

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1129 SCOMM 45: SPENDING LIMIT FILES, INCLUDING SJR 4, 1981 ~~129~~

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

17

17-JUN-81

COMMENTS

FY02 GOVERNORS BUDGET
OPERATING \$1776.5
CAPITAL \$ 227.4
LOANS \$ 400.4
OTHER \$ 301.8
ESCROW \$ 300.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF FIDELITY TRUSTS AND FUNDS REPORTED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT	INVESTMENT	INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLY- MENTAL'S	DEBT SERVICE	PAYMENTS IN FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERMANENT FUND END OF YEAR	GENERAL FUND END OF YEAR	REVENUE PER FOR OF BAL
1981											1739.0	041.0	
1982	5110.0	437.8	5547.0	3086.1	0.0	0.0	0.0	615.4	3701.7	1045.1	2254.0	2697.1	0.0
1983	5170.0	726.1	5896.1	3549.0	0.0	0.0	0.0	761.8	4310.8	2585.3	2000.0	5222.4	0.0
1984	6043.0	1081.7	7924.7	4001.4	0.0	0.0	0.0	874.7	4856.1	2948.6	3600.5	8241.0	0.0
1985	7571.0	1406.2	9257.2	4623.6	0.0	0.0	0.0	1001.6	5655.1	3362.1	4402.9	11203.1	0.0
1986	8457.0	1946.6	10403.6	5327.6	0.0	0.0	0.0	1147.5	6450.1	3058.5	5366.6	15461.6	0.0
1987	9571.0	2478.8	12049.5	6207.2	0.0	0.0	0.0	1327.2	7534.5	4515.0	6342.0	19976.7	0.0
1988	10587.0	3084.1	13671.1	7138.3	0.0	0.0	0.0	1497.4	8635.8	5637.3	7494.3	27012.0	0.0
1989	11530.0	3748.3	15288.3	8209.1	0.0	0.0	0.0	1679.5	9888.6	5397.7	8767.3	30409.7	0.0
1990	11832.0	4423.7	16255.7	9440.5	0.0	0.0	0.0	1779.8	11220.0	5035.7	10075.0	35443.4	0.0
1991	12380.0	5066.9	17446.9	10858.5	0.0	0.0	0.0	1892.4	12740.9	4578.0	11430.3	40943.3	0.0
1992	12635.0	5657.1	18292.1	12405.0	0.0	0.0	0.0	1996.3	14401.3	3010.9	12620.5	43074.2	0.0
1993	12640.0	6142.5	18782.5	14397.7	0.0	0.0	0.0	2062.4	16420.2	2371.3	14207.3	46225.5	0.0
1994	12580.0	6462.8	19042.8	16511.4	0.0	0.0	0.0	2117.4	18628.8	414.0	17300.0	46439.5	0.0
1995	11907.0	6533.8	18440.8	18980.1	0.0	0.0	0.0	2102.5	21090.6	-2649.9	16071.3	43989.7	0.0
1996	11250.0	6261.4	17491.4	21036.3	0.0	0.0	0.0	2086.2	23716.6	-6435.2	18072.8	37254.5	0.0
1997	10474.0	5566.3	16040.3	25111.0	0.0	0.0	0.0	2055.7	27167.5	-11107.2	19201.5	26447.3	0.0

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET
OPERATING \$1776.5
CAPITAL \$ 227.4
LOANS \$ 400.4
OTHER \$ 301.0
ESCROW \$ 300.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 20.00%
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLEMENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND	REVENUE REQ FOR OF BAL
FY											END OF YEAR OF	\$ MIL
1981										1739.0	841.0	
1982	5110.0	437.0	5547.0	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.0	2607.1	0.0
1983	8170.0	721.2	8891.2	3703.3	0.0	0.0	761.0	4465.1	2426.1	2900.0	5113.2	0.0
1984	6943.0	1053.5	7996.5	4444.0	0.0	0.0	874.7	5318.7	2577.0	3400.5	7671.0	0.0
1985	7571.0	1400.1	8971.1	5332.8	0.0	0.0	1001.6	6334.3	2644.0	4402.0	10335.0	0.0
1986	8457.0	1781.6	10238.6	6199.3	0.0	0.0	1147.5	7346.8	2691.0	5306.0	13027.4	0.0
1987	9521.0	2125.0	11646.0	7679.2	0.0	0.0	1327.2	9006.4	2740.4	6342.0	15760.0	0.0
1988	10507.0	2575.4	13182.4	9215.0	0.0	0.0	1497.4	10712.5	2450.0	7494.3	18218.0	0.0
1989	11530.0	2943.2	14473.2	11050.1	0.0	0.0	1679.5	12737.6	1743.6	8767.3	17941.6	0.0
1990	11832.0	3203.0	15035.0	13269.7	0.0	0.0	1779.6	15049.2	-14.3	10075.0	19947.3	0.0
1991	12280.0	3275.5	15555.5	15923.6	0.0	0.0	1872.4	17816.0	-2260.5	11430.5	17686.0	0.0
1992	12635.0	3074.7	15709.7	17100.3	0.0	0.0	1996.3	21104.6	-5374.9	12820.5	12311.9	0.0
1993	12649.0	2551.6	15200.6	22730.0	0.0	0.0	2062.4	24792.4	-9791.0	14207.3	2520.0	0.0
1994	12580.0	2165.7	14745.7	27516.0	0.0	0.0	2117.4	29633.4	-14887.7	15000.0	0.0	12367.7
1995	11907.0	2202.9	14109.9	33019.2	0.0	0.0	2102.5	35121.7	-20911.8	16071.3	0.0	20931.0
1996	11220.0	2539.9	13759.9	37623.0	0.0	0.0	2080.2	41703.2	-27943.3	18077.0	0.0	27943.3
1997	10494.0	2614.9	13308.9	47547.6	0.0	0.0	2055.7	49603.3	-36294.4	19201.5	0.0	36294.4

STATE OF ALASKA
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BUDGET FORECASTING MODEL

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17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET
OPERATING \$1776.5
CAPITAL \$ 227.4
LOANS \$ 400.4
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ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REG FOR GF BAL
1981										1739.0	041.0	
1982	5110.0	437.0	5547.0	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.0	2607.1	0.0
1983	6170.0	715.3	6885.3	3857.6	0.0	0.0	761.0	4619.4	2266.9	2080.0	4954.0	0.0
1984	6943.0	1024.0	7967.0	4822.0	0.0	0.0	874.7	5696.7	2171.1	3600.5	7125.1	0.0
1985	7571.0	1326.6	8897.6	6027.0	0.0	0.0	1001.6	7029.1	1868.5	4402.0	8921.6	0.0
1986	8457.0	1604.5	10061.5	7534.4	0.0	0.0	1147.5	8681.9	1379.6	5396.8	10323.2	0.0
1987	8571.0	1841.5	10412.5	7418.0	0.0	0.0	1327.2	8745.3	1667.2	6342.0	11640.4	0.0
1988	10587.0	1997.0	12584.0	11772.5	0.0	0.0	1477.4	13250.0	-665.9	7424.3	10354.5	0.0
1989	11538.0	2000.0	13538.0	14715.7	0.0	0.0	1679.5	16395.2	-2857.2	8267.3	7427.3	0.0
1990	11832.0	1729.1	13561.1	18394.6	0.0	0.0	1779.6	20174.2	-6613.0	10075.0	854.2	0.0
1991	12280.0	1579.4	13859.4	22983.2	0.0	0.0	1892.4	24895.6	-11036.3	11439.5	0.0	10142.0
1992	12835.0	1787.4	14622.4	28741.5	0.0	0.0	1996.3	30737.8	-16115.4	12020.5	0.0	16315.4
1993	12647.0	2069.9	14716.9	35926.9	0.0	0.0	2062.4	37787.4	-23270.5	14297.3	0.0	23270.5
1994	12580.0	2307.5	14887.5	44900.7	0.0	0.0	2117.4	47026.1	-32138.6	15500.0	0.0	32058.6
1995	11907.0	2745.3	14652.3	56135.8	0.0	0.0	2102.5	58238.4	-43586.1	16071.3	0.0	43586.1
1996	11220.0	3150.8	14370.8	70169.8	0.0	0.0	2080.2	73250.0	-58879.2	16077.6	0.0	57077.2
1997	10494.0	3610.2	14104.2	87712.2	0.0	0.0	2055.7	89760.0	-75655.8	19201.5	0.0	75655.8

LYST GOVERNORS BUD
OPERATING 41776.5

CAPITAL	\$ 227,4
LOANS	\$ 400,4

Category	Value
OTHER	\$ 381.6
ESG DON	\$ 100.0

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NON

INVESTMENT INCOME

[illegible]

437 7110.0

655	0.5409	4
656	0.5413	4
657	0.5417	4
658	0.5421	4
659	0.5425	4
660	0.5429	4
661	0.5433	4
662	0.5437	4
663	0.5441	4
664	0.5445	4
665	0.5449	4
666	0.5453	4
667	0.5457	4
668	0.5461	4
669	0.5465	4
670	0.5469	4
671	0.5473	4
672	0.5477	4
673	0.5481	4
674	0.5485	4
675	0.5489	4
676	0.5493	4
677	0.5497	4
678	0.5501	4
679	0.5505	4
680	0.5509	4
681	0.5513	4
682	0.5517	4
683	0.5521	4
684	0.5525	4
685	0.5529	4
686	0.5533	4
687	0.5537	4
688	0.5541	4
689	0.5545	4
690	0.5549	4
691	0.5553	4
692	0.5557	4
693	0.5561	4
694	0.5565	4
695	0.5569	4
696	0.5573	4
697	0.5577	4
698	0.5581	4
699	0.5585	4
700	0.5589	4
701	0.5593	4
702	0.5597	4
703	0.5601	4
704	0.5605	4
705	0.5609	4
706	0.5613	4
707	0.5617	4
708	0.5621	4
709	0.5625	4
710	0.5629	4
711	0.5633	4
712	0.5637	4
713	0.5641	4
714	0.5645	4
715	0.5649	4
716	0.5653	4
717	0.5657	4
718	0.5661	4
719	0.5665	4
720	0.5669	4
721	0.5673	4
722	0.5677	4
723	0.5681	4
724	0.5685	4
725	0.5689	4
726	0.5693	4
727	0.5697	4
728	0.5701	4
729	0.5705	4
730	0.5709	4
731	0.5713	4
732	0.5717	4
733	0.5721	4
734	0.5725	4
735	0.5729	4
736	0.5733	4
737	0.5737	4
738	0.5741	4
739	0.5745	4
740	0.5749	4
741	0.5753	4
742	0.5757	4
743	0.5761	4
744	0.5765	4
745	0.5769	4
746	0.5773	4
747	0.5777	4
748	0.5781	4
749	0.5785	4
750	0.5789	4
751	0.5793	4
752	0.5797	4
753	0.5801	4
754	0.5805	4
755	0.5809	4
756	0.5813	4
757	0.5817	4
758	0.5821	4
759	0.5825	4
760	0.5829	4
761	0.5833	4
762	0.5837	4
763	0.5841	4
764	0.5845	4
765	0.5849	4
766	0.5853	4
767	0.5857	4
768	0.5861	4
769	0.5865	4
770	0.5869	4
771	0.5873	4

1941	0.000
1942	0.000

1473	0.1256	4
1474	0.1257	4

1234	11539.0
1310	10587.0

11832,0	1445
12280,0	1728

2590	0.54901	1
2600	0.55001	2

Year	Value
1966	0.00501
1967	0.00501

11707.0	3472
11280.0	4177

100% 0-98401

01311 0131101

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Apr 2006 Jun 2006 Feb 2007 Apr 2007 Jun 2007 Aug 2007 Oct 2007 Dec 2007

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Figure 1. The structure of the proposed model.

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17-JUN-81

COMMENTS

FY02 GOVERNORS BUDGET

OPERATING \$1776.5
CAPITAL \$ 227.4
LOANS \$ 400.0
OTHER \$ 301.0
ESROW \$ 300.0
KATHY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL FUND = 10.00%

% OF CURRENT YEAR EXPEND. IN G.F. EACH FOL = 20.00%

% OF ROYALTIES LEASES AND BONUSES RECEIVED IN FERMANTH FUND = 23.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF FERMANTH FUND EARNINGS TO PUBLIC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPL-RENTALS SERVICE	DEBT	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	FERMANTH FUND END OF YEAR	GENERAL FUND END OF YEAR	REVENUE REQ FOR OF FOL
1981										1732.0	841.0	0.0
1982	5110.0	426.8	5536.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.9	2226.1	0.0
1983	4170.0	625.4	4845.4	3951.5	0.0	0.0	761.0	4713.3	2132.0	2800.0	4450.1	0.0
1984	4043.0	901.4	4944.2	4544.2	0.0	0.0	674.7	5219.0	2405.4	3400.5	6063.7	0.0
1985	7571.0	1324.4	8895.4	5225.9	0.0	0.0	1001.6	6227.4	2660.0	4462.6	9531.5	0.0
1986	8437.0	1708.2	10165.2	6007.0	0.0	0.0	1142.5	7152.2	3602.0	5396.0	12547.5	0.0
1987	9571.0	2140.8	11711.8	6711.2	0.0	0.0	1327.2	8038.5	3404.4	6342.0	1602.2	0.0
1988	10207.0	2647.2	13229.2	7947.7	0.0	0.0	1492.4	9445.3	3705.2	7446.3	1709.2	0.0
1989	11243.0	3170.9	14706.9	9140.1	0.0	0.0	1679.0	10819.6	3009.3	8762.3	2367.6	0.0
1990	11832.0	3603.1	15515.1	10311.1	0.0	0.0	1779.6	12290.7	3224.4	1003.8	2671.4	0.0
1991	12700.0	4130.5	16410.5	12087.0	0.0	0.0	1892.4	13900.2	2430.3	1143.2	2749.0	0.0
1992	12835.0	4406.0	17121.0	13000.9	0.0	0.0	1976.3	15097.2	1234.6	12020.5	35574.3	0.0
1993	12819.0	4573.2	17342.2	13986.1	0.0	0.0	2062.4	16048.5	-706.3	16702.3	24060.0	0.0
1994	12800.0	4601.9	17261.9	14384.0	0.0	0.0	2117.4	16501.4	-239.6	15009.0	26670.5	0.0
1995	13070.0	4338.4	16266.4	15141.6	0.0	0.0	2102.5	17244.1	-977.7	16021.3	19650.2	0.0
1996	11200.0	3621.2	14841.2	24312.0	0.0	0.0	2000.2	26393.1	-11551.9	10077.0	0000.0	0.0
1997	10471.0	2020.1	13322.1	27959.0	0.0	0.0	2055.7	30015.5	-16693.4	19201.3	0.0	8574.6

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COMMENTS

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CAPITAL \$ 227.4
LOANS \$ 400.4
OTHER \$ 331.0
FSCROW \$ 300.0
RAINY DAY \$ 350.0

