Fact Sheet for House Joint Resolution No. 1

Short Title: CONST. AM: GAS REVENUE ENDOWMENT FUND

Current Version: HJR 1

Contact: Juli Lucky 465-4949

Summary:

- Section 1 amends Article IX, Section 7 of the Alaska Constitution to allow dedication of future North Slope gas revenues to a "Gas Revenue Endowment Fund", similar to the Alaska Permanent Fund.
- Section 2 adds a new Section 18(a) to Article IX of the Alaska Constitution creating the Gas Revenue Endowment Fund where all revenues received by the state from natural gas produced on the North Slope are deposited. Other than described below, money in the fund may only be used for income-producing investments designated by law.
- Section 2 also adds a new Section 18(b) Article IX of the Alaska Constitution limiting appropriations from the Gas Revenue Endowment Fund to a 5% Percent Of Market Value (POMV) calculation and allows that appropriation to be made for any public purpose except the payment of dividends or other payments to all State residents.
- Section 3 places this constitutional amendment proposal before the voters in the next general election.

Background:

This constitutional amendment assures that as Alaska sells our non-renewable natural gas resource, the value of that resource is permanently preserved and converted to a renewable financial resource benefiting Alaska forever. Further, this amendment provides stable and predictable cash contributions to future state budgets mitigating the extraordinary price volatility inherent in monetizing Alaska's North Slope gas resources.

REVISED 4/17/2007

Gas Revenue Endowment Fund (GREF)
Pro-forma Operating Model (in millions unless noted)
Based on Fall 2003 Revenue Source Book Data

Assumptions (production and tax estimates provided by DOR with full disclaimer)

Chicago gas price (\$/mmBtu)	varies	First production	2012
Sale volume (bcf)	4.5	Full production	2013
Lease volume (bcf)	4.712	POMV	5.0% 5 year average
Royalty	12.5%	GREF Earnings	8.0%
Severance	10.0%	ELF	80% - 90%

Year	Deposit to GREF			GREF Earnings			GREF POMV			GREF Balance		
	\$4.00	\$5.00	\$6.00	\$4.00	\$5.00	\$6.00	\$4.00	\$5.00	\$6.00	\$4.00	\$5.00	\$6.00
2007	0	0	0							0	0	0
2008	0	0	0	0	0	0				0	0	0
2009	0	0	0	0	0	0				0	0	0
2010	0	0	0	0	0	0				0	0	0
2011	0	0	0	0	0	0				0	0	0
2012	298	473	649	0	0	0				298	473	649
2013	618	984	1,349	24	38	52				940	1,495	2,050
2014	620	985	1,351	75	120	164	(15)	(24)	(32)	1,620	2,576	3,532
2015	621	987	1,354	130	206	283	(31)	(49)	(67)	2,340	3,720	5,102
2016	622	989	1,356	187	298	408	(48)	(76)	(104)	3,101	4,930	6,762
2017	624	992	1,360	248	394	541	(65)	(103)	(142)	3,908	6,214	8,521
2018	625	994	1,363	313	497	682	(83)	(132)	(181)	4,763	7,573	10,385
2019	627	996	1,366	381	606	831	(119)	(189)	(260)	5,652	8,985	12,322
2020	628	999	1,370	452	719	986	(157)	(250)	(343)	6,575	10,453	14,335
2021	630	1,002	1,374	526	836	1,147	(198)	(314)	(431)	7,533	11,977	16,425
2022	632	1,005	1,378	603	958	1,314	(240)	(382)	(523)	8,528	13,559	18,593
2023	634	1,008	1,382	682	1,085	1,487	(284)	(452)	(620)	9,560	15,199	20,843
2024	636	1,011	1,386	765	1,216	1,667	(331)	(525)	(721)	10,630	16,901	23,176
2025	638	1,014	1,390	850	1,352	1,854	(378)	(602)	(825)	11,740	18,665	25,595
2026	640	1,017	1,395	939	1,493	2,048	(428)	(681)	(934)	12,891	20,494	28,104
2027	642	1,021	1,399	1,031	1,640	2,248	(480)	(763)	(1,046)	14,084	22,392	30,704
2028	644	1,024	1,404	1,127	1,791	2,456	(533)	(848)	(1,163)	15,322	24,359	33,402
2029	646	1,028	1,409	1,226	1,949	2,672	(589)	(937)	(1,284)	16,604	26,399	36,199
2030	648	1,031	1,414	1,328	2,112	2,896	(647)	(1,028)	(1,410)	17,934	28,514	39,099
2031	651	1,035	1,419	1,435	2,281	3,128	(706)	(1,123)	(1,540)	19,313	30,707	42,106
2032	653	1,039	1,424	1,545	2,457	3,368	(768)	(1,222)	(1,675)	20,743	32,981	45,223
2033	656	1,042	1,429	1,659	2,638	3,618	(833)	(1,324)	(1,815)	22,226	35,338	48,455
Total deposits	13,633	21,676	29,721									
Final fund bal.	22,226	35,338	48,455									

SCOMM

150:14

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HJR005-OOG-DOE-4-02-07
 Bill Version: HJR 5
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
 Title: Constitutional Amendment limiting appropriations RDU: Elections
from certain mineral revenue..... Component: Elections
 Sponsor: Representative Kelly
 Requester: House Ways & Means Committee Component No. 21

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual		1.5				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	1.5	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1.5				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	1.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

If this amendment appears on the 2008 ballot, the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58, is \$1.5. Should the addition of this question require the printing of an 8-1/2 by 18-inch ballot, the cost will increase to \$22.0.

Prepared by: Gail Fenumiai, Asst. Admin. Director Phone 465-3885
 Division: Division of Administrative Services Date/Time 4/02/2007, 9:03am
 Approved by: Whitney Brewster, Director Date 4/2/2007
 Agency: Office of the Lt. Governor, Division of Elections

Alaska State Legislature

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Member

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Representative Mike Kelly

House District 7

HJR 5

"An Act proposing amendments to the Constitution of the State of Alaska limiting appropriations from certain mineral revenue, relating to the balanced budget account, and relating to an appropriation limit."

The largest contributor to our state's unrestricted revenue is also the most volatile component. 85-90 percent of unrestricted revenues for FY '07 through FY'10 will come from oil. Since 1988 Alaska North Slope crude oil production has declined by 58% - from over 2 million barrels per day to under 740 thousand barrels per day. During that same period of time the market price of oil has tripled. We have gone from a significant deficit in FY '03, a \$500 million draw on the CBR, to a significant surplus in FY '06 of over \$1 billion, back to a projected deficit in FY '09. This makes rational budgeting nearly impossible. HJR 5 provides an appropriation smoothing and limiting mechanism applicable to the wildly fluctuating portion of the budget that is oil revenue.

In recognition of the difficulty in building and balancing our budget in a responsible manner when the price of oil fluctuates, HJR 5 forces the legislature to incorporate its oil revenues into the budget in any given fiscal year on a five-year rolling average, (4 years back and 1 year forward). This averaging would act as a "dampener" to prevent spending sprees when oil prices are high and crashes when oil prices are low.

HJR 5 also establishes a "Balanced Budget Account" in the State Treasury. Any oil and other mineral revenue received by the state in excess of the 5-year average amount referenced above would be deposited into the Balanced Budget Account. This account would not be subject to the Constitutional Budget Reserve sweep, but would be limited to a maximum amount that is equal to the oil and other mineral revenue appropriations for the current fiscal year, plus the immediate preceding fiscal year. Any excess amount would be transferred to the Constitutional Budget Reserve.

This resolution would also provide for transfer of funds from the Balanced Budget Account into appropriations during years when actual revenue from oil and other minerals falls below the 5-year average. In lean years, the legislature may with a majority vote transfer funds from the Balanced Budget Account necessary to fill the "gap" between the revenue available and the 5-year average. If the legislature requires

appropriations above what the 5-year average permits, it may choose to live within its means or seek funds from other sources of revenue including the CBR.

HJR 5 could end the constant search by the legislature for rat holes in which to stash excess revenues so they can access those funds to balance the budget in the following years, without having to buy the 3/4 vote to get funds from the Constitutional Budget Reserve. The resolution also avoids "sacred cows" by having no effect on the permanent fund corpus or the earnings of the Permanent Fund, the Amerada Hess Account or the Permanent Fund Dividend.

Member
House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly

House District 7

HJR 5

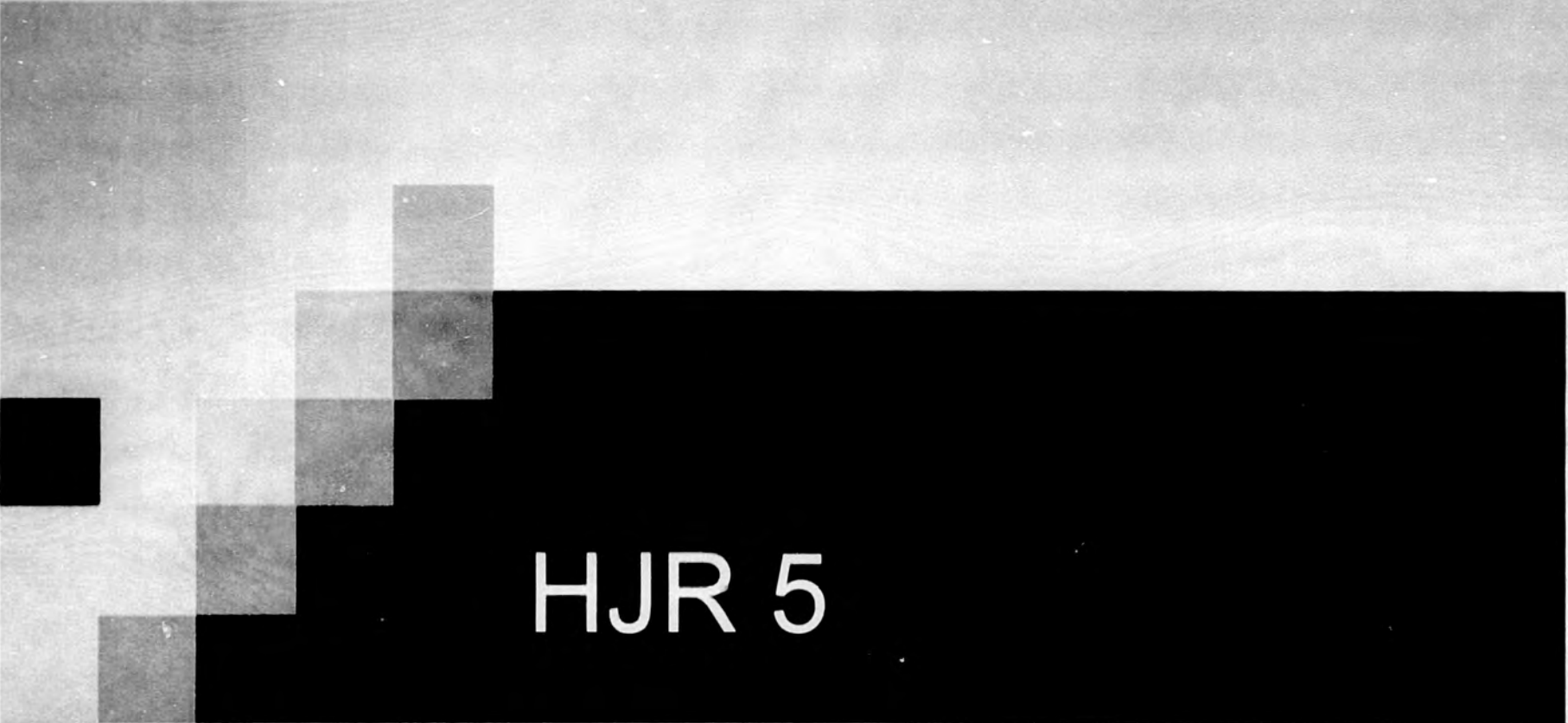
"An Act proposing amendments to the Constitution of the State of Alaska limiting appropriations from certain mineral revenue, relating to the balanced budget account, and relating to an appropriation limit."

