SCOMM
45:1

SJR 4 PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO LIMITING INCREASES IN APPROPRIATIONS

AMENDED TITLE: FCCS*

PRIME SPONSORS: RULES BY REQUEST OF: GOVERNOR

	DATE	SEQ. NO.	JOURNAL PAGE	SENATE ACTION
	01/13/81	01	0014	FIRST READING -- COMMITTEE REPORTS
	01/13/81	02	0014	GOV TRANSMITTAL LETTER
	03/26/81	03	0559	MOVED FROM TRAN TO JUD BY UNAN CONSENT
	05/05/81	04	0956	JUD -- CS02, NR01
	06/11/81	05	1450	FIN -- CS05
	06/12/81	06	1465	RLS -- OTHER04
				TAKEN UP IMMEDIATELY
	06/12/81	07	1471	SECOND READING
	06/12/81	08	1472	FIN CS ADOPTED BY DIV 16-03-01
	06/12/81	09	1472	AM01 NOT ADOPTED BY DIV 07-12-01
	06/12/81	10	1473	AM02 ADOPTED BY DIV 11-09-00
	06/12/81	11	1474	AM03 ADOPTED BY DIV 14-06-00
	06/12/81	12	1474	ADVANCED TO 3RD READING BY UNAN CONSENT
	06/12/81	13	1474	THIRD READING
	06/12/81	14	1474	PASSED BY DIV 19-01-00
	06/21/81	25	1572	FAILD TO CONC IN (H) AMS BY DIV 00-19-01
	06/22/81	28	1599	FCC -- STURGULEWS KELLY COLLETTA
	06/24/81	31	1744	CONF COMM DISBANDED BY UNAN CONSENT
	06/24/81	32	1744	FCC -- RAY GILMAN FERGUSON
	07/13/81	33	0005	2ND FCC RECOMMENDS FCCS W/LTR OF INTENT
	07/14/81	35	0009	FCC REPORT ADOPTED BY DIV 15-04-01
	07/15/81	38	0013	TRANSMITTED TO GOVERNOR
	07/15/81	39	0014	SIGNED BY GOVERNOR
**	07/15/81	40	0014	FSS-LEGISLATIVE RESOLVE NO. 1

DATE	SEQ. NO.	JOURNAL PAGE	HOUSE ACTION
06/17/81	15	2173	FIRST READING -- COMMITTEE REPORTS
06/18/81	16	2234	FIN -- CS05, NR01, OTHER02
06/19/81	17	2266	SECOND READING
06/19/81	18	2267	AM TO HCS ADOPTED BY DIV 38-01-01
06/19/81	19	2268	FIN CS ADOPTED BY DIV 39-00-01
06/19/81	20	2268	ADVANCED TO 3RD READING BY UNAN CONSENT
06/19/81	21	2268	THIRD READING
06/19/81	22	2269	FAILED BY DIV 22-17-01
06/19/81	23	2269	NOTICE OF RECONSIDERATION GIVEN
06/20/81	24	2290	PASSED ON RECONSIDERATN BY DIV 37-01-02
06/21/81	26	2364	FAILED TO RECEDE FRM AMS BY DIV 00-40-00
06/21/81	27	2364	FCC -- MONTGOMERY FREEMAN O'CONNELL
06/24/81	29	2602	CONF COMM DISBANDED BY UNAN CONSENT
06/24/81	30	2602	FCC -- HALFORD BETTISWORT MALONE
07/13/81	34	0006	2ND FCC RECOMMENDS FCCS W/LTR OF INTENT
07/14/81	36	0008	ACT NO.026 NOT RESCINDED BY DIV 16-23-01
07/15/81	37	0015	FCC REPORT ADOPTED BY DIV 27-13-00

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29 June 1981

TO: Senator Arliss Sturgulewski

FROM: Margo Waring
Senior Policy Analyst

RE: Constitutional Spending Limit Amendment

As you requested, this memorandum summarizes the situation to date on the constitutional spending limit amendment and suggests approaches which may be followed during the special session.