ASSUMPTIONS

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YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEPT SERVICE	TRENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE TO FOR OF BAL \$0 BIL
1981										1732.0	841.0	
1982	5110.0	424.0	5534.0	3434.1	0.0	0.0	415.6	4051.7	1482.4	2254.0	2326.1	0.0
1983	6170.0	670.0	6840.0	4123.3	0.0	0.0	741.0	4864.3	1975.7	2088.0	4200.9	0.0
1984	8843.0	950.0	9793.0	4940.0	0.0	0.0	874.7	5814.7	3978.3	3600.5	6251.2	0.0
1985	7571.0	1237.5	8808.5	5937.6	0.0	0.0	1001.6	6939.1	1869.3	4402.0	8120.5	0.0
1986	8457.0	1525.5	9982.5	7125.1	0.0	0.0	1147.5	8272.6	1709.9	5304.0	9810.4	0.0
1987	9571.0	1811.8	11382.8	8550.1	0.0	0.0	1327.2	9877.4	1505.4	6342.0	11335.8	0.0
1988	10587.0	2075.9	12662.9	10260.1	0.0	0.0	1477.4	11737.6	705.3	7474.3	12241.2	0.0
1989	11520.0	2274.5	13812.5	12312.2	0.0	0.0	1677.5	13989.7	-1177.2	8767.3	12062.0	0.0
1990	11832.0	2323.9	14155.9	14774.8	0.0	0.0	1779.6	16554.2	-2398.3	10075.8	9663.7	0.0
1991	12780.0	2436.0	15216.0	17227.5	0.0	0.0	1892.4	19119.9	-3903.9	11430.5	4452.8	0.0
1992	12635.0	1860.9	14495.9	21275.4	0.0	0.0	1776.3	23051.7	-8555.8	12829.5	0.0	4310.0
1993	12649.0	1852.0	14511.0	25530.5	0.0	0.0	2062.4	27593.0	-13082.0	14207.3	0.0	13002.0
1994	12580.0	2102.1	14682.1	30636.6	0.0	0.0	2117.4	32754.0	-18071.9	15800.0	0.0	18071.2
1995	11907.0	2357.0	14264.0	36763.9	0.0	0.0	2192.5	38956.5	-24692.5	16071.3	0.0	24691.6
1996	11020.0	2629.0	13649.0	44116.7	0.0	0.0	2080.2	46196.7	-32547.2	10077.0	0.0	32547.2
1997	10404.0	2922.0	13326.0	52940.1	0.0	0.0	2055.7	54995.8	-41669.8	19201.5	0.0	41669.8

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

23

17 JUN-81

COMMENTS

FY82 GOVERNORS BUDGET
OPERATING \$1776.5
CAPITAL \$ 227.4
LOANS \$ 400.4
OTHER \$ 381.8
ESCROW \$ 300.0
RAINY DAY \$ 350.0

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL & PERMANENT FUNDS = 10.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 25.00%
% OF PERMANENT FUND EARNINGS TO PUBLIC = 50.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR G.F. BAL 10 BIL
1981										1239.0	841.0	
1982	5110.0	426.8	5536.8	3434.1	0.0	0.0	615.6	4051.7	1485.1	2254.0	2326.1	0.0
1983	6170.0	664.5	6834.5	4295.1	0.0	0.0	761.8	5056.9	1777.6	2088.0	4103.7	0.0
1984	8043.0	918.0	7751.0	5360.9	0.0	0.0	874.7	6243.6	1517.4	3600.5	5621.1	0.0
1985	7571.0	1146.7	8717.7	6711.1	0.0	0.0	1001.6	7712.7	1005.0	4402.0	6626.1	0.0
1986	8457.0	1329.3	9785.3	8300.9	0.0	0.0	1147.5	9364.4	240.9	5306.0	6075.0	0.0
1987	9571.0	1439.6	11010.6	10386.1	0.0	0.0	1327.2	11013.4	-802.8	6342.0	6672.1	0.0
1988	10507.0	1431.9	12018.9	13107.7	0.0	0.0	1497.4	14605.1	-2586.2	7494.1	3485.9	0.0
1989	11530.0	1315.1	12853.1	16304.6	0.0	0.0	1677.5	18064.1	-5211.1	8767.3	0.0	1725.1
1990	11832.0	1351.8	13183.8	20400.8	0.0	0.0	1777.6	22260.3	-9076.5	10075.8	0.0	9076.5
1991	12700.0	1507.3	13867.3	25600.9	0.0	0.0	1893.4	27493.3	-13626.0	11430.5	0.0	13626.0
1992	12835.0	1852.6	14487.6	32001.2	0.0	0.0	1996.1	33997.4	-19509.7	12020.5	0.0	19509.7
1993	12649.0	2151.4	14800.4	40001.5	0.0	0.0	2062.4	42063.9	-27263.5	14207.3	0.0	27263.5
1994	12500.0	2409.4	15069.4	50001.8	0.0	0.0	2117.4	52117.3	-37047.9	15006.0	0.0	37047.9
1995	11807.0	2872.6	14779.6	62502.3	0.0	0.0	2102.5	64604.8	-49825.2	16071.3	0.0	49825.2
1996	11220.0	3310.0	14530.0	78127.5	0.0	0.0	2080.2	80208.1	-65678.1	18077.8	0.0	65678.1
1997	10194.0	3817.2	14311.2	97859.8	0.0	0.0	2055.7	99715.6	-85404.4	19201.5	0.0	85404.4

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

24

17-JUN-81

COMMENTS

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YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE FOR G.F. BAL
1981										1739.0	841.0	
1982	5410.0	426.8	5836.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.9	2326.1	0.0
1983	8170.0	659.1	8829.1	4466.9	0.0	0.0	761.8	5228.7	1600.4	2888.9	3926.4	0.0
1984	3843.0	805.5	4648.5	5007.0	0.0	0.0	874.7	6681.7	1046.8	3600.5	4923.2	0.0
1985	7571.0	1052.1	8623.1	7549.1	0.0	0.0	1001.6	8550.7	72.4	4462.0	5945.6	0.0
1986	8457.0	1116.9	9573.9	7813.0	0.0	0.0	1147.5	9761.3	-1387.4	5306.8	3658.2	0.0
1987	9571.0	1029.2	10600.2	12758.0	0.0	0.0	1327.2	14085.2	-3485.0	6342.8	173.2	0.0
1988	10587.0	1032.2	11619.2	16585.4	0.0	0.0	1497.4	18082.8	-6463.6	7494.3	0.0	6279.4
1989	11530.0	1244.3	12782.3	21561.0	0.0	0.0	1679.5	23240.6	-10458.3	8767.3	0.0	10458.3
1990	11632.0	1502.7	13334.7	28027.3	0.0	0.0	1779.6	29806.9	-16474.2	10075.8	0.0	16474.2
1991	12000.0	1804.1	14004.1	36438.1	0.0	0.0	1892.4	38330.5	-24246.5	11430.5	0.0	24246.5
1992	12635.0	2159.9	14794.9	47369.6	0.0	0.0	1976.3	49345.9	-34570.9	12870.5	0.0	34570.9
1993	12647.0	2583.0	15230.0	61580.4	0.0	0.0	2062.4	63642.9	-48410.9	14207.3	0.0	48410.9
1994	12580.0	3070.5	15650.5	80054.6	0.0	0.0	2117.4	82172.0	-66501.5	13500.0	0.0	66501.5
1995	11907.0	3704.0	15611.0	104070.9	0.0	0.0	2102.5	106173.4	-90562.5	14821.3	0.0	90562.5
1996	11220.0	4453.3	15673.3	135292.2	0.0	0.0	2088.2	137372.4	-121699	18077.0	0.0	121699.1
1997	10494.0	5381.6	15875.6	175079.8	0.0	0.0	2055.7	177935.6	-162060	19201.5	0.0	162060.0

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

Hard times from early tax revolt

PORTAGE, Ind.—Eight years ago—five years before California's Proposition 13 supposedly set off the nationwide taxpayers' revolt—Indiana had already "revolted." And now its smaller communities like Portage, an industrial town 35 miles due east of Chicago, are paying the price.

On the heels of Republican Otis Bowen's 1972 election for the first of two very popular terms as governor, the state Legislature acted on a Bowen campaign pledge and froze all local property taxes. That is, it slapped a lid on how much localities could raise on the basis of property ownership.

At the time, local property taxes were providing 70 per cent of local revenues, to 30 per cent from the state. Now the percentages are reversed, and with the twin squeezes of inflation and a proposed Reagan cutback of 25 per cent in federal aid to the states, Main Street Indiana is hurting.

In 1973, Indiana like most states had a surplus to alleviate the local fiscal shortfall, the way California did after Prop 13 passed three summers ago. Also, Indiana, in clamping the freeze on, raised the state sales tax 2 cents on



**Jack Germond
and
Jules Witcover**



a dollar to make up for the revenue loss, taking over local costs beyond the limited property tax revenue.

The trouble now is that an inflation rate of about 13 per cent has made a shambles of that arithmetic, causing sharp cutbacks in vital local services, and especially in education. The Legislature, in a special session just concluded, increased allocations to local school districts averaging about 4.6 per cent—only about one-third of the rate of inflation, barely covering utility cost rises.

In small towns like Portage, with a population of about 30,000, the squeeze is being felt in very tangible terms, with the disadvantaged suffering most. The town's school district, for example,

participates in a county-wide cooperative project for mentally and physically handicapped and disturbed students mandated by the federal government and more than 50 per cent financed by it. In anticipation of the federal cuts, says George McKay, the assistant superintendent of schools, 25 of 45 special teachers' aides have been dropped.

"These are problem children," says Barry Fritz, business manager for the school district. "These kids will go into the standard classrooms at Portage High School, which will be bad on the teachers, the kids and everybody else."

Other cuts now planned for the Portage schools, McKay and Fritz say, include termination of all ex-

tracurricular sports, arts and music for all middle-school children (grades 6, 7 and 8); no summer school; a 50 per cent cut in basic adult education; a 30 to 50 per cent cut in tutorial reading for slow students, and no further renovation to achieve energy savings.

The town's other services are being cut as well. Mayor John B. Williams, a Democrat, says he has instructed his police and fire chiefs not to replace men who have recently left. Also, he says, a very modest dream—to lay sidewalks for the town—has had to be shelved.

The news that federal aid will be cut, and channeled through the state with the switch from categorical to block grants, only intensifies the concern here, because the state is blamed for the fiscal dilemma that already exists.

"They've taken away the local official's ability to control the money," Williams says, "and when they do that they literally take away control of the government." Now, with the prospect of state-controlled block grants, he says, "I would have no faith in officials of this state determining any grants we get." As a Democrat in a state with a Republican governor and Legislature

this is particularly so, he says.

All these are problems that towns across the country are facing, but the bind is particularly severe in Indiana because of the precursor of Prop 13 the state Legislature slapped on localities eight years ago. Yet McKay and Fritz acknowledge that even if they could go to local voters and ask for a tax increase, it doesn't seem likely now they could get it in the prevailing tax-cutting climate.

"People who care say, 'Raise my taxes,'" McKay says, but there are relatively few of them. He notes that last March some elementary parent-teacher groups circulated petitions asking the Legislature to lift the property tax freeze but couldn't get enough signatures to justify the effort.

"It's like we're on Social Security," McKay says. "We can determine how to spend what we get, but when 80 per cent of it goes for fixed expenses, the rest isn't much." And the way things are going, he says, especially in Indiana, which had its taxpayers' revolt early, the situation is only going to get worse.

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C. R. ELDER, JR.
POUCH 6-612
ANCHORAGE, ALASKA 99502

June 9, 1981

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch "V" State Capitol Building
Juneau, Alaska 99811

Dear Arliss:

As a supplement to my telegram of June 9 I have attached one of the letters I've sent to the Executive Committee of the Alaska State Chamber of Commerce in January dealing with the Governor's joint resolution in respect to spending limitations (which at that time was the only specific proposal which had emerged from the Administration or the Legislature).

This letter gives a little more background on the question of CPI versus GNP than did my telegram.

While I feel my statements in the letter are correct I will first, last, and always be an engineer and not an economist; consequently, an analysis of this matter should be made by someone far more qualified than me.

In any event the question seems to me to merit consideration.

Sincerely,



Charlie

CRE:bc

ATTACHMENT



CHARLES R. ELDER JR.
CONSULTANT

3111 C STREET
ANCHORAGE, ALASKA

TELEPHONE (907) 265 014

MAIL POUGH 6 01
ANCHORAGE, ALASKA 99501

January 26, 1981

EXECUTIVE COMMITTEE OF THE
ALASKA STATE CHAMBER OF COMMERCE

SUBJECT: Governor's Joint Resolution -- Spending Lid

On January 22 I sent you a note concerning the Governor's joint resolution relating to a restraint on State government spending. In that letter I mentioned two major concerns, i.e., (1) the identification of the base year and (2) the use of the consumer price index.

I have had a long conversation with one of our economic managers in Cleveland and this note deals only with factors involved in the use of CPI as proposed by Governor. As a result of my conversation my concern of the use of CPI as proposed was confirmed and reinforced.

The CPI deficiencies are well recognized but because of its incorporation in labor contracts, retirement arrangements, etc. it has not been politically expedient for the Federal government to eliminate it even though the CPI now in use is based on a 1972 market basket. At least in our business the most common tool now used is the real gross national product (GNP) which is the gross national product growth less than average inflation. This number is computed by the U.S. Department of Commerce each year. The figure covers not only the "market basket" but includes the spending by people on all categories of disposable income. To be used as proposed by the Governor the GNP should also eliminate the individual income for taxes.

The person I was talking to made the point that for many years the use of CPI versus GNP inflator did not cause a significant difference in the answer (.5 to 1%) -- although the problem of obtaining a current figure always favored the use of GNP. However, at the present time the situation has changed substantially in respect to the difference and must be expected to change in the future -- thus making it inappropriate for a constitutional amendment. An example of this is some recent work we did which found that the CPI for 1980 was up 13½ percent from 1979 while the GNP inflator was only up 9.5 percent. This divergence is being caused in large part by the high interest rate on home mortgages and of course this factor does not effect every person every year. Mortgage interest rates has a 35 to 40 percent weight in the CPI. For the purposes of limiting government spending this is an example of an item which should not have this high relative impact.

Another problem with the CPI is that it does not take into account the buying habits of the public; for example, in 1972 (the latest CPI) beef amounted to 12% of the average person's budget. Beef prices got so high in the last several years that people shifted to pork and chicken. This change in buying habits of the public is not picked up by CPI but is accounted for in the GNP personal expenditures. I believe it would be a fairly simple matter to illustrate — even to the voter — that the use of CPI is not equitable.

After we have a handle on timing I would suggest we point out our concern in using CPI to Commissioner Webber and his staff. I have a high regard for Dave Reaume who is probably completely checked out on the impact of CPI versus GNP and could have identified the above points as weaknesses had he been involved when the Governor prepared his resolution — if in fact the Governor did not intend to tie his resolution to a weak point.