The largest contributor to our state's unrestricted revenue is also the most volatile component: 65-90 percent of unrestricted revenues for FY 07 through FY 10 will come from oil. Since 1988 Alaska North Slope crude oil production has declined by 58% from over 2 million barrels per day to under 740 thousand barrels per day. During that same period of time the market price of oil has tripled. We have gone from a significant deficit in FY 03, a \$500 million draw on the CBR, to a significant surplus in FY 06 of over \$1 billion, back to a projected deficit in FY 09. This makes rational budgeting nearly impossible. HJR 5 provides an appropriation smoothing and limiting mechanism applicable to the wildly fluctuating portion of the budget that is oil revenue.

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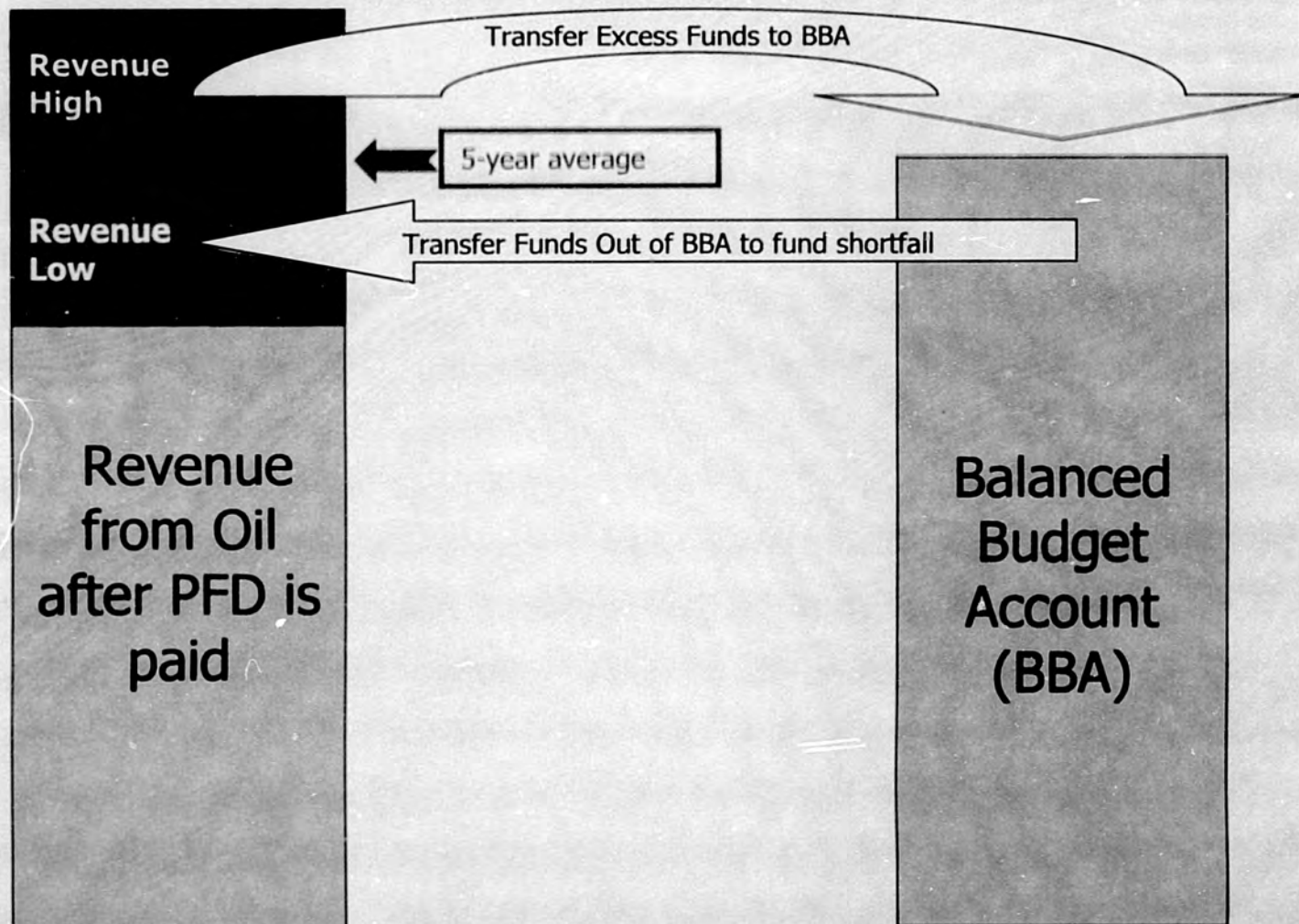
HJR 5