In summary, I feel GNP might need to be adjusted some more (which it can be) is a far better control number than CPI to use in a constitutional amendment. Of course the Governor agrees with us that the total formula would need to use population change.



Charlie

CRE:bc

A - A couple of interesting points, besides the fact that local gov's do better in controlling budget growth.

- 1) Some cost increases are due to taking on new services mandated by voters
- 2) Locals are depending on State funds to lower local taxes. Has implications for spending limitation.

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

*Put in
spending
initative file*

June 1, 1981

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Municipalities in the state want to take this opportunity to [redacted] for the [redacted] you have shown us [redacted] Local government officials have been working hard to provide services demanded by their constituents while at the same time keeping government growth to a minimum in spite of dramatic increases in the consumer price index and population.

For example, expenditures in the Municipality of Anchorage went from \$102,399,780 in 1978 to \$133,450,540 in 1981, an increase of 30% compared to a 34% jump in the consumer price index. During that same period the number of employees actually decreased by 10. Part of the increase, about \$12 million, is directly attributable to voter mandated increases in programs and services. Because of the supplemental funding in SB 125, Anchorage was able to reduce property taxes from \$50,175,350 in 1978 to \$30,129,040 in 1981.

Other areas are also keeping the lid on local government spending:

No. of Employees - Operating Budget

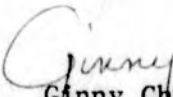
	1979	1980	1981
FBKS Bor	229 - \$12,414,659	221 - \$10,837,245	205 - \$ 8,382,747
FBKS City	285 - \$15,386,823	268 - \$15,487,297	251 - \$13,982,671
Juneau	179 - \$17,151,500	199 - \$17,478,400	205 - \$21,348,900
Kenai Bor	82 - \$11,624,949	76 - \$11,558,861	80 - \$11,414,945
Kenai City	62 - \$ 3,446,536	80 - \$ 4,145,471	79 - \$ 4,299,634
Ketchikan Bor	120 - \$ 8,031,000	116 - \$ 7,631,000	133 - \$ 9,609,000
Nome	22 - \$ 1,574,431	17 - \$ 2,230,366	24 - \$ 3,011,914
Sitka	85 - \$ 4,830,000	85 - \$ 5,581,620	85 - \$ 6,671,625

*Fairbanks City numbers are for 1978, 79, 80.

Because of the substantial increases in state aid proposed for FY 82, municipalities are planning major tax reductions. The City of Fairbanks will go from 7.5 mils down to 0.5 mils. Nome intends to lower its rate by 6 mils and take the sales tax off utilities, which is the equivalent of another 1.5 mils. The Haines Borough is reducing its sales tax from 2% to 1% and its mil rate from 1.8 to 1.0.

Thank you very much.

Sincerely,


Ginny Chitwood
Executive Director

COMMON SENSE FOR ALASKA

P.O. Box 4-1104

Anchorage, Alaska 99509

May 26, 1981

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

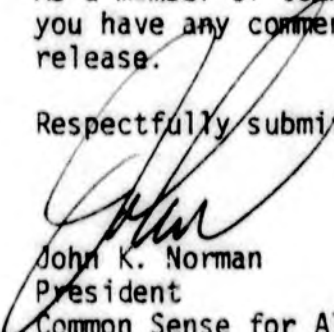
Dear Arliss:

Attached is a press release from Common Sense for Alaska, Inc. regarding action taken by our board in connection with the 1981-1982 proposed operating budget. We recognize that inflation has had an impact on government growth but this operating budget is, in our opinion, grossly excessive.

We appreciate the good job you are doing and I am forwarding this to you in advance of our press release to the media.

As a member of Common Sense I would welcome a call or letter from you if you have any comments regarding the Board action or the attached press release.

Respectfully submitted,



John K. Norman
President
Common Sense for Alaska, Inc.

Enclosure

COMMON SENSE FOR ALASKA

P.O. Box 4-1104

Anchorage, Alaska 99509

May 27, 1981

For further information, please
contact Jean Peterson, 276-7648.

FOR IMMEDIATE RELEASE:

"STATEWIDE GROUP OPPOSES ASTRONOMICAL BUDGET INCREASE"

ANCHORAGE, AK.--In a strongly worded resolution Common Sense for Alaska today expressed the feeling that the time to bring a halt to the staggering growth in the State's operational budget is now, not sometime in the future. Between 1970 and 1981 the general fund operating budget increased by 755%. The legislature has now proposed an additional increase for the 1982 budget that will be 1084% over the 1970 level.

Strong support for a limit on state spending is evident throughout the state. In April of 1980, a Dittman poll conducted for Common Sense showed that 65% of Alaskans statewide favored a constitutional limit on state spending. Governor Hammond has introduced a bill that would limit spending to the level of last year's budget plus increases based on population growth and cost of living.

"If that limit were in effect today," said Common Sense President John K. Norman

"we would have at most a 13% increase in the budget from last year rather than the 24% that is presently proposed." The 13% figure results from the 10% cost of living increase and the 3% growth in population figure as derived from the formula proposed in Governor Hammond's recommendation.

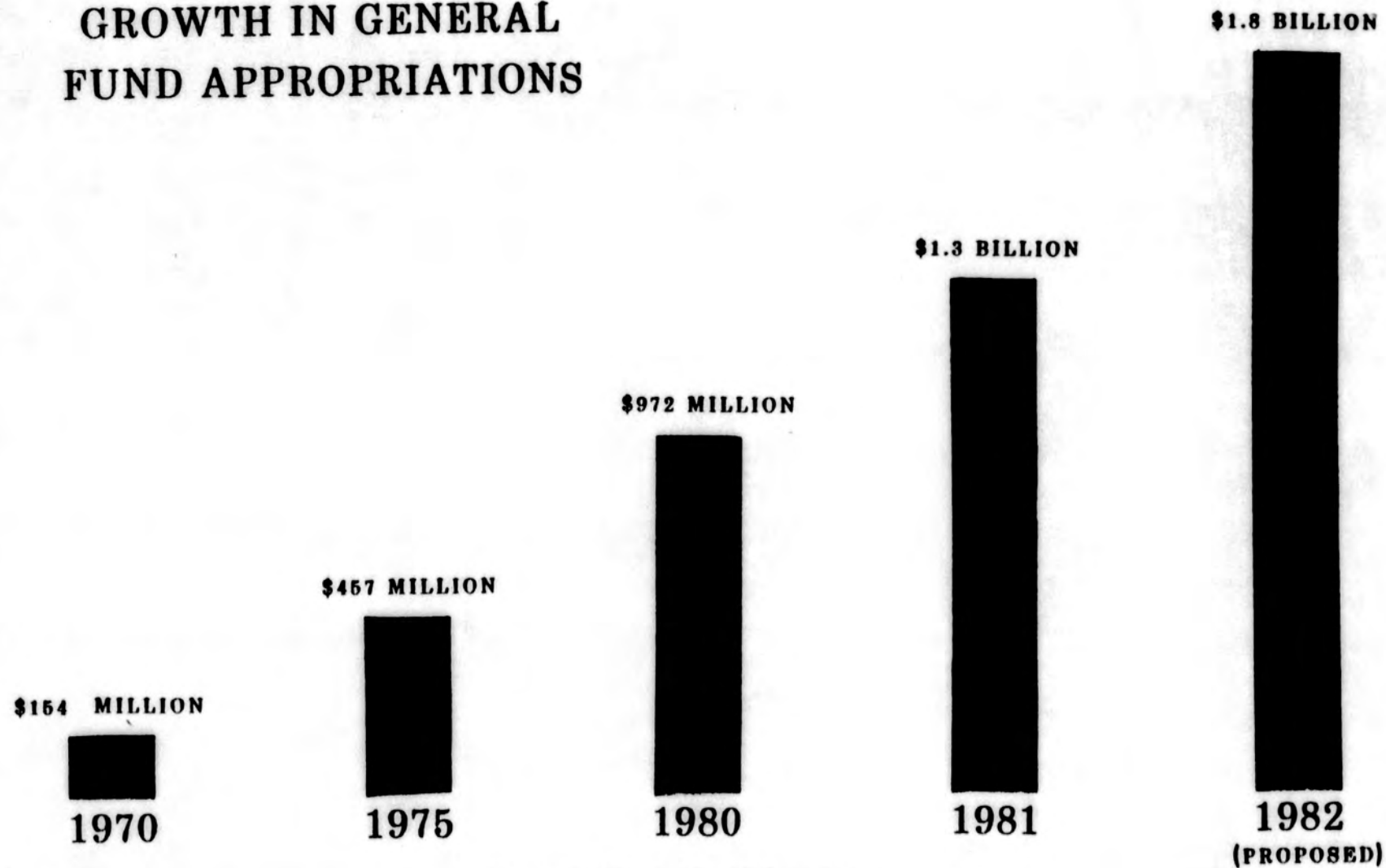
"Strong support for a limit on state spending has also come from members of the Alaska State Legislature," said Norman. "With the overwhelming support from all sectors of Alaska, we feel that the unprecedented rate of increase in state spending must stop now." The present budget now under consideration by the legislature is \$1.8 billion. Under the proposed formula for limiting budget growth, the operating budget would not be allowed to exceed \$1.4 billion.

Common Sense for Alaska is a non-profit, non-partisan citizen's research group that researches state spending issues and makes the results of these studies available to the public as a public service.

30-30-30-30-30-30-30

*Please note: the attached graph illustrates the growth in the State's general fund budget from 1970 - 1982.

GROWTH IN GENERAL FUND APPROPRIATIONS



ALASKA STATE LEGISLATURE



HOUSE OF REPRESENTATIVES

REPRESENTATIVE SALLY SMITH • 321 CHURCH STREET • FAIRBANKS, ALASKA 99701 • IN JUNEAU: POUCH V • JUNEAU, ALASKA 99811

May 25, 1981

Honorable John A. Carlson
Mayor
Fairbanks North Star Borough
P.O. Box 1267
Fairbanks, Alaska 99707

Dear John,

Thank you for copying me on your letter to Governor Hammond regarding Senate Joint Resolution No. 4. I appreciate knowing your views.

I consider your points to be well taken and share your concerns. It is my feeling that serious problems would result from locking us into constitutional amendments relating to spending limitations.

Senate Joint Resolution No. 4 is currently in the Senate Finance Committee, assigned to co-chair Senator Ed Dankworth. I have sent a copy of your letter to Senator Dankworth and other members of Senate Finance to be sure they are aware of your position. It is my understanding, however, that there are no plans to take the bill up this session.

Again, Thank you for taking the time to keep me informed. Your input and concern are appreciated.

Sincerely,

Sally Smith
Alaska State Representative

srd

CC: Sen Dankworth
Sen. Bennett
Sen. Eliason
Sen. Ferguson
Sen. Sackett
Sen. Stimson
Sen. Sturgulewski

fairbanks north star borough

p.o. box 1267 520 fifth ave. fairbanks, alaska 99707 907-452-4761



May 15, 1981

Honorable Jay Hammond
Governor, State of Alaska
State Capitol Building
Pouch A
Juneau AK 99811

Dear Governor Hammond:

I am writing in response to your letter regarding your proposal for a constitutional amendment to limit state government spending.

I understand and appreciate the concerns which have prompted your proposal. The existence of billions of dollars of surplus state revenues not only invites an unhealthy envy on the part of the federal government, but it also creates a great temptation for state leaders to spend it rapidly, sometimes without due regard of the consequences. I also appreciate the honesty and realism of your proposal in recognizing the need to identify and authorize a large number of exemptions to any constitutional amendment that would limit the growth of state government spending to essentially population increase and the rate of inflation.

My concern with the approach outlined in Senate Joint Resolution No. 4 is the danger that, by seeking to use the constitution as a substitute for the normal tasks of representative government, we risk overloading this document with functions it is not designed to perform. I am somewhat apprehensive that by turning to the mechanism of a constitutional amendment we may be unnecessarily constraining our future course of action. The very fact that you have found it necessary to identify as many as ten separate contingencies in which the constitutional limitation provisions could be overridden makes me fear that constitutional revision may not be the proper procedure to resolve this issue.

Constitutions are serious matters. By attempting to make their constitutions address issues more appropriately resolved at the legislative level, a number of other states have in the past encountered difficulties. When one state--Arkansas, I believe--amended its constitution some time ago to prohibit the

LETTER to Governor Hammond
May 15, 1981
PAGE TWO

charging of interest above a certain level set by the state constitution, there were serious consequences to the economy and people of that state. The turmoil surrounding that issue has not been settled to this date.

I also believe that we should be cautious in attempting to impose too strongly our views and our present policies on future generations of Alaskans. The dead hand of the past should not attempt to rule the living present. Likewise, we should avoid the presumption that we are in a better position today to define the needs of future generations than they will be able to do themselves.

In expressing my reservations to the use of the constitution as a means of limiting state government growth, I do not wish in any way to detract from the seriousness of the issue your proposal would address. I would, however, encourage the use of legislation as the more appropriate means of identifying and resolving this issue. I think that the democratic institutions of representative government are fundamentally well designed for and intended to, shoulder these responsibilities. If we too frequently bypass these institutions and reduce the role of representative government, we seriously jeopardize the flexibility of our system of government and the cohesion of our society.

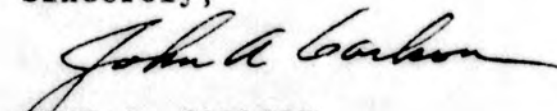
I cannot offer any easy solutions or recommendations to remedy the danger of excessive spending. I think, though, that the issue--and its attendant difficulties--are inherent to the democratic process, and in the abilities of free people to exercise their right of self-government. To attempt to establish too rigid a mechanism to circumscribe this right could be seen as an indication of a lack of faith in our abilities to govern ourselves. I know that this is not the case in Alaska and that Alaskans have on the whole a vibrant confidence in their future.

In closing, then, I would refer to the belief that an informed public is the best guarantee of liberty and of self-government. I would urge you, therefore, and other concerned state leaders to make a concerted effort to inform the public in Alaska of the real requirement to put a reasonable restraint on spending, and

LETTER to Governor Hammond
May 15, 1981
PAGE THREE

for responsible legislative programs and state programs to meet the genuine needs of this state. This would not be an easy task, nor could it be accomplished in a short period of time. In my opinion, however, a fully alerted and informed public is the soundest foundation for establishing a prudent and fiscally responsible policy of state spending in Alaska.

Sincerely,



JOHN A. CARLSON
Borough Mayor

JAC/sek

cc: Interior Legislative Delegation

J. SHELBY STASTNY, CPA
730 "I" Street
Anchorage, Alaska 99501

May 21, 1981

The Honorable Jay Hammond
Office of the Governor
State of Alaska
Juneau, Alaska 99811

Dear Governor Hammond:

On March 27, 1981 you wrote a letter to me and to other Alaskan's concerning your proposal to limit government growth through a constitutional limit on state spending. A recent Dittman Survey, sponsored by Common Sense for Alaska, indicates that 65% of Alaskan's share your concern and would support a constitutional amendment to limit state spending. I am certain that these concerned Alaskan's are pleased to see that a limit on state spending is among your four priority issues as enumerated in the press last week.

While a constitutional limit on state spending for the future is an admirable goal, there seems to be no reason to allow state spending to accelerate at its alarmingly rapid pace during the interim. During the last year, the increase in cost of living in Alaska was approximately 10%. Using your proposed average growth in population from the prior two census, population growth would be around 3%. The total of these two increases would allow, under your formula, an increase in this years operating budget over the prior years operating budget of 13%. The House and Senate Finance Committees have both completed, or are nearing completion, budgets for the fiscal year 1981-82 which would amount to approximately \$1.8 billion or a 24% increase over the prior year. Press reports also indicated that the proposed budgets would allow for an increase of approximately 700 state employees.

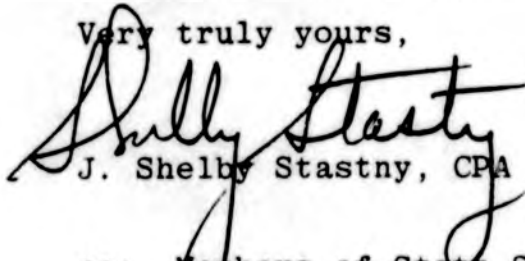
As Governor of the State, you are in the prime position to exercise strong leadership and to set an example for others to follow in the future. The time has come to turn political rhetoric into positive action. Since free conference committee's have the opportunity to cut as well as add to budgets passed by the House and the Senate, I strongly urge that you issue a message to the free conference committee that any budget emerging from the legislature which is in excess of the budget which would be allowed under your proposed constitutional amendment, would be vetoed by you.

May 21, 1981
Governor Jay Hammond
Page 2

Given your strong leadership in this area, and the feelings of the large majority of citizens of Alaska regarding fiscal responsibility, the probabilities are that the free conference committee will realize that such a veto could not be overridden. With decisive action on your part, Alaska can be back on the road to sane fiscal growth.

I would be happy to talk with you or your representatives if I can be of any help on this issue.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Shelby Stastny". The signature is fluid and cursive, with the first name "Shelby" written in a larger, more prominent script than the last name "Stastny".

J. Shelby Stastny, CPA

cc: Members of State Senate
Members of House of Representatives

JSS/cs

*in response
ask me to
contribute this to you
Bob Hammond*

An Open Letter To

April 30, 1981

Governor Jay Hammond
Juneau, Alaska 99801

Dear Governor Hammond:

Thank you for your letter of March 27th, postmarked March 31, 1981, in which you seek our support for S. J. R. #4.

After careful study of the enclosed papers, we have come to the conclusion that we do agree with you only on one point; to curb government spending. We suggest that reduction of waste, duplication and the elimination of the driftwood from the various State department offices should be an absolute priority item on your agenda. We do not, however, support S. J. R. #4 in it's present form.

We find that as long as our primary highway system remains in the deplorable condition it is in, as long as a great number of our rural airports serving communities not linked to the highway systems remains in the deplorable and marginal safety conditions they are in, any constitutional amendment, such as S. J. R. #4 proposing reductions in capitol improvement spending, would be most irresponsible.

We further took special note of your proposed exception #10, allowing the Governor absolute veto power, something the President of the USA doesn't even have. To allow any Governor absolute veto power in any matter, would defeat our democratic way of government, and would encourage the creation of a dictatorship. It is therefore we strongly urge the rejection of S. J. R. #4 as introduced on January 13, 1981.

Sincerely,

Albert H. Royce
Albert H. Royce

St. Rt. Box 470
Mile 64 Slano - Tok Hwy,
Gakona, Alaska 99586

Name

Address

- | | | |
|---------------------------|-----------------------|-------------------------|
| <i>Bill Ellis</i> | SR Box 370 | GAKONA, AK 99586 |
| <i>Joan Royce</i> | SR Box 470 | Gakona, AK 99586 |
| <i>Lorene Ellis</i> | SR Box 370 | Gakona, AK. 99586 |
| <i>Thelma Schriener</i> | S.R. Box 380 | Gakona, AK. 99586 |
| <i>Murray Seng</i> | 71.8 TOK CUTOFF | TOK AK 99780 |
| <i>Donna Seng</i> | " " " " | " " " " |
| <i>Donald L. Whiting</i> | 7 1/2 Tok Hwy. | GAKONA AK. 99586 |
| <i>Michael Longard</i> | Mile 182 Glen Valley | Glenallen, Alaska 99586 |
| <i>Blair R. Warkentin</i> | Mile 111 Richardson | " " " " |
| <i>Paul H. Lee</i> | Box 272 Glenallen | Alaska 99588 |
| <i>Killian N. Lane</i> | Mile 57 N. Richardson | Alaska 99586 |
| <i>Rim F. Roy</i> | Mi. 58 1/2 Tok, Rd. | GAKONA 99586 |
| <i>Mary H. Fink</i> | MILE 58 1/2 Tok Rd. | GAKONA 99586 |
| <i>Mr. D. J. J.</i> | MILE 58 1/2 Box 930 | SLAND ALASKA 99586 |



Copper River Native Association
ATNA' TAENE NENE'

New Phone Number
(907) 822-5241

Drawer H • Copper Center, Alaska 99573 • Phone (907) 822-3949
Health Department • Phone (907) 822-3521

AD-81-1007

April 29, 1981

Arliss Sturgulewski
Pouch V
Juneau, Alaska 99811

RE: SENATE JOINT RESOLUTION NO. 4

Dear Senator Sturgulewski:

Attached please find a letter we have written to Governor Hammond related to the above referenced subject.

We hope careful consideration will be given to the future of rural Alaska under this proposed constitutional amendment.

Your time and consideration of these matters is appreciated.

Sincerely,

COPPER RIVER NATIVE ASSOCIATION

Tom Craig
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus



Copper River Native Association

ATNA' TAENE NENE'

New Phone Number
(907) 822-5241

Drawer H • Copper Center, Alaska 99573 • Phone (907) 822-3949
Health Department • Phone (907) 822-3521

AD-81-1002

April 29, 1981

Governor Jay S. Hammond
State of Alaska
Pouch A
Juneau, Alaska 99811

RE: SENATE JOINT RESOLUTION NO. 4

Dear Governor Hammond:

Thank you very much for your letter stating your position on your proposed amendment to the Alaska State Constitution. I am very much in support of the spirit of your proposal. I agree it is time the government begins to be more responsible with public revenues. For this reason, I applaud your action. However, as a representative of rural Alaskans, I am also compelled to condition my support of this amendment on a more equitable proposal for all Alaskans.

As I read your proposal, there are two related aspects of your proposal that concern me. First, I will accept your presumption that the private sector will be encouraged to expand under this proposal. However, if historical patterns are followed, then the bulk of the private sector investments will be centered in the urban areas. Generally speaking, the private sector invests where it can get the highest return. What this boils down to is that in rural Alaska, the private sector will invest in capital intensive projects. This could be a severe blow to rural Alaska, which already suffers from disproportionately high unemployment rate. Obviously, this is merely an observation of the operation of the free market system. However, this phenomenon, when coupled with my second concern could cause irreparable harm to the rural economy.

My second concern relates to the fourth exception under the second section. As I read this exception, State Government expenditures for capital improvements will be limited by this amendment if they are not specifically approved by the voters. Realizing the disproportionate population concentration in the railbelt area, this leaves me with only

conclusion. That conclusion is: If a major expenditure is proposed for the railbelt area, it most likely will win voter approval. If however, one is proposed for a rural area it will very likely be defeated.

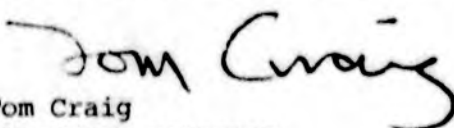
Under recent government policy, capital expenditures have been a valuable tool for encouraging private expansion into otherwise unattractive depressed areas. Thus, under this policy, docks, airports, and road systems have been financed in our sister states to encourage private investments in depressed areas. However, under this proposed amendment, rural Alaska is effectively being foreclosed from future expansion where the expansion would require the outlay of substantial public funds.

As I stated at the beginning of this letter, I am in favor of the spirit of this amendment. Consequently, I would like to propose the following amendment to the proposal: First, a tax relief to private industry that provides employment for ten or more employees in rural Alaska. Secondly, a fund should be created for capital improvement in rural Alaska. The source of these funds should be tied to voter approved capital improvements in the railbelt area. Thus, if money were approved by the State voters for capital improvements in the railbelt area, then a prorated amount would simultaneously be placed in a rural development fund.

My concern restated is as follows: Under this proposed amendment, the private sector will automatically create a disproportionate amount of jobs in the urban areas, and under section two, exception four, state capital expenditures have been effectively precluded from rural Alaska just when they will most be needed to encourage private investment. If amendments can be included to protect rural Alaska, we are happy to wholeheartedly support this idea.

Sincerely,

COPPER RIVER NATIVE ASSOCIATION


Tom Craig
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus

STR 4



STATE CHAMBER of COMMERCE

310 Second Street
Juneau, Alaska 99801
Phone 586-2323

January 5, 1981

1981 LEGISLATIVE GOALS OF THE ALASKA STATE CHAMBER OF COMMERCE

STATE SPENDING LIMIT, TAX RELIEF, BONDING

1. Limit state spending as proposed in the Alaska State Chamber of Commerce's current initiative by establishing Fiscal Year 1981 as the base year and tying future expenditures to population and per capita income.
2. Exempt the first \$250,000 in taxable corporate profits for all Alaskan corporations.
3. Eliminate future bonding and support capital improvements from the general fund as long as revenues are available. Require all projects over one million dollars to have voter approval so as to create public awareness.
4. Increase state revenue sharing to municipalities to cut or end property taxes.
5. Conduct comprehensive review of all oil and gas taxes, including a study of the windfall tax exemption for oil and gas companies.

ECONOMIC DEVELOPMENT GOALS

1. Establish a permanent power fund for statewide power projects.
2. Appropriate funds for electrical grid interties to stabilize power supplies statewide.
3. Support state encouragement for petrochemical industry development in Alaska.
4. Implement long term sales of state royalty oil and gas at prevailing rates to supply in-state refineries at maximum capacity.
5. Support full public use of the state highway from the Yukon River to Dietrich Pass (commonly called the "haul road") effective June 1, 1981. Support immediate action to provide adequate funding to bring this highway up to secondary road standards and properly maintained for the full length of the highway. Paving of this entire highway as soon as possible is in the best public interest.

(continued)

6. Recommends that integrated policy boards be established to administer the International Airport Revenue Fund composed of a majority of private business interests with the authority and responsibility to provide technical and policy direction in the development, planning, and operation of the airports to the Department of Transportation and Public Facilities. Further, that a comprehensive capital improvements program be established and funded through the general fund to support the facilities necessary for current demands as well as latent potential.
7. Endorse accelerated coal development in Alaska.
8. Propose the Department of Natural Resources rewrite state regulations to encourage timber, petroleum and mining development.
9. Request a rewrite of the U. S. Interior Department regulations to allow tourism, mineral, and oil exploration on national monuments.
10. Urge the state take a firm stand to encourage all possible domestic manufacture of forest products from public lands. Exceptions to primary manufacture should only be made when it can be clearly shown through the hearing process there are no possible domestic markets.

LABOR LEGISLATION

Encouraged by the preliminary work of the legislature's Workers' Compensation Study Commission, we support their efforts to improve the administration of the system and make the compensation program more competitive.

The Chamber further believes that their recommendations must also encourage realistic benefit revisions necessary to restore the incentive for injured workers to return to productive employment and to remove the excesses in employers workers' compensation costs.

GENERAL LEGISLATION

1. Institute a national campaign to improve Alaska's image and boost Alaska tourism.
2. Develop without delay a ten year capital improvement plan
3. Increase vocational training at the University of Alaska.
4. Abolish the Alaska Public Offices Commission.
5. Encourage state government to assist and support private enterprise in meeting the needs of the public. We further encourage state government to provide direct services only when it has been proven that private enterprise cannot fill the needs of the public.
6. Recommend the Alaska Renewable Resources Corporation be limited to equity or venture capital investment and grants, not loans in connection with equity capital investments. Allow not just renewable, but also non-renewable equity participation. The investment agreement should be more specific in the buy-out option (Example - Salamontof Seafood problem). ARRC should develop a banker-borrower relationship, not be both.

October 4, 1980 DRAFT

WHEREAS during the 1980's, Alaska faces the dual challenge of either the precipitous decline of revenue, or the possibility of new resource production and a continuing high volume of revenue; and . . .

WHEREAS either of the above cases requires the state to mobilize substantial restraint to control the rate of state spending and thus the burgeoning size of state bureaucracy and governmental influence; and . . .

WHEREAS governmental spending has grown to higher levels in Alaska than any other state in the nation using virtually any standard of comparison, including: per capita costs of the state legislature, per capita number of full-time state employees, rate of growth of government employment, rate of government salary increases, per capita costs of state government in general; and . . .

WHEREAS public support for statutory limits on state spending has been demonstrated by public opinion polls; and . . .

WHEREAS some legislative leaders and the state administration have shown support of a limit on state spending; and . . .

WHEREAS numerous public and civic organizations throughout Alaska have endorsed the need for controlling state spending; and . . .

WHEREAS the level of service established by state government in FY 1981 is considered adequate for our citizens' needs, and that year is appropriate to serve as the base year upon which to establish future budget limits;

NOW THEREFORE be it resolved that the Alaska State Chamber of Commerce endorses the concept of a limitation on government growth in statutory if not constitutional form; and . . .

BE IT FURTHER RESOLVED that the attached initiative is endorsed as an appropriate first step toward establishing a control on the growth of Alaska state government.

AN ACT ENTITLED: "An Act limiting state government spending."

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

Section 1. AS 37.07 is amended by adding the following sections to read:

AS 37.07.102. State Spending Limit. In no year shall the total annual operating appropriations of the state government exceed the total annual operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population.

AS 37.07.105. Additional State Spending Limit Adjustments. The annual operating appropriations limit provided for in Section 102 of this chapter shall be further adjusted as follows:

(a) If the legislature or any state agency transfers the financial responsibility of providing services, in whole or in part, from the state government to any local government, or mandates a new program or higher level of service on any local government, the state shall provide subvention of funds to reimburse such local government for the costs of the program or increased level of service.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the state government, the appropriations limit may be exceeded, provided that the appropriations limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

AS 37.07.107. Contingency Funding. Each entity of state government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar fund as it shall deem reasonable and proper. Excepting contributions to the

contributions to any such fund shall, for purposes of Section 102 of this chapter, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such funds nor expenditures of such withdrawals, nor transfers between or among such funds shall constitute appropriations subject to limitation.