The Balanced Budget
Resolution

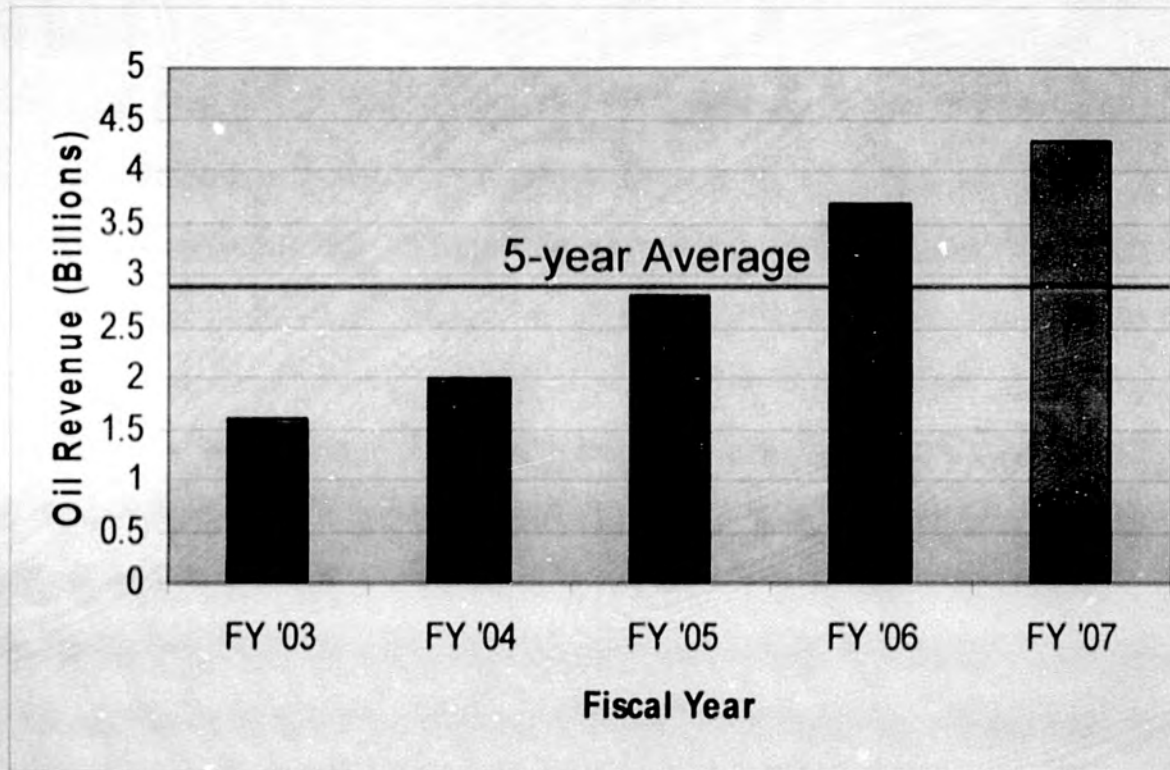
Rep. Mike Kelly

25th Legislative Session

Basic Concept of Balanced Budget Resolution



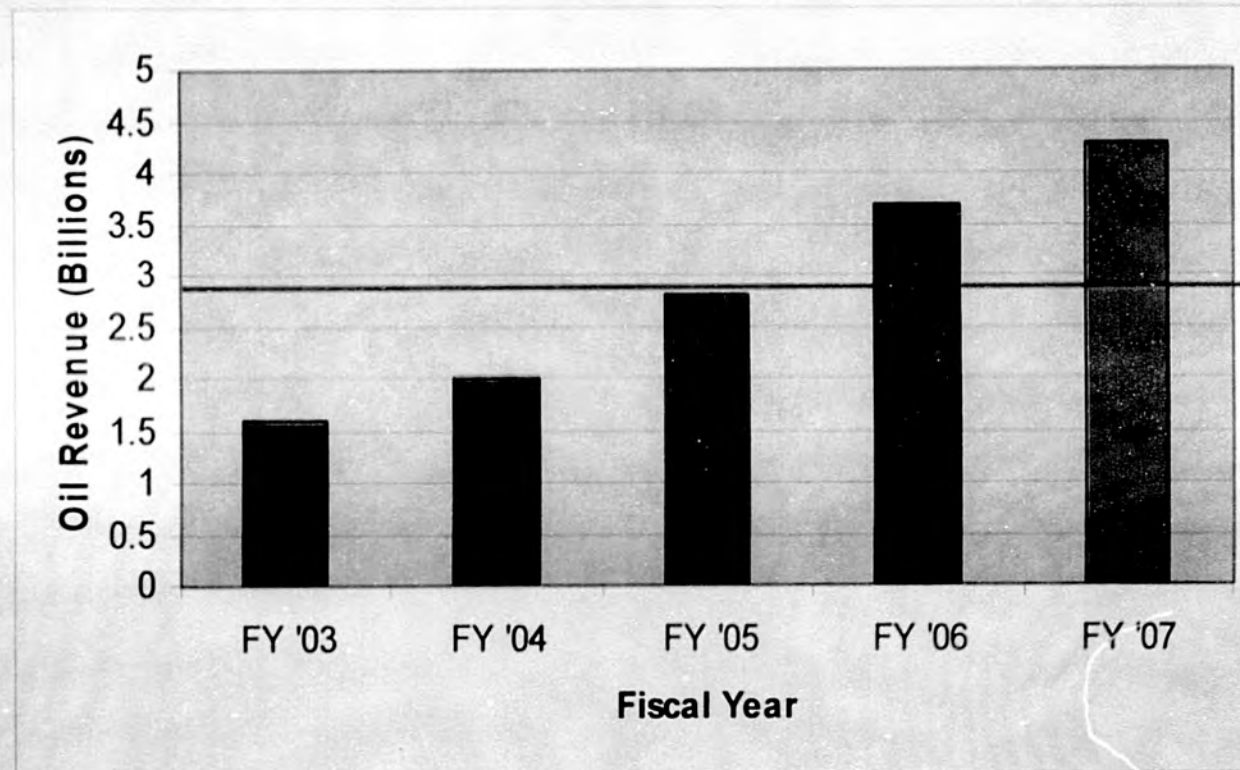
HJR 5



Balanced Budget Account (BBA)

- HJR 5 transfers funds into the BBA when oil prices are high and, with a simple majority vote, transfers funds out of the BBA to fill the gap when oil prices are low. When the balance of BBA exceeds 2 years of appropriations, excess will be transferred into the CBR.

5-year Average



\$ 2.9

5-year Average Calculation:

(For '08 Budget)

Take the Petroleum Revenue for the past 4 years, plus the Dept. of Revenue's current fiscal year projection and divide by 5.

Example:

\$ (Billions)

'03 \$ 1.6

'04 \$ 2.1

'05 \$ 2.8

'06 \$ 3.7

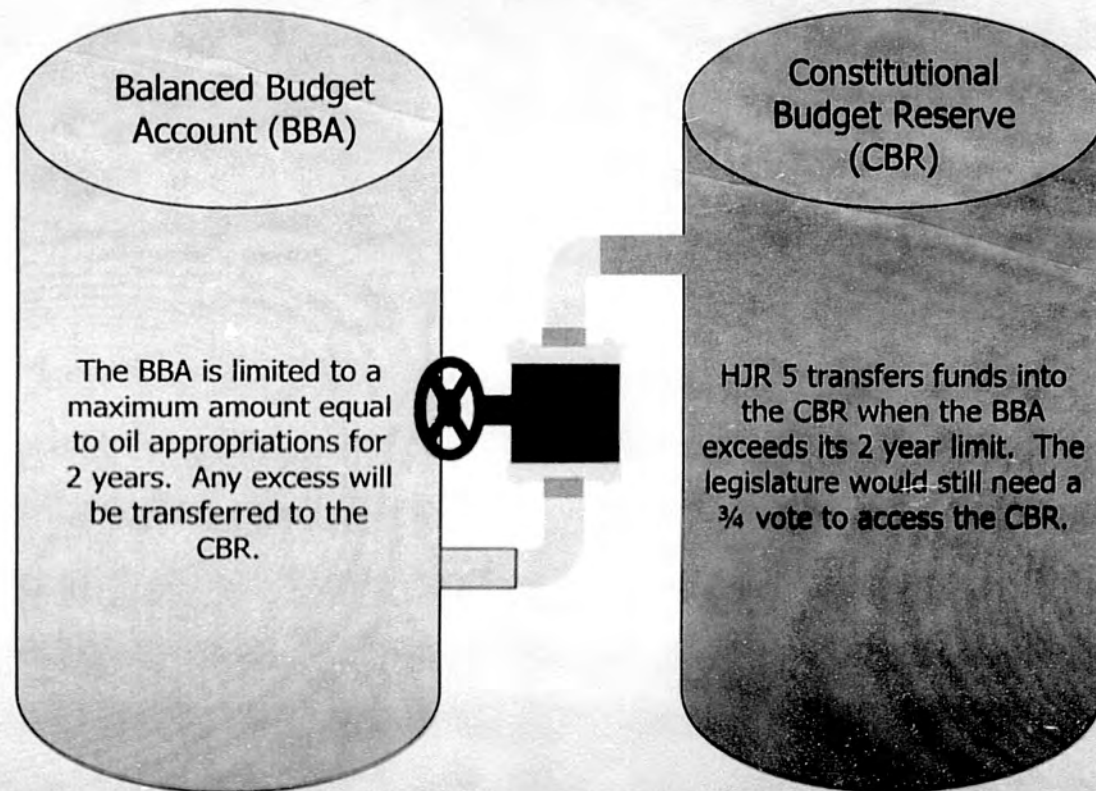
'07 \$ 4.3

Total \$14.5

Divided by 5 =

\$ 2.9

The BBA and CBR





The Sacred Cows

HJR 5 Does not touch:

- Permanent Fund Dividend
- Permanent Fund Corpus
- Permanent Fund Earnings
- Amerada Hess



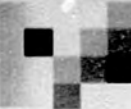
CBR Sweep

- The Balanced Budget Account is NOT subject to the Constitutional Budget Reserve sweep.



Fiscal Responsibility

- Encourages a better budgeting system than “when you have it, spend it – when you don’t, cut.”
- Provides a simple but effective mechanism to help save budget surpluses and avoid deficits while encouraging government to live within its means.
- Eliminates need for complicated “rat-holing” and “parking” of excess funds to avoid $\frac{3}{4}$ vote.



New Petroleum Profits Tax & HJR5

- Timing – Appropriate
- The PPT increases income – HJR5 limits appropriations for fiscal stability



Why a Constitutional Amendment?

- The legislature can easily overpower, ignore or change statutory appropriation constraints.
- Let the people speak concerning this simple fiscal framework. It may be the only fiscal plan they will endorse at this time.



HJR 5 And POMV

"If the people of Alaska choose a Percent of Market Value approach to funding government using the Permanent Fund Earnings, HJR 5 would accommodate that approach."

MODEL HJR 5 (Millions)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Unrestricted Oil Revenue	1,320.1	1,639.1	2,057.0	2,849.6	3,698.9	4,331.5	3,357.2	3,224.3	3,105.7	3,137.4	3,002.5	2,710.0	2,363.4	2,223.9
5-year Average Approp. Limit	1,554.9	1,416.7	1,478.0	1,706.7	1,948.2	2,312.9	2,915.2	3,258.8	3,492.3	3,543.5	3,431.2	3,165.4	3,036.0	2,863.8
BBA Max. Draw/Min. Deposit	(234.8)	222.4	579.0	1,142.9	1,750.7	2,018.6	442.0	(34.5)	(386.6)	(406.1)	(428.7)	(455.4)	(672.6)	(639.9)
BBA Beginning Balance	0.0	222.4	231.6	844.0	2,068.5	3,805.1	4,436.2	5,078.7	5,251.6	5,064.9	4,850.3	4,603.3	4,318.4	3,795.6
BBA Deposit	-	222.4	579.0	1,142.9	1,586.4	456.0	442.0	-	-	-	-	-	-	-
Excess transfer to CBR	-	-	-	-	164.3	1,562.6	-	-	-	-	-	-	-	-
BBA Max. Draw	-	-	-	-	-	-	-	34.5	386.6	406.1	428.7	455.4	672.6	639.9
BBA Ending Balance	-	231.6	844.0	2,068.5	3,805.1	4,436.2	5,078.7	5,251.6	5,064.9	4,850.3	4,603.3	4,318.4	3,795.6	3,285.4
CBR Balance	2,565.2	2,670.6	2,780.4	2,894.7	3,184.7	4,942.4	5,145.5	5,357.0	5,577.2	5,806.4	6,045.1	6,293.5	6,552.2	6,821.5

***FY 02' 5-year average used Unrestricted Oil Revenue for FY97 thru FY01

***BBA ending balance & CBR assume an annual investment return of 4.11%

***Split deposits in FY 06' and FY 07' because BBA exceeded 2-years of appropriations

***Assumes the \$234.8 million needed to fill the gap in FY 02' was taken from the CBR

SCOMM

150:15

Table 1. State Constitutional Limitations on Guaranteed Long-Term Debt, FY 1990

State	Referendum Approval	Super- majority	Prohibition	Revenue- based	No Limitation
Alabama			X		
Alaska	X				
Arizona			X		
Arkansas	X				
California	X	X			
Colorado			X		
Connecticut					X
Delaware		X			
Florida	X				
Georgia				X	
Hawaii				X	
Idaho	X				
Illinois	X	X			
Indiana			X		
Iowa	X				
Kansas	X				
Kentucky	X				
Louisiana		X			
Maine	X	X			
Maryland					X
Massachusetts		X			
Michigan	X	X			
Minnesota		X			
Mississippi				X	
Missouri	X				
Montana		X			
Nebraska			X		
Nevada				X	
New Hampshire					X
New Jersey	X				
New Mexico	X			X	
New York	X				
North Carolina	X			X	
North Dakota			X		
Ohio			X		
Oklahoma	X				
Oregon				X	
Pennsylvania	X			X	
Rhode Island	X				
South Carolina				X	
South Dakota		X		X	
Tennessee					X
Texas			X		
Utah				X	
Vermont					X
Virginia	X	X		X	
Washington		X		X	
West Virginia			X		
Wisconsin				X	
Wyoming	X			X	

failure to do so will abrogate a political agreement. An example of this practice is the fisheries enhancement tax levied under AS 43.76.010. This is a tax on salmon fishermen intended to support salmon hatcheries. The tax receipts are deposited to the general fund, and "the legislature may make appropriations to the Department of Community and Economic Development for the purpose of providing financing to qualified [regional aquaculture] associations" (AS 43.76.025).