Section 2. AS 37.07.120 is amended by adding the following subsections:

(7) "Total annual operating appropriations of the state government" shall be established by reference to the fiscal year 1981 "total annual operating appropriations of the state government", exclusive of budget surpluses.

(8) "Total annual operating appropriations of the state government" shall mean any authorization to expend during a fiscal year the proceeds of taxes, income, or other revenues collected by or for the state other than the following:

- (a) refunds and/or reduction of taxes;
- (b) benefit payments from unemployment, unemployment insurance, and disability funds;
- (c) payments for bond debt;
- (d) constitutional or legislative appropriations to the Permanent Fund as established by Article IX, Section 15, of the Alaska Constitution;
- (e) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government rendered after adoption of Sections 102-107 of this chapter, which, without discretion, require expenditure for additional services or which unavoidably make the provision of existing services more costly;
- (f) appropriations to local governments which mandate and result in a reduction of real property taxes.

(9) "Subvention" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

(10) "Alaska per capita personal income" shall mean the personal income of individuals residing within the state as determined and reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(11) "Population" shall mean permanent resident individuals of the state and shall be determined by method prescribed by the legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States government.

Section 3. This Act does not repeal or affect any appropriation made or existing at the time it takes place.

Section 4. This Act does not and shall not be construed to impair the ability of the state to meet its obligations with respect to existing or future bonded indebtedness.

Section 5. This Act takes effect in accordance with AS 15.45.220.

SR4
RESOLUTION OF THE ALASKA LOGGERS ASSOCIATION

WHEREAS, the rate of increase in the size and the cost of State government has increased dramatically over the last several years, and

WHEREAS, the rate of capital expenditures by the Alaska Legislature threatens to exhaust the State's oil wealth long before it can be of use to future generations of Alaskans,

NOW THEREFORE, the Alaska Loggers' Association hereby urges the Alaska Legislature to approve a ballot proposition for the 1982 general election which would allow the people to vote on a Constitutional spending provision limiting the State's operating and capitol budgets.

cc: Governor Hammond

All State Legislators

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE COUNSEL

MEMORANDUM

SUBJECT: V. ...
(...)

TO: Senator Arliss Stugulewski

FROM: Richard A. Bradley
Legislative Counsel B

You advise that the administration intends to place on the November, 1982 ballot the capital budget appropriations for FY 1984 in anticipation of passage of the proposed constitutional spending limit, at least to the extent that such voter approval would be required under the proposed constitutional amendment. LR 1, adopted at the First Special Session of the Legislature, 1981 (FCCS-FCCSSJR 4).

In my opinion, the executive branch is without power to put issues on the general election ballot without specific direction from the constitution or the legislature in general or special law. To my knowledge, the only occasions where the vote of the people decides a question put to them by the legislature arises out of capital bond questions and constitutional amendments. Note that each follows a direct act of the legislature.

I suggest that the governor's budget message did not quite state that the issues would be put on the ballot. In two places that I noted the concept, it is discussed in terms of a "proposal". (See the second full paragraph, page 7 and the second full paragraph, page 8.)

You also ask whether placing the fiscal year 1983 capital appropriations on the November, 1982 ballot would constitute a violation of Article XI, section 7 of the Alaska Constitution?

Steve
Please
then set a
copy for my
finance file
copy for doing
Janet
file
9

Senator Arliss Sturgulewski
Page 2
January 20, 1982

The cited provision provides in part:

The initiative shall not be used to * * * make or
repeal appropriations . . . * * * The referendum shall
not be applied to * * * appropriations. . . (Emphasis
added)

Note that to the extent that the legislature places the question on the ballot, no "initiative" or "referendum" requested by the voters under Article XI is involved and no violation of the particular provision of the constitution is reached.

But the answer does not dispose of your question.

This office has always assumed that the provisions of Article II of the constitution, the legislative article, when read with the provisions of Article XI, the initiative and referendum article, explicitly precluded the sharing by the legislature of its power to enact legislation with anyone else, including the voters of the state. To the extent that Article XI constitutes an opportunity for direct legislation, it clearly requires that the responsibility for originating the proposal derive from the voters. Thus the legislature could not enact legislation subject to a condition subsequent such as the ratification of the legislation by the voters of the state.

If I may assist further, please advise.

RAB:ljb



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

January 9, 1982

TO: Senator Dankworth

FROM: Pete Jeans

SUBJECT: Definition of "Capital" for budget purposes

At your request, here is a simple definition of "Capital" that could be used to determine if a specific item should be included in the capital budget. Anything not fitting this definition should be considered in the operating budget.

A Capital item is any expenditure for land acquisition, equipment, structural improvement or construction that equals or exceeds \$25,000. This includes planning, engineering and design for a single project when the proposed project cost will exceed \$1,000,000.

TASK FORCE Recommendations

Commonwealth
Spending Limit

STATE OF ALASKA

THE LEGISLATURE

1981

Source:

FSS-FCSSJR 4

Legislative
Resolve No.

1



Proposing amendments to the Constitution of the State of Alaska relating to limiting increases in appropriations.

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

* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 16. APPROPRIATION LIMIT. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, (including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise. If each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

DELETE

DELETE AND INSERT:

... multiplied by the sum of the percentage of Alaska state population change and the percentage of annual per capita income change since 1981.

DELETE AND INSERT:

... and passed by a two-thirds majority vote of the members elected to and serving in each house of the Legislature.

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

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the State of providing for relocation of the capital, no additional voter approval of appropriations for that purpose within the cost approved by the voters is required under the 1982 amendment limiting increases in appropriations (art. IX, sec. 16).

SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN APPROPRIATIONS. If the 1982 amendment limiting appropriation increases (art. IX, sec. 16) is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment to be placed on the ballot again at the general election in 1986. If the majority of those voting on the proposition in 1986 rejects the amendment, it shall be repealed.

SECTION 28. APPLICATION OF AMENDMENT. The 1982 amendment limiting appropriation increases (art. IX, sec. 16) applies to appropriations made for fiscal year 1984 and thereafter.

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

DELETE AND INSERT:

Any unexpended or unappropriated balance shall be placed in a special reserve fund to be utilized at least biannually for tax relief for citizens of the state and/or a capital investment fund as may be provided by law.

AGC
say
business
tax
relief

Chapter 18

Alaska Permanent Fund Corporation.

* Sec. 9. TRANSITION. The commissioner of revenue shall transfer the Alaska permanent fund to the Alaska Permanent Fund Corporation established by this Act after request for transfer is made by the board of trustees of the corporation. Notwithstanding AS 37.10.065(a), the commissioner of revenue may invest the money in the Alaska permanent fund in the investments described in AS 37.13.120(g) subject to the limitations of AS 37.13.120(h) and (i).

* Sec. 10. AS 37.10.065 is repealed.

* Sec. 11. Section 10 of this Act takes effect upon transfer of the Alaska permanent fund to the Alaska Permanent Fund Corporation as provided in sec. 9 of this Act. The remainder of this Act takes effect immediately in accordance with AS 01.10.070(c).

contradictory. For example, a reduction in the budget deficit is likely to have a beneficial effect on the inflation rate. But decisions to increase taxes, or lower spending, were both politically difficult (especially so in an election year) and carried with them the likelihood of prolonging the economic recession and thereby paradoxically, further worsening the budget position. At the same time, Congress was considering proposals to reduce taxes as a means of spurring investment and addressing long-term productivity problems. Such a course of action, however, is likely to be inflationary at least in the short run.

Budget formulation is ever more difficult as the uncontrollable portion of the budget increases. Largely responsible for this situation are the formula-based entitlement programs which guarantee recipients a certain level of

benefits. Social Security is the largest of the entitlement programs. Equity arguments, the political clout of special interest groups, the desire of some authorizing committees to end-run the appropriations committees, changing demographics (the aging of the population) and difficult economic conditions, have combined to result in a two-thirds growth in the entitlement programs' share of the budget in 13 years—from 36.1% in 1967 to 59.1% in 1980.

In reality, however, entitlements are not truly an uncontrollable aspect of the budget. Despite the political obstacles, Congress can alter an entitlement law to reduce eligibility and/or benefit levels, thereby producing budget savings. In the 96th Congress Senator Biden (DE) introduced S. 1434, legislation that if enacted would have ended the entitlement status of all programs except Social

Budget Process Under Stress

The budget President Carter submitted to Congress in January 1980 included more money for defense, modest continued growth in social programs but higher taxes. The pledge of a balanced budget was forsaken, but the deficit figure was relatively small at \$15.8 billion. This plan, however, soon ran afoul of economic facts. To paraphrase Irving Kristol, the first budget offering was "mugged by the reality" of an ailing economy. Inflation wreaked havoc with the early estimates, sparking a flurry of meetings between Administration officials and the leaders of Congress in early March.

Following the lengthy and much publicized March deliberations, President Carter in mid-month announced his revised budget for fiscal 1981, including \$13 to \$14 billion in budget cuts and \$13 billion in new revenue measures, resulting in a \$15.8 billion deficit being transformed into a \$16.5 billion surplus. The interest groups representing state and local governments recognized the need for spending reductions and were generally supportive as long as the reductions were meted out in an even-handed manner. But there was great concern, too, because in March the state share of General Revenue Sharing was slated for elimination and it was unclear where remaining cuts actually would be made. Stephen B. Farber, Director of the National Governors' Association, was prescient when at this point he declared, "I think this is just the beginning of a long process."

Armed with the President's revised budget and a Congressional Budget Office report indicating 75 ways to cut the budget, the Congress set to work. Their efforts were ill-starred, however, as the first budget resolution was not passed until June 12, nearly two months after the March 15 deadline. Additionally, all hope for the small surplus written into this agreement was dashed when the mid-year economic statistics were issued, indicating that the recession was deeper than expected. With inflation and unemployment figures up, and productivity down, the deficit estimate leapt upward. Protracted budget negotiations ensued once again, with the result that the second and binding budget resolution due on September 15 was not delivered until mid-November. Moreover, the *Budget Act* requirement that all spending and tax bills be enacted by the week after Labor Day had been flouted as well. By September 15, the House had passed 11 of 13 appropriations bills and the Senate only one.

Possibly a greater threat to the future of the process is

the growing gap between the Congressional budgets and the outlay and revenue figures. In the first three years of the budget process, actual outlays fell within the Congressionally set spending ceilings. In 1980, however, they exceeded the limits by billions of dollars and in all likelihood this will be repeated in 1981. Should Congress continue to disregard its own limits on spending, tougher approaches may be taken to reassert discipline in the process. While some in Congress have suggested making the target spending ceilings binding, others would prefer to limit federal spending to a gradually declining percentage of the gross national product.

An important element in the deliberations again last year was the process of reconciliation, whereby the House and Senate budget committees can order the reduction of already passed appropriations bills to conform with the budget resolution. The Senate attempted the process in 1979, but the House balked and the tool was not used. Last year, both houses employed it. Advocates of reconciliation point to the discipline it imposes on the development of the budget by forcing decisions on all budget reductions simultaneously, rather than the traditionally incremental approach. Additionally, it encourages a healthy debate over future spending choices, a debate some say would not have occurred otherwise. Critics of the process say it is inefficient and shifts too much fiscal power from committee chairmen with expertise in their program areas to budget committee members who lack such sophisticated understanding.

While the practical effect of reconciliation at this juncture is to slow the budget process drastically, passage of the *Reconciliation Act* in November bodes well for the future. A precedent was established that the Budget Committees could direct the tax-writing and authorizing committees to change laws so as to bring expenditures in line with chosen budget parameters. This is a crucial step toward controlling the "uncontrollables" and exercising budget discipline.

Because of repeated delays and missed deadlines, most of the appropriations bills had not passed the Congress by the end of the last fiscal year. A continuing appropriations resolution to fund the operations of the federal government wasn't passed until 16 hours after the beginning of the new fiscal year, technically leaving most federal departments without funding for that period of time. This resolution expired on December 15, necessitating adoption of another continuing resolution based largely on House-passed appropriations levels to carry programs into the new calendar year.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 508
CAPITOL BUILDING
POUCH V
JUNEAU, ALASKA 99811

907-465-3818
907-465-3810

MEMORANDUM

28 July 1981

TO: Jay Hogan, Director
Legislative Finance Division

FROM: Senator Arliss Sturgulewski 
Chairman, Legislative Budget & Audit Committee

RE: Information Request

I am interested in receiving information on the likely fiscal effects of the constitutional spending limit as passed during the special session. Specifically, I am interested in your best professional judgement on the rate of increase in expenditures for those items excluded from limitation, possible changes in the budget processes and structure due to excluded items (for example, will there be increases and of what magnitude in the public corporation budgets and what are the effects on the existing budget process of these changes), and the effect on the percentages of total revenues spent for governmental activities.

I have requested a legal opinion of Billy Berrier on the definition of some of the items in the constitutional spending limit bill (notably, "capital projects"). Based on his response to my questions, I would also appreciate your financial analysis of the impact of the spending limit on those items, as defined. In addition, I would be interested to learn your identification of other fiscal issues relevant to the spending limit.

Your attention to this matter is appreciated. If you or your staff have any questions regarding this request, please contact Margo Waring or my staff.

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

Emergency

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

*copy to [unclear]
[unclear]
[unclear]*

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

June 10, 1981

TO: Senator Mike Colletta

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

SUBJECT: ~~Expenditure Limits~~

I am enclosing SSSJR 52 and SB 558 which you introduced last session.

There is little backup material in the file since we used material I had gathered at a seminar in Salem, Oregon on the subject. Most of that material is now brought up to date by the Tax and Expenditures Limitation booklet issued by the Council of State Government which sponsored the seminar. I am enclosing that booklet, the Tennessee Constitution and statute which was used as a base and a copy of a newspaper article discussing the municipalities in California under Proposition 13.

BGB:blg

Enclosures

*Limit Growth - economy
only emergency each 3 years
all difference between total
budget & total new debt
to people - lower per share
Callant population*

Catch-13

Californians Discover Tax-Cut Mania Has A Corollary: Fee Fever

A Year After the Big Slash, Localities Soak Citizens For All Kinds of Services

Pricing Poor Out of Parks?

By STEPHEN J. SANSWERT

Staff Reporter of THE WALL STREET JOURNAL

Students in Glendale, Calif., who need to brush up on their skills at summer school this year will have to pay as much as \$110 for the sessions. Last year they were free.

Los Angeles art and nature lovers put up with recently imposed admission charges of up to \$1.50 for once-free visits to county museums and botanic gardens.

Builders in the San Diego suburb of La Mesa find that the cost of fees and permits for an average house has rocketed to \$1,283 from just \$43 in early 1975.

In the year since Californians voted themselves a deep cut in property-tax payments under Proposition 13, they have been increasingly confronted with new or rapidly escalating fees, charges and other costs for services and programs local governments previously paid for from general revenue. So far, the average homeowner is still coming out ahead, but the gap is narrowing. And the non-tax-deductible fees are a particular blow for the large number of renters in the state who received little, if any, benefit from last year's initiative.