Enterprise funds are also examples of de facto dedication of revenues, such as the Marine Highway System Fund, which directs receipts from the sale of tickets on the ferry system to the support of that system. The constitutionality of this fund was challenged in court and upheld because the language of its authorizing statutes is permissive and does not restrict the authority of the legislature to appropriate money from the fund (although parts of the act creating this fund that restricted the authority of the executive branch to request appropriations from the fund were found to violate the prohibition of this section; see *Sonneman v. Hickel*, 836 P.2d 936, 1992).

Section 8. State Debt

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.

Limitations on the ability of states to incur debt are a common feature of fiscal articles of state constitutions. They are the consequence of well-publicized defaults by some of the older states on bonds issued for overly ambitious public works projects and of scandals arising from corrupt public construction and financing schemes. Some constitutional limitations restrict general debt to specific purposes (only road construction, for example); some limit the amount of debt that may be issued by establishing a ceiling on total allowable annual debt payments (usually expressed as maximum percentage of general fund revenue); some require a supermajority vote of the legislature to contract debt; and others require a referendum for the electorate to approve state indebtedness. The Territorial Organic Act of 1912 originally prohibited the territory of Alaska and its municipalities from acquiring any kind of debt without congressional approval, but this stricture was removed in 1935.

In 1982 a constitutional amendment was ratified that inserted "or unless authorized by law for housing loans for veterans." This allowed the state to incur tax-exempt general obligation debt for veterans' housing loans. The amendment was a response to a 1980 federal law that prevented states or public corporations such as the Alaska Housing Finance Corporation from selling housing bonds in the tax-exempt market, but allowed an exception for general obligation bonds for veterans' housing.

The term "capital improvements" used in this section and Section 9 has been construed by the Alaska Supreme Court to mean assets in the form of real or personal property with a permanent character, such as streets, sewers, schools, libraries and public utilities. Thus, the municipality of Juneau could not borrow money through the sale of general obligation bonds to acquire land for the expansion of state government offices, as land is not a public works or capital improvement within the traditional meaning of these terms (*City of Juneau v. Hixson*, 373 P.2d 743, 1962). [See AS 37.07.120(4).]

Revenue bonds issued by an instrumentality of the state are explicitly exempt from the requirement for voter approval of this section (see Section 11, below). The supreme court has said that lease-purchase agreements are also exempt, because these contractual agreements do not legally commit the legislature to make the lease payments. The contracts say that the lease payments are subject to annual appropriation by the legislature. "Where a lease-purchase agreement does not require a future legislature to appropriate funds, the agreement is not a long-term binding obligation to repay borrowed money pursuant to article IX, section 8, and is not 'debt' as defined by the Alaska Supreme Court" (*Carr-Gottstein Properties v. State*, 899 P.2d 136, 1995). The court defined debt for purposes of this section in *Chefornak v. Hooper Bay Construction Company*, 758 P.2d 1266, 1988, as "borrowed money, usually evidenced by bonds but possibly created by the issuance of paper bearing a different label." In this case, a village sought unsuccessfully to repudiate an obligation to a construction company which was the result of an out-of-court settlement of a lawsuit, by claiming it was a "debt" incurred in violation of Section 9, below.

The large majority of general obligation bond propositions to go before the voters have been approved.

Section 9. Local Debts

No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

This section limits the general borrowing power of local governments as Section 8 limits the general borrowing power of the state government: debt secured by the general credit of the government may be acquired only for capital improvements, and only after an affirmative vote of the electorate. Its purpose is also the same: to safeguard the fiscal integrity of the government. (See commentary under Section 8 for definitions of "debt" and "capital improvements.")

Alaska's constitution does not impose a ceiling on local debt, but the constitutions of many states do so. For example, some restrict local debt to a percentage of the local assessed valuation of the taxing jurisdiction. The Alaska legislature has restricted the taxing powers of local governments by limiting

Table 1. State Constitutional Limitations on Guaranteed Long-Term Debt, FY 1990

State	Referendum Approval	Super- majority	Prohibition	Revenue- based	No Limitation
Alabama			X		
Alaska	X				
Arizona			X		
Arkansas	X				
California	X	X			
Colorado			X		
Connecticut					X
Delaware		X			
Florida	X				
Georgia				X	
Hawaii				X	
Idaho	X				
Illinois	X	X			
Indiana			X		
Iowa	X				
Kansas	X				
Kentucky	X				
Louisiana		X			
Maine	X	X			
Maryland					X
Massachusetts		X			
Michigan	X	X			
Minnesota		X			
Mississippi				X	
Missouri	X				
Montana		X			
Nebraska			X		
Nevada				X	
New Hampshire					X
New Jersey	X				
New Mexico	X			X	
New York	X				
North Carolina	X			X	
North Dakota			X		
Ohio			X		
Oklahoma	X				
Oregon				X	
Pennsylvania	X			X	
Rhode Island	X				
South Carolina				X	
South Dakota		X		X	
Tennessee					X
Texas			X		
Utah				X	
Vermont					X
Virginia	X	X		X	
Washington		X		X	
West Virginia			X		
Wisconsin				X	
Wyoming	X			X	

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

Table 1. State Constitutional Limitations on Guaranteed Long-Term Debt, FY 1990

State	Referendum Approval	Super- majority	Prohibition	Revenue- based	No Limitation
Alabama			X		
Alaska	X				
Arizona			X		
Arkansas	X				
California	X	X			
Colorado			X		
Connecticut					X
Delaware		X			
Florida	X				
Georgia				X	
Hawaii				X	
Idaho	X				
Illinois	X	X			
Indiana			X		
Iowa	X				
Kansas	X				
Kentucky	X				
Louisiana		X			
Maine	X	X			
Maryland					X
Massachusetts		X			
Michigan	X	X			
Minnesota		X			
Mississippi				X	
Missouri	X				
Montana		X			
Nebraska			X		
Nevada				X	
New Hampshire					X
New Jersey	X				
New Mexico	X			X	
New York	X				
North Carolina	X			X	
North Dakota			X		
Ohio			X		
Oklahoma	X				
Oregon				X	
Pennsylvania	X			X	
Rhode Island	X				
South Carolina				X	
South Dakota		X		X	
Tennessee					X
Texas			X		
Utah				X	
Vermont					X
Virginia	X	X		X	
Washington		X		X	
West Virginia			X		
Wisconsin				X	
Wyoming	X			X	



25th Alaska State Legislature

House Special Committee on Ways & Means

House Joint Resolution 35 Sponsor Statement

Short Title: Constitutional Amendment: State Debt

House Joint Resolution 35, if passed by the legislature and ratified by the voters, would amend our Constitution to remove language that limits the type of debt that can be contracted by the state. Currently, the Constitution prohibits state debt except for capital improvements and housing for veterans. This prohibition precludes the state from taking advantage of financing options that could save money in the long-term. State debt would still have to be authorized by statute.

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR35
 () Publish Date: _____

Identifier (file name): HJR035-OCG-DOE-2-19-08 Dept. Affected: OOG
 Title: Constitutional amendment relating to state debt RDU: Elections
 Component: Elections
 Sponsor: House Ways and Means Committee
 Requester: House Ways and Means Committee Component Number: 21

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1.5							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		1.5	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

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

Prepared by: Gail Fenumiai, Director Phone: 465-2644
 Division: Division of Elections Date/Time: 2/19/2008, 11:08am
 Approved by: Linda Perez, Administrative Director Date: 2/19/2008
Office of the Governor

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number:

Bill Version:

HJR 35

() Publish Date:

Identifier (file name):

HJR35-DOR-TRE-2-19-08

Title

Constitutional Amendment Relating to State Debt

Dept. Affected:

Revenue

RDU

Tax and Treasury

Component

Treasury

Sponsor

Special Committee on Ways and Means

Requester

Ways and Means

121

Expenditures/Revenues

(Thousands of Dollars)

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

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

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The resolution expands the allowed use of state general obligation debt. The resolution eliminates the current requirement that general obligation bonds be issued only when there is a capital improvement or for housing loans for veterans. The bill does not change that process of authorizing general obligation debt, and any new authorization would still need to be approved by the Legislature, approved by the Governor, and then ratified by the Alaskan electorate.

Long term tax-exempt bonds may only be issued to complete a project (or fund mortgages in certain instances) per the Internal Revenue Service Code. This broader authority, if used for operating costs, or other uses where there isn't a capital project, would result in the bonds issued being taxable.

Prepared by: Deven Mitchell

Division: Treasury

Approved by: Jerry Burnett

Department of Revenue

Phone: 465-3750

Date/Time: 2/19/08 12:00 AM

Date: 2/19/2008

Member

Standing Committees:

Judiciary
State Affairs

House Special Committee:

Ways & Means

Finance Subcommittees:

Administration
Courts

Alaska State Legislature

House of Representatives



Representative Max F. Gruenberg, Jr.

House District 20

Anchorage (Mountain View, Russian Jack, East Anchorage)

House Minority Assistant Floor Leader

Interim:

716 W 4th Avenue, Rm 350
Anchorage, Alaska 99501-2133
Phone: (907) 269-0123
Fax: (907) 269-0124

Session:

Alaska State Capitol, Rm 110
Juneau, Alaska 99801-1182
Phone: (907) 465-4940
Toll Free: (866) 465-4940
Fax: (907) 465-3766

Email:

rep.max.gruenberg@legis.state.ak.us

Memorandum

TO: Ways and Means Committee Members

FROM: Lisa A. Mariotti, Legislative Aide

DATE: February 19, 2008

RE: HJR 35 – Constitutional Amendment – State Debt

The attached memorandum and report was prepared by Legislative Research Services to provide background information on other state constitutional provisions regarding state debt. Also attached is a copy of amendments made to the Arkansas Constitution as recent as 2007.