Prostituting 13

"The real meaning of Proposition 13 is being prostituted right and left by local government," charges Paul Gann, cosponsor of the initiative that ignited national tax-cutting fever when California passed it last June 6. "We got the property taxes cut, but they immediately took the dough back in another way."

Mr. Gann's response has been to join in several suits challenging fees, as well as to sponsor a new initiative, the "Spirit of '82," that would limit spending by the state and local governments. The measure will be on the ballot by June 1980 at the latest, and political observers think it has a good chance of enactment.

But regardless of whether the "Spirit of '82" passes, the original "13" has wrought a fundamental and probably irreversible change in the way Californians pay for services, programs and facilities provided by the state's 58 counties, 47 cities and 4,750 special districts. Many have raised the fees for the services they provide, others have imposed new fees on such groups as low- or middle-income people and first-time home buyers.

Cities Recoup 1975

Proposition 13, which limited property taxes to 1% of the 1975-76 assessed market value and restricted assessment increases, cut about \$550 million from city revenues. According to the latest available statistics, compiled last fall, the cities made up 19% of this, or \$103 million, from new or higher fees and service charges in the months just before and after Proposition 13 took effect. (Much of the rest was made up by bail-out legislation that distributed surplus state revenue.)

Counties, which lost nearly \$1.5 billion in property-tax revenue, added only \$22 million in fees. An incomplete survey of special districts, each of which is set up to raise money for a purpose such as sewers or hospitals, showed higher fees and charges of around \$70 million, compared with a property-tax loss of \$291 million.

Most observers believe that the initial rush to impose fees was only the beginning. "If state bail-out funds decrease as projected . . . local government officials will be increasingly tempted to raise existing fees and create new ones," a state task force that studied the situation predicts. "Fees are one of the few mechanisms open to local governments for raising added revenues."

Fees for Sidewalk Repair

After lengthy debate and several changes of mind, the Los Angeles city council recently passed a residential trash-collection fee ranging from \$1.50 to \$5 a month. There wasn't any agonizing earlier when the city imposed or raised fees for such things as dog licenses, use of recreation facilities, emergency ambulance transportation, fire-safety inspections and repair of cracks in sidewalks, to name a few.

Besides Mr. Gann's "Spirit of '82" and the numerous lawsuits, other attempts are being made to stem the upward spiral of fees. Several bills pending in the California legislature would restrict the kinds of fees that could be levied and limit each fee to the cost of the service provided. Also, state attorney general George Deukmejian has just issued an advisory opinion that several new fees are actually special taxes and thus require approval of two-thirds of the electorate under terms of Proposition 13.

The residential-construction industry has been hit with an especially large number of fee increases. Prior to Proposition 13, existing homeowners in a community, in effect, partially subsidized new development, because their property taxes helped pay for such things as sewer hookups and new streets. With the taxes reduced, localities have switched the cost of new developments to builders, who, in turn, have passed it on to home buyers. Fees are up in more than a dozen items ranging from filing of plans to on-site inspections.

"There's no question that higher fees are pricing moderate-income Californians out of the new housing market," says Fred Case, professor of urban and economics at the University of California at Los Angeles. "Any individual fee increase may not seem like a lot, but when you add them together they can be staggering. And unlike property taxes, higher fees can't be deducted from in-

Please Turn to Page 12, Column 1

Catch-13: A Year After Tax Cut, Californians Run Into Fee Fever

Continued From First Page

come taxes," Mr. Case says his study of construction in Los Angeles shows 36 new requirements that produce higher costs for builders.

The California Building Industry Association says the median bill for construction-related fees and service charges across the state has risen 55% in the last year, but the range is all the way from zero to \$3,000 for an average three-bedroom house. "Builders are in a difficult position," says Norman Jackson, spokesman for the trade group. "We don't want to be blamed for local governments being unable to fund improvements for new housing. But we don't want to be easy pickings to make up for Proposition 13 losses either."

Even simple modifications or additions to existing homes "have become a rich man's game," says Donald E. Cunningham, a Los Angeles land-use consultant. "It costs \$1,200 to \$1,500 in fees before you even walk up to the counter with your final plans, and the city and county are about to raise the fees again."

Focus on Sales Taxes

Some communities are using the fund crunch to further their "no-growth" policies. One state survey concludes that many localities aren't any longer interested in luring residential or industrial development because of the low property-tax revenue relative to the cost of capital improvements and services. Instead, they are competing more vigorously for commercial establishments, which generate sales-tax revenue.

Raymond Jallow, senior vice president and economist at United California Bank, is concerned at what he sees as a rush to impose or raise business and licensing fees without knowing the consequences. Beverly Hills businessmen, for example, are faced with business-fee increases of up to 1,500%, and Los Angeles County is raising license fees for everyone from weed eradicators to "massage technicians."

"While the economy is still expanding, there might not be much impact," says Mr. Jallow. "But in any slowdown, many of the fees will prove detrimental, because they will drive away business and professional people. Some fees haven't been changed in 100 years and certainly should be raised, but others are going up without any direct justification, just to raise revenue."

Effects on the Poor

Many officials concede that tying the level of a fee to the cost of the service performed would often be guesswork. Because of archaic accounting and bookkeeping systems and the difficulty in allocating overhead expenses, service charges frequently bear little relation to service costs. William Professor Case says, "They usually get on the high side, and the money just goes to the general fund anyway." He says, "Los Angeles raised outlying-permit fees but still had old people in the department, so we're paying more money for less service."

on Government Reform, appointed by Gov. Edmund G. Brown Jr. to suggest ways to cope with Proposition 13, is the effect of new and higher fees on the quality of life, particularly that of the lower-income groups that tend to use public facilities the most.

"Low-income residents may find fees prohibitive to the enjoyment of a park or a community swimming pool as these fees are

increased," a commission task force warns. Attempts to set a rate structure subsidizing such groups would require a bureaucracy that in itself would lead to even higher costs, the report adds.

"We don't want to turn parks and swimming pools into country clubs for the middle-class and the rich," says Larry Naake, executive director of the California Park and Recreation Society, a professional group. "Fees may increase total revenue, but already attendance is down everywhere from the Sacramento zoo to inner-city pools and parks," Mr. Naake says a recent survey by his group shows that 85% of the park and recreation agencies in the state have raised

fees, the boosts ranging from 50% to 400%.

Fees have been instituted at previously free museums, while charges at beaches and campgrounds are up substantially and fines for overdue library books have doubled or tripled in many cases. Community colleges, almost wholly dependent on property-tax revenue, have started charging for formerly free classes and services. As a result, attendance at noncredit courses — mainly recreation, crafts and courses for senior citizens — dropped 26% this past semester. Some 20% of 4,600 noncredit courses were shelved.

Localities have come up with some innovative ways to replenish their coffers. Oakland enacted an employee license fee based on salary earned in the city. Inglewood has

instituted a fire-service fee based on the relative fire risk of each structure and the amount of water, personnel and equipment that would be needed to extinguish a major blaze there. Pasadena's board of directors enacted an ordinance that will adjust all taxes, fees and charges annually based on the preceding year's consumer price index. The directors retain the option to veto any particular increase.

Theoretically, communities could raise fees and charges to cover all their property-tax losses. But political realities, strong lobbying by interest groups and public opinion have helped to mitigate the increases. When put to the test of advisory or actual votes,

proposed fee increases have failed in cities ranging from San Francisco to Palos Verdes Estates.

The ultimate tool of the angry taxpayer, the recall election, also has been used successfully. Voters recalled two members of the Simi Valley city council who were identified as leaders of the move that raised the annual sanitation service charge to \$96 a home from \$60. And voters in Sacramento County recalled four members of the San Juan Unified School District who had voted to contribute \$1,000 in district funds for a lawsuit challenging Proposition 13.



Proposition 13 author Howard Jarvis holds birthday cake during its first anniversary yesterday

Proposition 13's Final Impact Is Still An Unknown Quantity

SACRAMENTO, Calif. (AP) — Proposition 13, the tax cut measure that set off a nationwide tax revolt, hasn't lived up to the promises of supporters or to the warnings of foes — at least not yet.

Californians approved the \$7 billion property tax cut a year ago yesterday, but it still is a largely unknown quantity, its impact blunted by massive state aid to local governments.

That doesn't mean that some government workers haven't lost jobs and some government programs haven't been cut. The state's school system has been wounded but remains afloat. There have been no significant cuts in police and fire services. Recreation programs were cut sharply, and in many cases fees were imposed.

Still, the aid financed by a state budget surplus has reduced the full impact of Proposition 13. And although shrinking, the surplus is still big enough to soften 13's impact for another year. What happens after that depends on the health of California's economy, efforts to reform government financing and pending new voter initiatives.

"The fallout from 13 is going to be long-term fallout," says Raven Flynn, executive director of the California Tea-

chers Association. "It's not going to be an instant whop over the head."

Cuts so far have often hit those least able to care for themselves: the poor, the elderly, and the young.

But many Proposition 13 supporters see it as only a first step to cut waste in government, and they are pushing new proposals aimed at restricting taxes and government spending.

Those measures include separate initiatives by Proposition 13 co-authors Howard Jarvis and Paul Gann.

Gann's proposal, which has qualified for the ballot later this year or in 1980, limits government spending on a formula based on price increases and population growth. Jarvis' pending initiative would cut the state income tax in half, a \$3 billion annual tax cut.

Although Proposition 13 didn't force an overall cut in spending by local governments in 1973-79, it kept spending increases below inflation and average increases for recent years.

It also produced a significant reduction in the state and local government workforce.

In human terms, the statistics represent people such as Gloria Davis, who spent eight years teaching in San Fran-

cisco schools and was described by school board member Myra Kopit as "one of the best we have ... a very rare teacher."

But in April, Ms. Davis resigned rather than fight a layoff notice, one of about 2,200 sent out by the district. She now works for a bank.

For Debra Walker, Proposition 13 means getting by without a cost-of-living increase in welfare. Ms. Walker, 22, was receiving \$237 a month when the rent for her San Jose apartment she shares with a 2-year-old son went up \$73 a month.

"It was a matter of eating and not paying my rent. So now I am getting evicted," she said.

The other side of the Proposition 13 story is told by Paula Fatjo, who owns 7,000 acres of farm land near Los Banos on the hilly western edge of the San Joaquin Valley.

The land has been in Ms. Fatjo's family since her great-great-grandfather Francisco Pacheco obtained it in an 1843 Mexican land grant.

She said before 13 cut property taxes 57 percent, she was paying \$4 an acre in taxes on land that brought in \$6 an acre lease income, not enough to enable her to keep the land.

MEMORANDUM

May 5, 1980

SUBJECT: Spending limitations - SSSJR 52 and SB 552
TO: Senator Mike Colletta
FROM: Billy G. Berrier
Director
Division of Legal Services

You have requested a synopsis of the proposed constitutional amendment, SSSJR 52, and the companion bill, SB 552, relating to limitation on spending by the state.

The basic thrust of the constitutional amendment is the prohibition against the rate of growth of appropriations from state revenues exceeding the rate of growth of the economy of the state. Appropriations for the permanent fund and for capital improvements are excepted from this prohibition.

The amendment allows this growth rate in appropriations to be exceeded if a state of emergency is declared to exist as provided by law. It provides that for the three succeeding years the appropriations limit be adjusted equally so that for the four-year period, consisting of the year in which the emergency existed and the following three years, total appropriations may not exceed the amount that would have been available had there been no emergency.

The amendment provides that revenue in excess of the appropriation limit shall be distributed to the taxpayers of the state as provided by law. It also prohibits laws which require increased expenditures by political subdivisions from becoming effective unless the legislature has provided that the state bear the added cost.

The limiting phrase "estimated growth of the economy of the state" as used to set the maximum for appropriation growth must be defined by law.

Senator Mike Colletta

Page 2

May 5, 1980

Under SB 558 the growth rate is based upon projected changes in Alaska personal income. The components of Alaska personal income are those included in the United States Department of Commerce's definition of personal income. The Commissioner of Commerce and Economic Development must, before January 30th of each year, certify to the legislature the projected income, the change from the present fiscal year income and the percentage of change.

BGB:jdn

Introduced: 4/11/80
Referred: Judiciary and
Finance

1 IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP,
KERTTULA AND HACKNEY

2 SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 52

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in expendi-
8 tures and requiring payment by the
9 state of mandated increased expendi-
10 tures of a political subdivision of
11 the state.

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

13 * Section 1. Article IX, Constitution of the State of Alaska is amended
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate
16 of growth of appropriations from state revenues, excepting appropria-
17 tions to the permanent fund established in Section 15 of this article
18 and excepting appropriations for capital improvements, exceed the esti-
19 mated rate of growth of the economy of the State as determined by law.
20 An appropriation in excess of this limit shall not be made unless a
21 state of emergency is declared to exist, as provided by law. The appro-
22 priation limit for each of the three years following the declaration of
23 emergency shall be adjusted equally so that the total appropriations for
24 the year of the emergency and the succeeding three years do not exceed
25 the appropriations which could have been made under this section if no
26 emergency had been declared. The limit on rate of growth of appropria-
27 tions for each year shall be calculated without regard to a declared
28 emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by

1 the State in excess of the amount appropriated in compliance with this
2 article during a fiscal year shall be distributed to the taxpayers of
3 the State as provided by law. No appropriation is required for a dis-
4 tribution under this section within the succeeding fiscal year.

5 * Sec. 2. Article II, Constitution of the State of Alaska is amended by
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general
8 law requiring increased expenditures by a political subdivision shall
9 become effective unless the legislature has provided that the State pay
10 the amount of increased cost to the political subdivision.

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

Introduced: 2/18/80
Referred: Judiciary and
Finance

1 IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP,
KERTTULA AND HACKNEY

2 SENATE JOINT RESOLUTION NO. 52

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in expendi-
8 tures and requiring payment by the
9 state of mandated increased expendi-
10 tures of a political subdivision of
11 the state.

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

13 * Section 1. Article IX, Constitution of the State of Alaska is amended
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the rate
16 of growth of appropriations from state revenues, excepting appropria-
17 tions to the permanent fund established in Section 15 of this article,
18 exceed the estimated rate of growth of the economy of the State as
19 determined by law. An appropriation in excess of this limit shall not
20 be made unless a state of emergency is declared to exist, as provided by
21 law. A state of emergency may not be declared if a state of emergency
22 has been declared within the preceding three years. The appropriation
23 limit for each of the three years following the declaration of emergency
24 shall be adjusted equally so that the total appropriations for the year
25 of the emergency and the succeeding three years do not exceed the appro-
26 priations which could have been made under this section if no emergency
27 had been declared. The limit on rate of growth of appropriations for
28 each year shall be calculated without regard to a declared emergency or
29 the subsequent three-year adjustment.

1 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received by
2 the State in excess of the amount appropriated in compliance with this
3 article during a fiscal year shall be distributed to the taxpayers of
4 the State as provided by law. No appropriation is required for a dis-
5 tribution under this section within the succeeding fiscal year.

6 * Sec. 2. Article II, Constitution of the State of Alaska is amended by
7 adding a new section to read:

8 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general
9 law requiring increased expenditures by a political subdivision shall
10 become effective unless the legislature has provided that the State pay
11 the amount of increased cost to the political subdivision.

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

Introduced: 4/11/80
Referred: State Affairs

1 IN THE SENATE

BY THE RULES COMMITTEE

2 SENATE BILL NO. 558

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to estimation of the rate of growth of
7 the Alaska economy; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.25 is amended by adding a new section to read:

11 Sec. 37.25.020. BASIS FOR ESTIMATED RATE OF GROWTH OF ECONOMY.

12 The estimated rate of growth of the state's economy shall be based on
13 the projected change in Alaska personal income. Alaska personal income
14 consists of those sources of income included in the United States De-
15 partment of Commerce's definition of personal income. Before January 30
16 of each year the commissioner of commerce and economic development shall
17 certify to the legislature the projected Alaska personal income for the
18 following fiscal year, the change from the present fiscal year, and the
19 percentage of change.

20 * Sec. 2. This Act takes effect on the effective date of an amendment to
21 the Constitution of the State of Alaska substantially as proposed in a ver-
22 sion of Senate Joint Resolution No. 52.

original submitted by chamber

HOUSE JOINT RESOLUTION NO. _____

Section 1. The Constitution of the State of Alaska is amended by adding a new Article to read:

ARTICLE IX (A)

STATE GOVERNMENT SPENDING LIMITATION

SECTION 1. The purpose of this Article is to impose spending limits on the State government which reflect prevailing economic conditions. A liberal construction shall be given to this Article to achieve that purpose.

SECTION 2. As used in this Article and except as expressly otherwise provided herein:

(a) The "appropriations limit" of the State government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 3 and Section 4 of this Article. The "appropriations limit" of the State government for fiscal year 1979 shall be the total appropriations subject to limitation for that fiscal year, exclusive of budget surpluses.

(b) "Appropriations subject to limitation" shall mean any authorization to expend during a fiscal year the proceeds of taxes or other revenues levied and collected by or for the State, other than the following:

- (i) discretionary subventions made pursuant to Sections 5(a)(i)(ii) of this Article;
- (ii) refunds of taxes;
- (iii) benefit payments from retirement, unemployment insurance, and disability insurance funds;
- (iv) constitutional or legislative authorizations for investment of the Permanent Fund;

- (v) loan funds or indebtedness funds, investments (or authorizations to invest) funds of the State, in accounts at banks or savings and loan associations or in liquid securities;
- (vi) debt service;
- (vii) appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year; or
- (viii) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom, or of legally binding mandates of the federal government (exclusive of payments mandated and not paid under the Alaska Native Claims Settlement Act) rendered after adoption of this Article, which, without discretion, require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

(c) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States government; provided, however, that for purposes of Section 3, the change in the Consumer Price Index from the preceding year shall in no event exceed the change in Alaska per capita income from said preceding year as reported by the Alaska Department of Labor or successor agency of the State of Alaska.

(d) "Debt service" shall mean appropriations required to pay the cost of principal, interest, and related charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1980, or on bonded indebtedness thereafter approved according to law.

(e) "Local government" shall mean any entity, district, authority, or other political subdivision of or within the State created pursuant to Article X.

(f) "Net changes" in the Consumer Price Index, population, or Alaska per capita personal income shall equal the mathematical sum of the percentage change in applicable criteria between 1980 and the year in question. The change in the cost of living shall be determined by computing the percentage difference, if any, between the Consumer Price Index figure for 1980 and the Consumer Price Index figure for the year when such adjustment is made. The change in population shall be determined by computing the percentage difference, if any, between the population of the State in 1980 and the population for the year when such adjustment is made. The Alaska per capita personal income shall be substituted for changes in the Consumer Price Index if required by Section 2(c), and shall be determined by computing the percentage difference, if any, between the Alaska per capita personal income for 1980 and the Alaska per capita personal income for the year when such adjustment is made.

(g) "Other revenues" shall mean all money receipts to the State except those receipts from the sale of bonds or receipts of the State which are placed in the Permanent Fund, and private voluntary endowments.

(h) "Permanent Fund" shall mean the Alaska Permanent Fund as authorized and established by Article IX, Section 15.

(i) "Population" shall mean permanent resident individuals of the State and shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised as necessary to reflect the periodic census conducted by the United States Department of Commerce or successor agency of the United States Government.

(j) "Proceeds of taxes" shall include, but not be limited to, the receipts from all taxes imposed by the State of Alaska, subventions from any other government entity, and income therefrom received by the State.

(k) "Subventions" shall mean any endowment, subsidy, or other financial assistance provided by one entity of government to another.

SECTION 3. The total annual appropriations subject to limitation of the State government shall not exceed the appropriations limit for the prior year adjusted for net changes in the cost of living and population except as otherwise provided in this Article.

SECTION 4. Revenues received by the State government in excess of that amount which is appropriated by it in compliance with this Article during a fiscal year shall be distributed, pro rata, to the taxpayers of the State within the next fiscal year. The refund due a taxpayer shall equal the product of excess revenues and the ratio of total taxes paid to the State of Alaska by all taxpayers to the taxes paid by that taxpayer receiving a refund.

SECTION 5. The appropriations limit for any fiscal year pursuant to Section 3 shall be adjusted as follows:

(a) If the Legislature or any State agency transfers the financial responsibility of providing services, in whole or in part, from the State government to any local government, or mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention funds for:

- (i) legislative mandates defining a new crime or changing an existing definition of a crime; or
- (ii) legislative mandates enacted prior to January 1, 1975, or Executive Orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) If the financial responsibility of providing services is transferred, in whole or in part, from any entity of State government to a private entity, or the financial source for the provision of services is transferred, in

whole or in part, from the proceeds of taxes or other revenues to appropriations which are not subject to limitation, then for the year of such transfer the appropriations limit shall be decreased accordingly.

(c) If a state of emergency is lawfully declared by the State government, the appropriations limit may be exceeded, provided that the appropriation limits in the following three (3) years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency. No state of emergency may be declared that requires the appropriations limit to be exceeded if a state of emergency has been declared within the preceding three (3) years or if the State government has failed to make the appropriations reduction required by this Section.

SECTION 6. Each entity of State government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust or similar fund as it shall deem reasonable and proper. Excepting contributions to the Permanent Fund, contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes or other revenues, shall, for purposes of this Article, constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

SECTION 7. Nothing in this Article shall be construed to impair the ability of the State to meet its obligations with respect to existing or future bonded indebtedness.

SECTION 8. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

SECTION 9. If any appropriations category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause, or phrase of this Article is for any reason held invalid or unconstitutional, the remaining portion shall not be affected but shall remain in full force and effect.

Section 2. The amendment proposed by this Resolution shall be placed before the voters at the next general election in conformity with Article XIII, Section 1, Constitution of the State of Alaska, and the election laws of the State.

become a law, until it shall have been read and passed, on three different days in each House, and shall have received, on its final passage in each House, the assent of a majority of all the members to which that House shall be entitled under this constitution; and shall have been signed by the respective speakers in open session, the fact of such signing to be noted on the Journal; and shall have received the approval of the Governor, or shall have been otherwise passed under the provisions of this constitution.

PROPOSED AMENDMENT

A bill shall become law when it has been considered and passed on three different days in each House and on third and final consideration has received the assent of a majority of all the members to which each House is entitled under this Constitution, when the respective speakers have signed the bill with the date of such signing appearing in the Journal, and when the bill has been approved by the Governor or otherwise passed under the provisions of this Constitution.

ARTICLE II

SECTION 21—Relative to devising a method by which the state of Tennessee reaches a position of making annual appropriations from funds in hand as opposed to appropriations against estimated revenues, with any ceiling provided on appropriations being expressed in some terms other than dollar amounts:

EXISTING LANGUAGE

SECTION 24. Appropriations of public moneys.—No money shall be drawn from the treasury but in consequence of appropriations made by law; and an accurate statement of the receipts and expenditures of the public money shall be attached to and published with the laws at the rise of each stated session of the General Assembly:

PROPOSED AMENDMENT

SECTION 24. Appropriation of public moneys.—No public money shall be expended except pursuant to appropriations made by law. Expenditures for any fiscal year shall not exceed the state's revenues and reserves, including the proceeds of any debt obligation, for that year. No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be authorized for the current operation of any state service or program.

State Spender
(1978)

TENNESSEE



nor shall the proceeds of any debt obligation be expended for a purpose other than that for which it was authorized.

In no case shall the rate of growth of expenditures of the state treasury exceed the estimated rate of growth of the state economy as determined by law. No appropriation in excess of this limitation shall be made unless the General Assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the limit will be exceeded.

Any law requiring the expenditure of state funds shall be null and void unless, during the session in which the act receives final passage, an appropriation is made for the estimated first year's funding.

No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.

An accurate financial statement of the state's fiscal condition shall be published annually.

ARTICLE III

SECTION 4—Relative to the governor's term of service:

EXISTING LANGUAGE

SECTION 4. Governor's term of service.—The Governor hereafter elected shall hold office for four years, and until his successor shall be elected and qualified. One succeeding to the vacated office during the first eighteen calendar months of such term shall hold office until his successor to such vacated office is elected at the following election for members of the General Assembly and qualified for the remainder of the term, as provided in Section 2 of this Article and Section 3 of Article II; and one succeeding to said vacated office subsequent to the first eighteen months of the term shall continue to hold office for the remainder of the full term. No Governor elected and qualified for a four year term shall be eligible for the succeeding term. [As Amended: Adopted in Convention May 19, 1953; Approved at election November 3, 1953; Proclaimed by Governor November 19, 1953.]

PROPOSED AMENDMENT

SECTION 4. Governor's term.—The Governor shall be elected to hold office for four years and until a successor is elected and qualified. A person may be eligible to succeed in office for additional four-year terms, provided that no person

9-617 -- 9-620. [Reserved.]

9-621. Basis for estimated rate of growth of economy. -- The estimated rate of growth of the state's economy shall be based upon the projected change in Tennessee personal income. Tennessee personal income shall consist of those sources of income included in the United States department of commerce's definition of personal income. [Acts 1979, ch. 408, § 1.]

Effective Dates. Acts 1979, ch. 408, § 6.
May 31, 1979.

9-622. Reports of estimated rate of growth of economy -- Duties of state funding board. -- (a) At least once each year, and whenever requested to do so by the commissioner of finance and administration or by the joint request of the chairmen of the finance, ways and means committees of the senate and house of representatives, the state funding board shall secure from the Tennessee econometric model a report of the estimated rate of growth of the state's economy. Such report shall include the major assumptions and the methodology used in arriving at such estimate.

(b) Upon receiving the report specified in subsection (a), the state funding board shall make comments relating to the reasonableness of the estimate including any different estimate the board deems necessary.

The board shall also enclose a list identifying state tax revenue sources and nontax revenue sources, approved by the attorney general. The department of finance and administration shall provide to the board revenue estimates for each source.

(c) In the event data from Tennessee econometric model is unavailable, the funding board, after consulting with the finance, ways and means committees of the senate and house of representatives shall obtain and/or prepare a report of the estimated rate of growth of the state's economy.

(d) The reports specified in subsections (a), (b) and (c) shall be forwarded to the commissioner of finance and administration and to each member of the general assembly, after review and definitive comment by the finance, ways and means committees of the senate and house of representatives. [Acts 1979, ch. 408, § 2.]

Effective Dates. Acts 1979, ch. 408, § 6.
May 31, 1979.

9-623. Governor's budget document -- Bill to permit appropriation to exceed economic index. -- (a)(1) The budget document presented by the governor to the general assembly shall include a statement or summary showing projected Tennessee personal income for the calendar year in progress, estimated Tennessee personal income for the latest completed calendar year, 1977 Tennessee personal income, and a recommended economic index for the calendar year in progress and for the latest

completed calendar year estimate by 1977 Tennessee personal income one hundred (100), recommended economic index from state tax revenue adjusted economic index calculations of the recommended economic index.

(2) The budget document shall include a statement or summary of revenues for the entire recommended such a 1977-78 fiscal year recommended appropriate fiscal year and for the dividing each year's estimate from state tax revenue.

(b) In any year in which revenues index exceeds part of the financial plan law, shall submit a bill to the general assembly to permit the index to exceed the amount by which the ch. 408, § 3.]

Compiler's Notes. Section ch. 408 provided: "The provisions shall not apply until fiscal year 1980. The commissioner of finance and administration shall, in consultation with the chairmen of the finance,

9-624. Indexes to appropriations not to exceed rate of growth of appropriations in the state's economy. -- A bill to be enacted as required by the Constitution of the state shall be used:

(1) Economic index. -- The Tennessee personal income index shall be one hundred (100) each year. The estimated rate of change in the index shall be approved by the general assembly. Revisions to the index shall be one hundred (100) shall be based upon the Tennessee personal income for the latest completed calendar year with the Tennessee

completed calendar year, such index to be calculated by dividing each year's estimate by 1977 Tennessee personal income and multiplying the results by one hundred (100), provided, however, that in no year shall the recommended economic index exceed the recommended appropriations from state tax revenues index by more than five percent (5%), and such adjusted economic index shall become the base for subsequent years' calculations of the recommended economic index.

(2) The budget document presented by the governor shall also include a statement or summary showing recommended appropriations from state tax revenues for the ensuing fiscal year, actual such appropriations plus recommended such appropriations for the fiscal year in progress, the 1977-78 fiscal year appropriations from state tax revenues, and a recommended appropriation from state tax revenues index for the ensuing fiscal year and for the fiscal year in progress, such index to be calculated by dividing each year's estimate by fiscal year 1977-78 actual appropriations from state tax revenues and multiplying the results by one hundred (100).

(b) In any year in which the recommended appropriations from state tax revenues index exceeds the recommended economic index, the governor, as part of the financial plan submitted to the general assembly as required by law, shall submit a bill or bills for introduction in both houses of the general assembly to permit the recommended appropriation from state tax revenues index to exceed the economic index. Such bill shall state the rate and amount by which the economic index is proposed to be exceeded. [Acts 1979, ch. 408, § 3.]

Compiler's Notes. Section 5 of Acts 1979, ch. 408 provided: "The provisions of Section 3 shall not apply until fiscal year 1979-80, but the commissioner of finance and administration shall, in consultation with the chairmen of the finance, ways and means

committees of the senate and house of representatives, provide a report which furnishes the information required by § 3."

Effective Dates. Acts 1979, ch. 408, § 6. May 31, 1979.