Please note that the memorandum references Attachments A through F which are not included in this packet for copyright reasons. If anyone would like to obtain a copy of these background articles please let me know and I will have Legislative Research Services provide you with a copy directly.

Thank you for your attention to this matter.

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services

State Capitol, Juneau, AK 99801
Phone: 907-465-3991
Fax: 907-465-3908

June 25, 2007

Memorandum

TO: Representative Max Gruenberg

FROM: Patricia Young
Manager

RE: State Constitutional Provisions on Debt

You asked for information about state constitutional provisions on debt. You were particularly interested in the wording in various state constitutions and in changes that have occurred over the past thirty years.

The attached table includes the primary provisions we identified through a LEXIS search of each state's constitution. As you will see, the detail and strictness of criteria for state indebtedness varies considerably among states. As you will also see, the information on amendments available through LEXIS is generally not detailed. Searching for information on changes to constitutional provisions on debt, we found several articles that may be useful to you. Please note that most of these articles are copyright protected and we provide them for your personal and individual use only.

- Attachment A: "Debt Management Practices in the States" (Washington, D.C.: National Association of State Budget Officers, April 1994). This article provides useful descriptive commentary for several individual states on debt affordability and debt limits, linkages between capital budgeting and debt management, types and structures of debt issued, consolidating and reporting on total debt, policies on using bonds or cash, and coordinating debt management. Table 2, on page 32, provides information on state debt limits in brief tabular form.
- Attachment B: Government Finance Officers Association (GFOA) "Recommended Practice" on Debt Management Policy, updated and approved in 2003.
- Attachment C: D. Roderick Kiewiet and Kristin Szakaly, "Constitutional Limitations on Borrowing: An Analysis of State Bonded Indebtedness," *Journal of Law, Economics and Organization* (Oxford, UK: Oxford University Press, 1996). Dr. Kiewiet is the dean of graduate studies and professor of political science at the California Institute of Technology. This article categorizes state constitutional provisions into four basic groups: those requiring referendum approval (the most common); those requiring a supermajority vote of the legislature; those establishing a revenue-based ceiling; and those prohibiting the issue of guaranteed debt entirely. The article also contains a discussion of the ways state constitutional debt limitations are "readily and routinely circumvented."
- Attachment D: William J. Shultz, "Limitations on State and Local Borrowing Powers," *Annals of the American Academy of Political and Social Science*, Vol. 181, *The State Constitution of the Future* (Sep., 1935), pp. 118-124. We include this document for its historical background.
- Attachment E: Dale Bails and Margie A. Tieslau, "The Impact of Fiscal Constitutions on State and Local Expenditures," *Cato Journal*, Vol. 20, No. 2 (Fall 2000), pp. 255-277. Appendix Table 1, beginning on page 273, shows the absence or presence of various budget rules in place, by state, from 1969 through 1994.

Legislative Research Services

State Capitol, Juneau, AK 99801

Attachment F: Dwight V. Denison, Merl Hackbart, and Michael Moody, "Evolving Role of Debt Limit Policies," [Draft] paper prepared for presentation at the National Conference of the Association for Budgeting and Financial Management, Washington, D.C., November 2005.

June 25, 2007

Memorandum

TO: Representative Max Griesberg

FROM: Patricia Young
Manager

I hope this information is helpful. Please let us know if you have questions or need additional information.

RE: State Constitutional Provisions on Debt

You asked for information about state constitutional provisions on debt. You were particularly interested in the wording of various state constitutions and in changes that have occurred over the past thirty years. The attached table includes the primary provisions we located through a LEXIS search of each state's constitution. As you will see, the text and structure of these provisions varies considerably among states. As you will also see, the information on amendments available through LEXIS is generally not detailed. Searching for information on changes to constitutional provisions on debt, we found several articles that may be useful to you. Please note that most of these articles are copyright protected and we provide them for your personal and individual use only.

- Attachment A: "Debt Management Practices in the States" (Washington, D.C.: National Association of State Budget Officers, April 1994). This article provides useful descriptive commentary for several individual states on debt affordability and debt limits, compares debt control policies and structures of debt issues, consolidated and reporting on debt policies on a state-by-state basis, and provides debt management. Table 2 on page 32 provides information on state debt limits in brief tabular form.
- Attachment B: Government Finance Officers Association (GFOA) "Recommended Practice" on Debt Management Policy updated and approved in 2002.
- Attachment C: D. Robert Kiewit and Kristin Gaskin, "Constitutional Limitations on Borrowing: An Analysis of State Bonded Indebtedness," *Journal of Law, Economics and Organization* (Oxford, UK: Oxford University Press, 1998). Dr. Kiewit is the dean of graduate studies and professor of political science at the California Institute of Technology. This article categorizes state constitutional provisions into four basic groups: those requiring referendum approval (the most common), those requiring a supermajority vote of the legislature, those establishing a revenue-based ceiling, and those providing the issue of guaranteed debt service. The article also contains a discussion of the ways state constitutional debt limitations are tested and routinely circumvented.
- Attachment D: William J. Schultz, "Limitations on State and Local Borrowing Powers," *Annals of the American Academy of Political and Social Science*, Vol. 181, *The State Constitution of the Future* (Sept. 1935), pp. 118-124. We include this document for its historical background.
- Attachment E: Dale Baile and Margie A. Tiesler, "The Impact of Fiscal Constitutions on State and Local Expenditures," *Gato Journal*, Vol. 29, No. 2 (Fall 2000), pp. 255-277. Appendix Table 1, beginning on page 273, shows the presence or absence of various budget rules in place by state from 1989 through 1994.

State	Provision	Amendments
Alabama Art. XI, Sec. 213	Sec. 213. Creation of state debt after ratification of Constitution; temporary loans; refunding bonds for existing indebtedness; payment of interest on certain outstanding and unpaid state warrants; sinking fund for payment of floating indebtedness; warrants not to be drawn on state treasury unless money available for payment; unpaid appropriations for which money unavailable at end of fiscal year. After the ratification of this Constitution, no new debt shall be created against, or incurred by the state, or its authority except to repel invasion or suppress insurrection, and then only by a concurrence of two-thirds of the members of each house of the legislature, and the vote shall be taken by yeas and nays and entered on the journals; provided, the governor may be authorized to negotiate temporary loans, never to exceed three hundred thousand dollars, to meet the deficiencies in the treasury, and until the same is paid no new loan shall be negotiated; (provided, further, that this section shall not be so construed as to prevent the issuance of bonds for the purpose of refunding the existing bonded indebtedness of the state. Provided, further, that this section shall not be construed as to prevent the governor from paying interest at the rate of not exceeding 5% per annum payable semi-annually from July 1, 1933, on the floating indebtedness of the state at the close of business on September 30, 1932, as shown by outstanding and unpaid warrants drawn on the treasury, as provided by law, amounting in the aggregate to \$16,943,357.12 and items enumerated in an act of the legislature number 294, being senate bill 272, approved November 9, 1932 [Acts 1932, Ex. Sess., p. 298], all of which are hereby ratified and confirmed.) All warrants and/or instruments issued or to be issued representing such indebtedness shall be a direct obligation of the state, and for the prompt and faithful payment of the principal and interest thereon, the full faith and credit of the state is hereby irrevocably pledged, and such warrants and/or instruments shall be exempt forever from all taxes of every kind. Any act creating or incurring any new debt against the state, except as herein provided for, shall be absolutely void. To create a sinking fund for the prompt and faithful payment of the floating indebtedness of the state, and interest thereon, the net proceeds of any income tax which may be levied by the legislature pursuant to law is hereby pledged. To prevent further deficits in the state treasury, it shall be unlawful from and after the adoption of this amendment for the state comptroller of the state of Alabama to draw any warrant or other order for the payment of money belonging to, or administered by, the state of Alabama upon the state treasurer, unless there is in the hand of such treasurer money appropriated and available for the full payment of the same. In case there is, at the end of any fiscal year, insufficient money in the state treasury for the payment of all proper claims presented to the state comptroller for the issuance of warrants, the comptroller shall issue warrants for that proportion of each such claim which the money available for the payment of all said claims bears to the whole, and such warrants for such prorated sums shall thereupon be paid by the state treasurer. At the end of each fiscal year all unpaid appropriations which exceed the amount of money in the state treasury subject to the payment of the same after the proration above provided for, shall thereupon become null and void to the extent of such excess. Any person violating any of the provisions of this amendment shall, on conviction, be punished by a fine of not exceeding five thousand dollars, or by imprisonment in the penitentiary for not more than two years, one or both, at the discretion of the jury trying the same, and the violation of any provisions of this amendment shall also be ground for impeachment.	No amendments since 1933.
Alaska Art. IX, § 8	Section 8. State Debt No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.	Amendment effective December 24, 1982, inserted "or unless authorized by law for housing loans for veterans" in the first sentence.
Arizona Art. IX, § 5	Section 5. The State may contract debts to supply the casual deficits or failures in revenues, or to meet expenses not otherwise provided for; but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more laws, or at different periods of time, shall never exceed the sum of three hundred and fifty thousand dollars; and the money arising from the creation of such debts shall be applied to the purpose for which it was obtained or to repay the debts so contracted, and to no other purpose. In addition to the above limited power to contract debts the State may borrow money to repel invasion, suppress insurrection, or defend the State in time of war; but the money thus raised shall be applied exclusively to the object for which the loan shall have been authorized or to the repayment of the debt thereby created. No money shall be paid out of the State treasury, except in the manner provided by law.	
Arkansas Art. 16, § 1 Amendments 20, 62 and 65	See attached provision and notes to amendments.	

California Art. XVI § 1	§ 1. Debt limitation; Legislative and elective approval The Legislature shall not, in any manner create any debt or debts, liability or liabilities, which shall, singly or in the aggregate with any previous debts or liabilities, exceed the sum of three hundred thousand dollars (\$300,000), except in case of war to repel invasion or suppress insurrection, unless the same shall be authorized by law for some single object or work to be distinctly specified therein which law shall provide ways and means, exclusive of loans, for the payment of the interest of such debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within 50 years of the time of the contracting thereof, and shall be irrevocable until the principal and interest thereon shall be paid and discharged, and such law may make provision for a sinking fund to pay the principal of such debt or liability to commence at a time after the incurring of such debt or liability of not more than a period of one-fourth of the time of maturity of such debt or liability; but no such law shall take effect unless it has been passed by a two-thirds vote of all the members elected to each house of the Legislature and until, at a general election or at a direct primary, it shall have been submitted to the people and shall have received a majority of all the votes cast for and against it at such election; and all moneys raised by authority of such law shall be applied only to the specific object therein stated or to the payment of the debt thereby created. Full publicity as to matters to be voted upon by the people is afforded by the setting out of the complete text of the proposed laws, together with the arguments for and against them, in the ballot pamphlet mailed to each elector preceding the election at which they are submitted, and the only requirement for publication of such law shall be that it be set out at length in ballot pamphlets which the Secretary of State shall cause to be printed. The Legislature may, at any time after the approval of such law by the people, reduce the amount of the indebtedness authorized by the law to an amount not less than the amount contracted at the time of the reduction, or it may repeal the law if no debt shall have been contracted in pursuance thereof. Notwithstanding any other provision of this Constitution, Members of the Legislature who are required to meet with the State Allocation Board shall have equal right and duties with the nonlegislative members to vote and act upon matters pending or coming before such board for the allocation and apportionment of funds to school districts for school construction purposes or purposes related thereto. Notwithstanding any other provision of this constitution, or of any bond act to the contrary, if any general obligation bonds of the state heretofore or hereafter authorized by vote of the people have been offered for sale and not sold, the Legislature may raise the maximum rate of interest payable on all general obligation bonds authorized but not sold, whether or not such bonds have been offered for sale, by a statute passed by a two-thirds vote of all members elected to each house thereof. The provisions of Senate Bill No. 763 of the 1969 Regular Session, which authorize an increase of the state general obligation bond maximum interest rate from 5 percent to an amount not in excess of 7 percent and eliminate the maximum rate of interest payable on notes given in anticipation of the sale of such bonds, are hereby ratified.	Last amended, 1970.
Colorado Art. XI, Section 3 Art. XI, Section 4 Art. XI, Section 5	Section 3. Public debt of state - limitations The state shall not contract any debt by loan in any form, except to provide for casual deficiencies of revenue, erect public buildings for the use of the state, suppress insurrection, defend the state, or, in time of war, assist in defending the United States; and the amount of debt contracted in any one year to provide for deficiencies of revenue shall not exceed one-fourth of a mill on each dollar of valuation of taxable property within the state, and the aggregate amount of such debt shall not at any time exceed three-fourths of a mill on each dollar of said valuation, until the valuation shall equal one hundred millions of dollars, and thereafter such debt shall not exceed one hundred thousand dollars; and the debt incurred in any one year for erection of public buildings shall not exceed one-half mill on each dollar of said valuation; and the aggregate amount of such debt shall never at any time exceed the sum of fifty thousand dollars (except as provided in section 5 of this article), and in all cases the valuation in this section mentioned shall be that of the assessment last preceding the creation of said debt. Section 4. Law creating debt In no case shall any debt above mentioned in this article be created except by a law which shall be irrevocable, until the indebtedness therein provided for shall have been fully paid or discharged; such law shall specify the purposes to which the funds so raised shall be applied, and provide for the levy of a tax sufficient to pay the interest on and extinguish the principal of such debt within the time limited by such law for the payment thereof, which in the case of debts contracted for the erection of public buildings and supplying deficiencies of revenue shall not be less than ten nor more than fifteen years, and the funds arising from the collection of any such tax shall not be applied to any other purpose than that provided in the law levying the same, and when the debt thereby created shall be paid or discharged, such tax shall cease and the balance, if any, to the credit of the fund shall immediately be placed to the credit of the general fund of the state. Section 5. Debt for public buildings - how created A debt for the purpose of erecting public buildings may be created by law as provided for in section four of this article, not exceeding in the aggregate three mills on each dollar of said valuation; provided, that before going into effect, such law shall be ratified by the vote of a majority of such qualified electors of the state as shall vote thereon at a general election under such regulations as the general assembly may prescribe.	HISTORY: Source: Entire article added, effective August 1, 1876, see L.1877, p. 61. L.1887: Entire section [3] amended, p. 26. L.09: Entire section amended, p. 317. L.20: Entire section amended, effective December 4, 1920, see L. 21, p. 181. Initiated 22: Entire section amended, see L.23, p. 234, effective December 21, 1922. L.92: Entire section amended, p. 2317, effective upon proclamation of the Governor, L.93: p. 2163, January 14, 1993. No amendments to sections 4 & 5.

Connecticut	No specific provision identified.	
Delaware Art. VIII, § 3 Art. VIII, § 4	Section 3. No money shall be borrowed or debt created by or on behalf of the State but pursuant to an Act of the General Assembly, passed with the concurrence of three fourths of all the members elected to each House, except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the State in war, or pay existing debts; and any law authorizing the borrowing of money by or on behalf of the State shall specify the purpose for which the money is to be borrowed, and the money so borrowed shall be used exclusively for such purpose; but should the money so borrowed or any part thereof be left after the abandonment of such purpose or the accomplishment thereof, such money, or the surplus thereof, may be disposed of according to law. § 4. Restrictions on loan of public money or bonds and credit of State Section 4. No appropriation of the public money shall be made to, nor the bonds of this State be issued or loaned to any county, municipality or corporation, nor shall the credit of the State, by the guarantee or the endorsement of the bonds or other undertakings of any county, municipality or corporation, be pledged otherwise than pursuant to an Act of the General Assembly, passed with the concurrence of three fourths of all the members elected to each House.	
Florida Art. VII, § 11	§ 11. State bonds; revenue bonds (a) State bonds pledging the full faith and credit of the state may be issued only to finance or refinance the cost of state fixed capital outlay projects authorized by law, and purposes incidental thereto, upon approval by a vote of the electors; provided state bonds issued pursuant to this subsection may be refunded without a vote of the electors at a lower net average interest cost rate. The total outstanding principal of state bonds issued pursuant to this subsection shall never exceed fifty percent of the total tax revenues of the state for the two preceding fiscal years, excluding any tax revenues held in trust under the provisions of this constitution. (b) Moneys sufficient to pay debt service on state bonds as the same becomes due shall be appropriated by law. (c) Any state bonds pledging the full faith and credit of the state issued under this section or any other section of this constitution may be combined for the purposes of sale. (d) Revenue bonds may be issued by the state or its agencies without a vote of the electors to finance or refinance the cost of state fixed capital outlay projects authorized by law, and purposes incidental thereto, and shall be payable solely from funds derived directly from sources other than state tax revenues. (e) Bonds pledging all or part of a dedicated state tax revenue may be issued by the state in the manner provided by general law to finance or refinance the acquisition and improvement of land, water areas, and related property interests and resources for the purposes of conservation, outdoor recreation, water resource development, restoration of natural systems, and historic preservation. (f) Each project, building, or facility to be financed or refinanced with revenue bonds issued under this section shall first be approved by the Legislature by an act relating to appropriations or by general law.	Section 11: Am. C.S. for C.S. for S.J.R. 612, 1984; adopted 1984; Am. proposed by Constitution Revision Commission, Revision No. 5, 1998, filed with the Secretary of State May 5, 1998; adopted 1998.
Georgia Art. VII, § IV, Para. I	PARAGRAPH I. Purposes for which debt may be incurred The state may incur: (a) Public debt without limit to repel invasion, suppress insurrection, and defend the state in time of war. (b) Public debt to supply a temporary deficit in the state treasury in any fiscal year created by a delay in collecting the taxes of that year. Such debt shall not exceed, in the aggregate, 5 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred. The debt incurred shall be repaid on or before the last day of the fiscal year in which it is incurred out of taxes levied for that fiscal year. No such debt may be incurred in any fiscal year under the provisions of this subparagraph (b) if there is then outstanding unpaid debt from any previous fiscal year which was incurred to supply a temporary deficit in the state treasury. (c) General obligation debt to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the state, its agencies, departments, institutions, and of those state authorities which were created and activated prior to November 8, 1960. (d) General obligation debt to provide educational facilities for county and independent school systems and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems, and, when the construction of such educational or library facilities has been completed, the title to such facilities shall be vested in the respective local boards of education, counties, municipalities, or public library boards of trustees for which such facilities were constructed. (e) General obligation debt in order to make loans to counties, municipal corporations, political subdivisions, local authorities, and other local government entities for water or sewerage facilities or systems or for regional or multijurisdictional solid waste recycling or solid waste facilities or systems. It shall not be necessary for the state or a state authority to hold title to or otherwise be the owner of such	The constitutional amendment (Ga. L. 1984, p. 1713, § 1) which revised subparagraph (d) by inserting "and to provide public library facilities...of public library systems," inserting "or library" preceding "facilities has been completed," and inserting "counties, municipalities, or...boards of trustees" preceding "for which such facilities," and deleting "educational" preceding "facilities shall be vested," was approved by a majority of the qualified voters voting at the general election held on November 6, 1984. The constitutional amendment (Ga. L. 1986, p. 1612, § 1) which redesignated

	facilities or systems. General obligation debt for these purposes may be authorized and incurred for administration and disbursement by a state authority created and activated before, on, or after November 8, 1960. (f) Guaranteed revenue debt by guaranteeing the payment of revenue obligations issued by an instrumentality of the state if such revenue obligations are issued to finance: (1) Toll bridges or toll roads. (2) Land public transportation facilities or systems. (3) Water facilities or systems. (4) Sewage facilities or systems. (5) Loans to, and loan programs for, citizens of the state for educational purposes. (6) Regional or multijurisdictional solid waste recycling or solid waste facilities or systems.	former subparagraph (e) as subparagraph (f) and which added present subparagraph (e) was approved by a majority of the qualified voters voting at the general election held on November 4, 1986. The constitutional amendment (Ga. L. 1992, p. 3329, §§ 1, 2) which revised subparagraphs (e) and (f) to add provisions as to regional or multi-jurisdictional solid waste recycling or solid waste facilities or systems was approved by a majority of the qualified voters voting at the general election held on November 3, 1992.
Hawaii Art. VII, § 13	Section 13. DEBT LIMIT; EXCLUSIONS. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to twenty percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance. Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section. A sum equal to fifteen percent of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt of such political subdivision that is outstanding and unpaid at any time. All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal of general obligation bonds and of reimbursable general obligation bonds shall mature not later than five years from the date of issue of such series. The last installment on general obligation bonds shall mature not later than twenty-five years from the date of such issue and the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue. The interest and principal payments of general obligation bonds shall be a first charge on the general fund of the State or political subdivision, as the case may be. In determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under section 12, the following shall be excluded: 1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside. 2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and	Ren. and am. Const Con 1978 and election Nov 7, 1978.

	repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor. 3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds. 4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon. 5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor. 6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year. 7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing body of the political subdivision has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such political subdivision. 8. Bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under this section; provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law. 9. Bonds issued by or on behalf of the State or by any political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God. The total outstanding indebtedness of the State or funded debt of any political subdivision and the exclusions therefrom permitted by this section shall be made annually and certified by law or as provided by law. For the purposes of section 12 and this section, amounts received from on-street parking may be considered and treated as revenues of a parking undertaking. Nothing in section 12 or in this section shall prevent the refunding of any bond at any time.	
Idaho Art. VIII, § 1	§ 1. Limitation on public indebtedness The legislature shall not in any manner create any debt or debts, liability or liabilities, except in case of war, to repel an invasion, or suppress an insurrection, unless the same shall be authorized by law, for some single object or work, to be distinctly specified therein, which law shall provide ways and means, exclusive of loans, for the payment of the interest on such debt or liability as it falls due, and also for the payment and discharge of the principal of such debt or liability within twenty years of the time of the contracting thereof, and shall be irrevocable until the principal and interest thereon shall be paid and discharged. But no such law shall take effect until at a general election it shall have been submitted to the people, and shall have received a majority of all the votes cast for or against it at such election, and all moneys raised by the authority of such laws shall be applied only to specified objects therein stated or to the payment of the debt thereby created, and such law shall be published prior to the general election at which it is submitted to the people, in the same manner as amendments to this constitution are published. The legislature may at any time after the approval of such law, by the people, if no debts shall have been contracted in pursuance thereof, repeal the same. This section shall not apply to liabilities incurred for ordinary operating expenses, nor shall it apply to debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the general fund of the state are not debts or liabilities of the state of Idaho. The provisions of this section shall not make illegal those types of financial transactions that were legal on or before November 3, 1998.	This section was ratified at the general election in November, 1912, to read as follows: "§ 1. <i>Limitation on public indebtedness.</i> -- The legislature shall not in any manner create any debt or debts, liability or liabilities, which shall singly or in the aggregate, exclusive of the debt of the territory at the date of its admission as a state, and exclusive of debts or liabilities incurred subsequent to January 1, 1911, for the purpose of completing the construction and furnishing of the state capitol at Boise, Idaho, and exclusive of debt or debts, liability or liabilities incurred by the eleventh session of the legislature of the

	credit of the State or are required to be repaid, directly or indirectly, from tax revenue and which are incurred by the State, any department, authority, public corporation or quasi-public corporation of the State, any State college or university, or any other public agency created by the State, but not by units of local government, or school districts. (b) State debt for specific purposes may be incurred or the payment of State or other debt guaranteed in such amounts as may be provided either in a law passed by the vote of three-fifths of the members elected to each house of the General Assembly or in a law approved by a majority of the electors voting on the question at the next general election following passage. Any law providing for the incurring or guaranteeing of debt shall set forth the specific purposes and the manner of repayment. (c) State debt in anticipation of revenues to be collected in a fiscal year may be incurred by law in an amount not exceeding 5% of the State's appropriations for that fiscal year. Such debt shall be retired from the revenues realized in that fiscal year. (d) State debt may be incurred by law in an amount not exceeding 15% of the State's appropriations for that fiscal year to meet deficits caused by emergencies or failures of revenue. Such law shall provide that the debt be repaid within one year of the date it is incurred. (e) State debt may be incurred by law to refund outstanding State debt if the refunding debt matures within the term of the outstanding State debt. (f) The State, departments, authorities, public corporations and quasi-public corporations of the State, the State colleges and universities and other public agencies created by the State, may issue bonds or other evidences of indebtedness which are not secured by the full faith and credit or tax revenue of the State nor required to be repaid, directly or indirectly, from tax revenue, for such purposes and in such amounts as may be authorized by law.	
Indiana Art. 10, § 5	§ 5. State debt prohibited - Exceptions. No law shall authorize any debt to be contracted, on behalf of the State, except in the following cases: To meet casual deficits in the revenue; to pay the interest on the State Debt; to repel invasion, suppress insurrection, or, if hostilities be threatened, provide for the public defense.	
Iowa Art. VII § 5	Sec. 5. Contracting debt -- submission to the people. Except the debts herein before specified in this article, no debt shall be hereafter contracted by, or on behalf of this state, unless such debt shall be authorized by some law for some single work or object, to be distinctly specified therein; and such law shall impose and provide for the collection of a direct annual tax, sufficient to pay the interest on such debt, as it falls due, and also to pay and discharge the principal of such debt, within twenty years from the time of the contracting thereof; but no such law shall take effect until at a general election it shall have been submitted to the people, and have received a majority of all the votes cast for and against it at such election; and all money raised by authority of such law, shall be applied only to the specific object therein stated, or to the payment of the debt created thereby; and such law shall be published in at least one newspaper in each county, if one is published therein, throughout the state, for three months preceding the election at which it is submitted to the people.	
Kansas Art. 11, § 6	6. State debts; annual tax; proceeds. For the purpose of defraying extraordinary expenses and making public improvements, the state may contract public debts; but such debts shall never, in the aggregate, exceed one million dollars, except as hereinafter provided. Every such debt shall be authorized by law for some purpose specified therein, and the vote of a majority of all the members elected to each house, to be taken by the yeas and nays, shall be necessary to the passage of such law; and every such law shall provide for levying an annual tax sufficient to pay the annual interest of such debt, and the principal thereof, when it shall become due; and shall specifically appropriate the proceeds of such taxes to the payment of such principal and interest; and such appropriation shall not be repealed nor the taxes postponed or diminished, until the interest and principal of such debt shall have been wholly paid.	Originally adopted by convention as 5, July 29, 1859; ratified by electors, Oct. 4, 1859; L. 1861, p. 62; renumbered as 6, L. 1931, ch. 300, 2; Nov. 8, 1932.
Kentucky § 49 § 50	§ 49. Power to contract debts - Limit. The General Assembly may contract debts to meet casual deficits or failures in the revenue; but such debts, direct or contingent, singly or in the aggregate, shall not at any time exceed five hundred thousand dollars, and the moneys arising from loans creating such debts shall be applied only to the purpose or purposes for which they were obtained, or to repay such debts: Provided, The General Assembly may contract debts to repel invasion, suppress insurrection, or, if hostilities are threatened, provide for the public defense. § 50. Purposes for which debt may be contracted - Tax to discharge - Public vote. No act of the General Assembly shall authorize any debt to be contracted on behalf of the Commonwealth except for the purposes mentioned in Section 49, unless provision be made therein to levy and collect an annual tax sufficient to pay the interest stipulated, and to discharge the debt within thirty years; nor shall such act take effect until it shall have been submitted to the people at a general election, and shall have received a majority of all the votes cast for and against it: Provided, The General Assembly may contract debts by borrowing money to pay any part of the debt of the State, without submission to the people, and without making provision in the act authorizing the same for a tax to discharge the debt so contracted, or the interest thereon.	

Louisiana Art. VII, § 6	§ 6. State debt; full faith and credit obligations A. <i>Authorization.</i> --Unless otherwise authorized by this constitution, the state shall have no power, directly or indirectly, or through any state board, agency, commission, or otherwise, to incur debt or issue bonds except by law enacted by two-thirds of the elected members of each house of the legislature. The debt may be incurred or the bonds issued only if the funds are to be used to repel invasion; suppress insurrection; provide relief from natural catastrophes; refund outstanding indebtedness at the same or a lower effective interest rate; or make capital improvements, but only in accordance with a comprehensive capital budget, which the legislature shall adopt. B. (1) <i>Capital Improvements.</i> --If the purpose is to make capital improvements, the nature and location and, if more than one project, the amount allocated to each and the order of priority shall be stated in the comprehensive capital budget which the legislature adopts. (2) The estimated amount of debt service to be paid for capital improvements for the next fiscal year shall be stated as a separate item and by budget unit in the budget estimate required to be submitted by the governor in accordance with Section 11 of this Article. C. <i>Full Faith and Credit.</i> --The full faith and credit of the state shall be pledged to the repayment of all bonds or other evidences of indebtedness issued by the state directly or through any state board, agency, or commission pursuant to the provisions of Paragraphs (A) and (B) hereof. The full faith and credit of the state is not hereby pledged to the repayment of bonds of a levee district, political subdivision, or local public agency. In addition, any state board, agency, or commission authorized by law to issue bonds, in the manner so authorized and with the approval of the State Bond Commission or its successor, may issue bonds which are payable from fees, rates, rentals, tolls, charges, grants, or other receipts or income derived by or in connection with an undertaking, facility, project, or any combination thereof, without a pledge of the full faith and credit of the state. Such revenue bonds may, but are not required to, be issued in accordance with the provisions of Paragraphs (A) and (B) hereof. If issued other than as provided in Paragraphs (A) and (B), such revenue bonds shall not carry the pledge of the full faith and credit of the state and the issuance of the bonds shall not constitute the incurring of state debt under this constitution. The rights granted to deep-water port commissions or deep-water port, harbor, and terminal districts under this constitution shall not be impaired by this Section. D. <i>Referendum.</i> --The legislature, by law enacted by two-thirds of the elected members of each house, may propose a statewide public referendum to authorize incurrence of debt for any purpose for which the legislature is not herein authorized to incur debt. E. <i>Exception.</i> --Nothing in this Section shall apply to any levee district, political subdivision, or local public agency unless the full faith and credit of the state is pledged to the payment of the bonds of the levee district, political subdivision, or local public agency. F. (1) <i>Limitation.</i> --The legislature shall provide for the determination of a limit to the amount of net state tax supported debt which may be issued by the state in any fiscal year. Net state tax supported debt shall be defined by law. When enacted, such definition shall not be changed except by specific legislative instrument which receives a favorable vote of two-thirds of the elected members of each house of the legislature. The limitation shall be established so that by Fiscal Year 2003-2004 and thereafter the amount necessary to service outstanding net state tax supported debt shall not exceed six percent of the estimate of money to be received by the state general fund and dedicated funds contained in the official forecast adopted by the Revenue Estimating Conference at its first meeting after the beginning of each fiscal year and any other money required to be included in the estimate by this Paragraph. In making such estimate, the conference shall include all amounts which are to be used to service net state tax supported debt. For purposes of this Paragraph, servicing outstanding net state tax supported debt includes payments of principal, interest, and sinking fund requirements. The limitation established pursuant to this Paragraph shall not be construed to prevent the payment of debt service on net state tax supported debt. (2) The limitation established pursuant to this Paragraph may be changed by passage of a specific legislative instrument by a favorable vote of two-thirds of the elected members of each house of the legislature. The limitation may be exceeded by passage of a specific legislative instrument for a project or related projects by a favorable vote of two-thirds of the elected members of each house of the legislature, provided that any debt service payment required for such projects shall, once bonds have been issued in connection therewith, not be impaired in any future year by application of this limitation. The limitation established pursuant to this Subparagraph shall be deemed to be increased as necessary to accommodate any projects approved to exceed this limit if approved as provided in this Paragraph, but only as long as there are bonds outstanding for the projects. (3) Except as provided in Subparagraph (2) of this Paragraph, the State Bond Commission shall not approve the issuance of any net state tax supported debt, the debt service requirement of which would cause the limit herein established to be exceeded.	Amended in 1993: Article VII, Section 6(B) amended relative to debt; to provide relative to the reporting of amounts spent on debt service; and to specify an election for submission of the proposition to electors and provide a ballot proposition. Also in 1993, added Section F.
Maine Art. V, Pt. 3, § 5 Art. VIII, Pt. 1, § 2 Art. IX, § 14 Art. IX, § 14-B Art. IX, § 14-D	§ 5. Bonding regulations; prohibiting use of proceeds from sale of bonds to fund current expenditures Section 5. The Legislature shall enact general law prohibiting the use of proceeds from the sale of bonds to fund current expenditures and shall provide by appropriation for the payment of interest upon and installments of principal of all bonded debt created on behalf of the State as the same shall become due and payable. If at any time the Legislature shall fail to make any such appropriation, the Treasurer of State shall set apart from the first General Fund revenues thereafter received a sum sufficient to pay such interest or installments of principal and shall so apply the moneys thus set apart. The Treasurer of State may be required to set apart and apply such revenues at the suit of any holder of such bonds. The prohibition on use of proceeds from the sale of bonds to fund current expenditures shall only apply	