9-624. Indexes to be used in comparing rates of growth — Index of appropriations not to exceed economic index. — (a) In comparing the rate of growth of appropriations from state tax revenues with the rate of growth in the state's economy for the purpose of determining if a separate law shall be enacted as required by the second paragraph of article II, § 24 of the Constitution of the state of Tennessee, the following two (2) indexes shall be used:

(1) Economic index shall be that factor obtained by considering 1977 Tennessee personal income as one hundred (100) and adjusting the one hundred (100) each time the general assembly by law shall approve an estimated rate of change in the state's economy. The general assembly may approve revisions to the estimated rate of change in the state's economy. The one hundred (100) shall be adjusted by the percentage change of Tennessee personal income for each year for which estimates are approved compared with the Tennessee personal income for calendar year 1977, provided,

however, that in no year shall the economic index exceed the index of appropriations from state tax revenues, as calculated in subsection (a)(2) of this section, by more than five percent (5%) and the adjusted economic index shall become the base for subsequent years' calculations of the economic index.

(2) The index of appropriations from state tax revenues shall be that factor obtained by considering fiscal year 1977-78 appropriations from state tax revenues as one hundred (100) and adjusting the one hundred (100) for the total appropriation from state tax revenues the general assembly makes for any given fiscal year, including an estimate of such appropriations which are not for a specific sum of money. The one hundred (100) shall be adjusted by such estimated percentage change of appropriation from state tax revenues from fiscal year 1977-78 for each year for which such appropriations are made.

(b) In no fiscal year shall the index of appropriations from state tax revenues exceed the economic index for the comparable year or period unless the general assembly shall, by law containing no other subject matter, set forth the dollar amount and the rate by which the economic index will be exceeded. Comparable year or period shall consist of any calendar year for the economic index and the corresponding fiscal year which begins during that calendar year. [Acts 1979, ch. 408, § 4.]

Effective Dates. Acts 1979, ch. 408, § 6.
May 31, 1979.

9-625 — 9-630. [Reserved.]

9-631. Statutes providing base apportionment for determining additional state revenues. — Funds apportioned as state-shared taxes to county and municipal governments for any fiscal year under authority of the following statutes shall provide the base apportionment for the purpose of determining the availability of additional state revenues to meet the requirement of article II, § 24, of the Constitution of Tennessee that the state share in the cost of any law of general application imposing increased expenditure requirements on cities and counties:

(1) Retailers' sales tax, as authorized by chapter 30 of title 67 and apportioned by § 67-3047.

(2) Gross receipts taxes, such portions as are authorized as payments to the state from the Tennessee Valley Authority under section 13 of the act of congress creating the authority, as amended, and apportioned under §§ 67-2401(b) and 67-2402(a).

(3) Income tax on dividends and interest, as authorized by chapter 26 of title 67 and apportioned by § 67-2633.

(4) Special privilege tax on beer, as authorized by chapter 2 of title 57 and apportioned by § 57-217.

(5) Gross receipts tax on sales, as authorized by chapter 2 of title 57 and apportioned by § 57-217.

(6) Tax on sales of tangible personal property, as authorized by chapter 2 of title 57, and apportioned by § 57-217.

Compiler's Notes.
Tennessee Valley Authority
referred to in subdivision
16 U.S.C. § 831.
Effective Dates. Acts
June 5, 1979.

9-632. Governmental expenditures. — Amount of increase in expenditures for fiscal year 1980-81 shall be determined by the general assembly apportionment to municipalities and counties for the previous year. Amount shall be available to the general governments as provided, however, that in no year shall the amount required to fund the expenditures be more than fifty thousand dollars. Funds shall be available for funding from state funds in the same session.

Effective Dates.
June 5, 1979.

9-633. List of bills. — Report of all bills introduced in the general assembly of the senate and the house of representatives and administrative committees and subcommittees adopted and amended and incorporated within the meaning of the Constitution. Such costs attributed to the committee, with any amendments.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman
Legislative Budget and Audit Committee

FROM: Steven Rieger, Special Assistant
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Two-Formula Limit

5
This memorandum is to outline some thoughts on the general nature of the constitutional limit on spending.

First, it is important to remember that the main purpose of the constitutional limit is to provide for responsibility. The limit is to guard against dramatic increase in government activity during the boom portions of our boom-bust economy, and to guard against government spending taking too large a portion of the total State economy during the other phases of Alaska's economic cycles.

Second, a constitutional limit should be appropriate for a long period of time. We should not be distracted from a long-term perspective by the present conditions. There must be a flexible limit which will work in good times and bad, and in the near term and the long term.

Philosophy of State Spending Limit

Providing that we use a reasonably generous base, I advocate the following two limits on State spending:

1. State spending should not be a greater percentage of gross State product than it is in the base;
2. State spending per capita should not be greater than it is in the base.

The first of the above two limits is to provide for the ~~more~~ depressed eras of the State's economy. This limit is necessary because of a weakness in the per-capita limit: given our small population, there can be a wild variation in the limit accompanying exoduses and inflows of people, and there is no close relationship between population and ability to pay.

The second limit -- the per capita limit -- is to provide for the boom cycles in the State's economy. This limit is necessary because of a weakness in the percentage-of-State-product formula: any limit which can rise as rapidly as the economy can get the State into fiscal trouble in short order.

Therefore, both limits are necessary, and can coexist in the Constitution with the limit being the lesser of the two formulae.

Contd

DISCUSSION

Inflation

Any limit should allow for inflation. The percentage limit is unaffected by inflation, but any ^{specific} dollar limit must be in adjusted-dollar terms.

Inflation is too great to make any other formula workable over a long period. However, I believe that a Constitutional limit should have a more general reference to inflation than the Anchorage CPI. The Constitution may refer to "an appropriate index of [REDACTED]"

Cumulative Increase. Implicit in the two-measure limit is that both limits would be cumulative from an original base level. I assume that the amendment would choose a base in which we are content with the percentage it represents of the State economy, and the real-dollar amount it represents of per-capita spending. The limit will always be at least as high as one of the two measures.

As an aside, a single-formula limit on spending is much more amenable to being applied to the immediately preceding year as a base, rather than to a single original base level. This allows one year's underspending to establish a new, lower, constitutional limit for subsequent years. However, as pointed out earlier, I do not know of a single-formula limit without the serious fiscal dangers outlined above.

SCOPE OF THE CONSTITUTIONAL LIMIT

The approach advocated in this paper is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) Genuine emergencies;
- 2) Provisions to take care of excess State income during boom periods.

I advocate including within the limit several items which some of the versions before us would exclude. These are debt service, capital appropriations, user fees, Permanent Fund dividends, and most federal receipts.

Debt Service:

My main reason for including this is that it is a formula-funding element of State spending. Items such as these are particularly risky for a State which has an uneven revenue stream, since they can get the State into fiscal trouble during the downturns.

To take care of the fears of the bond market, ^{if necessary we can} ~~add~~ add the following

language to the constitutional limit: "All general obligations of the State shall have first call on all funds authorized by the limit on state spending."

Debt service on revenue bonds would also be included, if it is a State revenue bond. The reasons for this is to limit the total amount of State activity in the economy, in accordance with the general philosophy stated above. Please note that municipal governments or other non-State entities can issue revenue bonds, and therefore the constitutional limit does not absolutely limit financially feasible projects.

Capital Appropriations: There are a variety of reasons for including capital appropriations in the constitutional limit. First, the government should be free to choose the balance between capital expenditures and operating expenditures in the total of State spending, and therefore both should be treated equally by the constitutional limit. Second, this item, if it were an exception, may become a loophole to hide non-capital expenditures. Third, capital expenditures are too large an item to be excluded if one of the purposes of the limit is to control the impact of government spending on the State's economy.

Note that between the two inclusions, "capital expenditures" and "debt service," the cost of all capital projects undertaken by the State will flow through the constitutional limit once.

User Fees: The main reason for including user fees is that it can become a tremendous loophole. Taxes and other State revenues can be relabeled or replaced by user fees, and government can once again grow without limit.

Bona fide user fees can still pay for various projects or activities, but the user fees ^{outside of the limit} must go to a municipal government or other non-State agency. Note that the treatment of user fees and the treatment of revenue bond debt service, which are similar items, are consistent.

Permanent Fund Dividends: I think that the Permanent Fund and the income from the fund should be treated under the provision in the limit which allows for excess State revenue during boom periods. This provision should read as follows, as it puts the most general wording possible into the Constitution:

"Appropriations to funds which serve only to produce income at market rates (ad) which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

Federal Research: Federal receipts too often become formula items because State employees are involved, and a cutback in federal receipts too often causes an automatic replacement by general funds. Therefore, I would include the appropriation of federal receipts in the limit, with the following wording as an exception:

"The State may pass through federal funds to ~~other~~ municipal or non-State government agencies without such passed-through funds being subject to the State spending limit."

EMERGENCIES

The only exception to the State spending limit, other than the provision to take care of excess State revenues mentioned above, should be for emergencies. I would include in a definition of emergencies such things as:

- 1) Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs.
- 2) War or similar threats against the State.
- 3) A need to spend money to prevent an even greater financial loss to the State, such as a potential default on a bond, or emergency repairs to forestall an imminent failure of a structure, or expenditures to protect sources of State income.

To all cases of emergency, the situation should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

I suggest general wording such as follows, leaving to the courts and the Legislature the establishment of more specific criteria defining emergencies.

"An ~~un~~usual and unforeseen situation which presents a compelling and immediate reason for the State to expend moneys is exempt from the State spending limit.

When such a situation exists, the State spending limit may be exceeded upon a declaration of State spending emergency by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate."

Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

Section 16 Appropriation Limit

- (a) The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed an amount equal to \$8000 [see footnote below] per capita, adjusted by the cumulative increase in an appropriate index of general price increases in the State; nor may the amount of State money the Governor may request or the Legislature may appropriate exceed 25 percent [see footnote below] of the gross State product.
- (b) Federal funds which do not pay for any State^{government} activity may be passed through the State government to a municipal government or other non-State agency without being subject to the limit on State appropriations in Section 16(a) of the Constitution.
- (c) An unusual and unforeseen situation which creates a compelling reason for the immediate expenditure of State funds is a State spending emergency. The Legislature, by a two-thirds vote of both the House of Representatives and the Senate, may appropriate moneys directly related to the State spending emergency if the Governor declares that a State spending emergency exists, and such appropriated moneys shall not be subject to the limit on State appropriations in Section 16(a).

- (d) Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the limit on State appropriations in Section 16(a) are not subject to the limit on State appropriations in Section 16(a).

Section 2. The amendment proposed by this resolution shall be placed before the voters of the State at the next general election in conformity with Art. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

FOOTNOTE: These are sample numbers -- actual numbers to be decided after discussion.

Advis

It may also be necessary to state that for the purposes of Section 16 of the Constitution, municipal governments are not agencies of the State government, except for tax-exempt privileges.

Sh

M E M O R A N D U M

DATE: June 4, 1981

TO: Margo Waring

FROM: Kevin K. Bruce

RE: Constitutional Limit on Spending (SIR4)

I have reviewed your memorandum on expenditure limitations and have found it to be informative and a good synopsis of the issues involved.

Speaking from a personal standpoint, the notion of applying fiscal policy through constitutional amendment is troublesome at best. The implication is that representatives are incapable of crafting sound fiscal policies for the state and must rely on inflexible limits indicates a breach of faith with the system.

In addition to the problems you have addressed, several considerations come to mind with constitutional limitations on expenditures:

- 1.) Unlike any other state, Alaskans enjoy a wide range of state-sponsored benefits for which they pay nothing. Under these conditions, demand for services will continue to be high, forcing legislators to tailor capital projects to include operating costs, in effect, hiding costs.
- 2.) A limit of expenditures in reality is no limit at all when all the exemptions are totalled. Disregarding the need to hide operating costs—every capital project does have resulting costs for maintenance or service, unless, of course, the state is willing to build capital projects and turn them over to local governments for operation. The problem here is that many local governments would be unable to absorb the added expenditures without state assistance.
- 3.) A policy consideration to examine is the relationship between the state and the federal government under an expenditure limitation. If indeed, the limit is successful (and I do not believe it would be) the result would be larger amounts of money being placed in the permanent fund or other savings programs. Since our argument against federal confiscation of state revenues is the unique service needs of the state, salting away money in saving programs is likely to fuel congressional action towards revenue redistribution.

1.7
1-5

HOUSE PROPOSAL

EXCEPTIONS

general obligation bond payments
money in trust

~~Under Limitation~~ (LIMITATION)

FORMULA

cumulative change in population and inflation as designated by law

LIMITATION

money amount
specification of 37½ percent to cover capital projects and loan subsidies

EXCESS ALLOWED SPECIFICALLY FOR

appropriations to permanent fund
appropriations for "permanent or per capita personal loans from treasury"
capital projects : voter approval , same type, voters to be informed of o&m cost
disasters

SURPLUS

"invested at market rates"

COMMENTS

In addition to the formula problem, the main difficulty lies with the construction of the "limitation". First, a set percentage is set aside for capital and loan subsidies, meaning that future legislatures will be constrained in terms of allocation under the limitation . The 37½ is a floor, not a ceiling.

Secondly, altho 37½ at a minimum is set aside for capital and loan subsidies, the usual process for appropriation bills is to be followed for those appropriations in "excess" of the limit. By the regular voting process (majority, governor approval, 3/4 override) appropriations can be made for capital projects and for "per capita personal loans", whatever this may be (there is nothing here about market rates or anything).

The net effect of this proposal is a strict limit on the operating budget of the state and no limit on any of the items that appear in the capital budget-- capital projects, loan subsidies, etc. There is no particularly stringent process set for the extraordinary appropriations.

This is not a spending limit in the sense that we have discussed it.

SECTION 26 exempts money to move the capital. No comment.

Why not just exempt everyone's pet projects?

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

OK

BASE
dollar amount
fiscal year

FORMULA FOR ADJUSTMENT

"cumulative inflation and population growth or decline as defined by law" HCS CSSJR4 (Fin) amH

"increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget...plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or reenumerations." CSSJR 4 (Fin) am

"estimated rate of growth of the economy of the state as determined by law" SJR 3

~~XXXXXXXXXXXX~~

"federal index for inflation in Alaska for the calendar year preceding the governor's submission of the budget plus or minus a percentage equal to the average yearly growth or loss in the state's population as shown by the federal census." (draft)

"operating appropriations for the prior year, adjusted for annual net percentage changes in Alaskan per capita personal income and population" (St. Chamber Commerce)

Permanent Fund

ok

to the Alaska permanent fund and/

.. Except for appropriations

HJR 57

HCS CSSJR 4 (Fin) am
and CS SJR 4 (Fin) am

to appropriations of money to be deposited in the
permanent fund;

Gou
bill

+ HJR 5

The limi-
tations on increases in appropriations do not apply to appropriations
of money to be deposited in the permanent fund;

CSSJR 4 (Fin)

.....s, excepting ap-
propriations to the permanent fund established in Section 15 of this
article

HJR 4

.. . , excepting appropria-
tions to the permanent fund established in Section 15 of this article

SJ

(iv) constitutional or legislative author-
izations for investment of the Permanent
Fund;

St.
Chamber

money appropriated to pay permanent fund dividends;

CSSJR 4 (Jud)
HJR 5