to those bonds authorized on or after July 1, 1977.

§ 2. Authority to pledge the credit of the State and to issue bonds for loans to Maine students in higher education and their parents

Section 2. For the purpose of assisting the youth of Maine to achieve the required levels of learning and to develop their intellectual and mental capacities, the Legislature, by proper enactment, may authorize the credit of the State to be loaned to secure funds for loans to Maine students attending institutions of higher education, wherever situated, and to parents of these students. Funds shall be obtained by the issuance of state bonds, when authorized by the Governor, but the amount of bonds issued and outstanding shall not at one time exceed in the aggregate \$ 4,000,000. Funds loaned shall be on such terms and conditions as the Legislature shall authorize.

§ 14. Authority and procedure for issuance of bonds

Section 14. The credit of the State shall not be directly or indirectly loaned in any case, except as provided in sections 14-A, 14-B, 14-C and 14-D. The Legislature shall not create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities hereafter incurred at any one time, exceed \$ 2,000,000, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made, and except for loans to be repaid within 12 months with federal transportation funds in amounts not to exceed 50% of transportation funds appropriated by the Federal Government in the prior federal fiscal year; and excepting also that whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State at such times and in such amounts and for such purposes as approved by such action; but this shall not be construed to refer to any money that has been, or may be deposited with this State by the Government of the United States, or to any fund which the State shall hold in trust for any Indian tribe. Whenever ratification by the electors is essential to the validity of bonds to be issued on behalf of the State, the question submitted to the electors shall be accompanied by a statement setting forth the total amount of bonds of the State outstanding and unpaid, the total amount of bonds of the State authorized and unissued, and the total amount of bonds of the State contemplated to be issued if the enactment submitted to the electors be ratified. For any bond authorization requiring ratification of the electors pursuant to this section, if any bonds have not been issued within 5 years of the date of ratification, then those bonds may not be issued after that date. Within 2 years after expiration of that 5-year period, the Legislature may extend, by a majority vote, the 5-year period for an additional 5 years or may deauthorize the bonds. If the Legislature fails to take action within those 2 years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. For any bond authorization in existence on November 6, 1984, and for which the 5-year period following ratification has expired, no further bonds may be issued unless the Legislature, by November 6, 1986, reauthorizes those bonds, by a majority vote, for an additional 5-year period, failing which all bonds unissued under those authorizations shall be considered to be deauthorized. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, whichever is the lesser.

§ 14-B. Authority to insure revenue bonds of the Maine School Building Authority

Section 14-B. In order to encourage and assist in the provision and construction of public school buildings in the State, the Legislature by proper enactment may insure the payment of revenue bonds of the Maine School Building Authority on school projects within the State not exceeding in the aggregate \$ 6,000,000 in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

§ 14-D. Authority to insure Maine veterans' mortgage loans, and to appropriate moneys and issue bonds for the payment of same

Section 14-D. For the purposes of recognizing the services and sacrifices of Maine's men and women who have served their state and country through honorable service in the Armed Forces of the United States in time of war or national emergency; enlarging the opportunities for employment of Maine's veterans; insuring the preservation and betterment of the economy of the State of Maine; and stimulating the flow of private investment funds to Maine's veterans, the Legislature by proper enactment may insure the payment of any mortgage loan to resident Maine veterans of the Armed Forces of the United States, including a business organization owned in whole or in part by a resident Maine veteran, when such loans are made in connection with such legitimate purposes and under such terms and conditions as the Legislature may determine, not exceeding in the aggregate \$ 4,000,000 in amount at any one time and may also appropriate moneys and authorize the issuance of bonds on behalf of the State at such times and in such amounts as it may determine to make payments insured as aforesaid.

Maryland Art. VI, § 3	Section 3. Powers and duties of Treasurer and deputies; signature of bonds, etc., of State; transfer of evidences of debt of State The Treasurer shall receive the moneys of the State, and, until otherwise prescribed by law, deposit them, as soon as received, to the credit of the State, in such bank or banks as he may, from time to time, with the approval of the Governor, select (the said bank or banks giving security, satisfactory to the Governor, for the safekeeping and forthcoming, when required of said deposits), and he or such of his deputies as may be authorized to do so by the Legislature shall disburse the same for the purposes of the State according to law, upon warrants drawn by the Comptroller, or his duly authorized deputy, and on checks countersigned by the Comptroller, or his duly authorized deputy. The Legislature may prescribe, by law, for the Treasurer to disburse the moneys of the State by a system other than by the use of checks. The Treasurer or such of his deputies as may be authorized to do so by the Legislature shall take receipts for all moneys paid from the Treasury Department; and receipt for moneys received by him shall be endorsed upon warrants signed, by the Comptroller, or such deputy as may be authorized to do so by law, without which warrants, so signed, no acknowledgment of money received into the Treasury shall be valid; and upon warrants issued by the Comptroller, or his duly authorized deputy, the Treasurer shall make arrangements for the payment of the interest of the public debt, and for the purchase thereof, on account of the sinking fund. Every bond, certificate, or other evidence of the debt of the State shall be signed by the Treasurer, Chief Deputy Treasurer, or a Deputy Treasurer, and countersigned by the Comptroller, Chief Deputy Comptroller, or a Deputy Comptroller; and no new certificate or other evidence intended to replace another shall be issued until the old one shall be delivered to the Treasurer, and authority executed in due form for the transfer of the same filed in his office, and the transfer accordingly made on the books thereof, and the certificate or other evidence cancelled; but the Legislature may make provisions for the loss of certificates, or other evidences of the debt; and may prescribe, by law, the manner in which the Treasurer shall receive and keep the moneys of the State.	No changes since 1974.
Massachusetts Art. LXII, § 1	Section 1. Giving, Lending, etc., of Commonwealth's Credit; Prohibition as to Aiding Private Enterprises. The commonwealth may give, loan or pledge its credit only by a vote, taken by the yeas and nays, of two-thirds of each house of the General Court present and voting thereon. The credit of the commonwealth shall not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned and managed.	Not amended since 1964.
Michigan Art. IX, § 25	§ 25. Increase in taxes and spending, prohibition; direct voter approval; emergency conditions; repayment of voter approved bonded indebtedness guaranteed; implementation. Sec. 25. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval. The state is prohibited from requiring any new or expanded activities by local governments without full state financing, from reducing the proportion of state spending in the form of aid to local governments, or from shifting the tax burden to local government. A provision for emergency [sic] conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in Sections 26 through 34, inclusive, of this Article.	
Minnesota Art. XI, § 4 Art. XI, § 5 Art. XI, § 6 Art. XI, § 7	Sec. 4. Power to contract public debt; public debt defined The state may contract public debts for which its full faith, credit and taxing powers may be pledged at the times and in the manner authorized by law, but only for the purposes and subject to the conditions stated in section 5. Public debt includes any obligation payable directly in whole or in part from a tax of state wide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes. Sec. 5. Public debt and works of internal improvement; purposes Public debt may be contracted and works of internal improvements carried on for the following purposes: (a) to acquire and to better public land and buildings and other public improvements of a capital nature and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes if the law authorizing the debt is adopted by the vote of at least three-fifths of the members of each house of the legislature; (b) to repel invasion or suppress insurrection; (c) to borrow temporarily as authorized in section 6; (d) to refund outstanding bonds of the state or any of its agencies whether or not the full faith and credit of the state has been pledged for the payment of the bonds; (e) to establish and maintain highways subject to the limitations of article XIV; (f) to promote forestation and prevent and abate forest fires, including the compulsory clearing and improving of wild lands whether public or private; (g) to construct, improve and operate airports and other air navigation facilities; (h) to develop the state's agricultural resources by extending credit on real estate security in the manner and on the terms and conditions prescribed by law; (i) to improve and rehabilitate railroad rights-of-way and other rail facilities whether public or private, provided that bonds issued and unpaid shall not at any time exceed \$200,000,000 par value; and (j) as otherwise authorized in this constitution.	