First, I will summarize those aspects of the spending limit which appear to be areas of agreement. During discussions of the spending limit, most people came to agree that the base ought to be a number figure. Although many started with the concept of a base fiscal year, they moved to acceptance of a figure as the most direct expression of the base and the one most likely to avoid litigation. There was, however, disagreement on whether the base would apply to prior year appropriations or would simply be adjusted for population and inflation. This difference had more to do with political perceptions of legislative incentives to spend than with conceptual disagreements.

Regarding the formula for annual adjustment, there appears to be agreement that the base should be adjusted for increases or decreases in population and inflation. However, parties did disagree as to the specificity of language regarding indexes of population and inflation. In order to avoid unwarranted adjustments of the spending limit by state manipulation of population and inflation figures (similar to problems which were encountered regarding state population figures under the revenue sharing program), some believe that, at a minimum, language in the amendment should indicate a federal or other non-state source of population and inflation indexes. In the Governor's and the Senate Finance Committee's versions, even greater specificity was given (federal consumer price index and federal census data). On the other hand, House legislators preferred very general language regarding population and inflation, without noting either source or specific index. Without specifying a non-state source for these indexes, a potential loophole exists in any spending limit amendment.

Regarding exemptions, legislators agreed that several kinds of appropriations should be excluded from the expenditure limitation. Agreement existed that appropriations to the Permanent Fund should be exempt from the expenditure limitation. Similarly, everyone agreed that appropriations needed to meet the extraordinary expenses of possible disasters should be excluded from the limitation. Although language for this exception varied, the basic concept was similar.

Some versions of the amendment did not account for the set of appropriations we have called "money in trust"; after discussion of this item, people appeared to agree that money coming to the state for specific purposes from sources outside the state (for example, endowments of chairs at the University) should be exempt from the expenditure limitation. It should be noted that once this exception was agreed to, there was also agreement that the base should apply only to state general fund revenues and appropriations. Originally, the House had included both state and all federal funds. Agreement regarding "money in trust", since this term includes certain federal funds, meant agreement that the base should include only state general funds.

Although various parties began with different views regarding general obligation bonds of the state, agreement was reached that this item should be exempted from the limitation. Exclusion of funds to pay principle and interest on general obligation bonds resulted from advise of bond counsel that the state's bond rating might be seriously jeopardized by including debt service under the limitation. It should be noted that general obligation bonds represent a source of funding for capital projects. Other items regarding capital projects will be discussed below.

The Free Conference Committee arrived at a solution to the loans issue which appeared to meet with unanimous approval and was felt to be superior to other versions offered. The Free Conference proposal was to state that surplus funds should be invested at market rates. Loan funds could be established with surplus funds, so long as the interest charged was at market rates. However, subsidies to make up the difference between market rates and "low" rates would have to be appropriated from under the expenditure limitation.

Both in and among House, Senate and Governor's versions of the expenditure limitation bill, there was disagreement regarding excepting appropriations for "court orders". Some felt that this item needed to be specifically excepted so that either federal or state court settlements could be handled outside the expenditure limitation. On the other hand, many people came to realize that, since the courts may fund settlements directly from the treasury, it was unnecessary to specifically exempt this item. While there was considerable discussion of "court orders" none of the participants appeared to have very strong feelings on the matter.

One area of considerable disagreement exists: capital appropriations. On the one hand, some versions included all capital appropriations under the expenditure limitation. The House version which went to the Free Conference Committee started with this approach, but ended by excluding general obligation bonded capital costs from the limitation. On the other hand, some versions and discussions favored excluding all capital appropriations from the expenditure limitation, despite the effect that unlimited capital appropriations could ultimately have on the limited operating budget.

Most versions of the constitutional amendment sought a moderate position on this item, seeking a middle ground between the two extremes. Apparently, this desire for a moderate position was based on two realizations: that capital needs exist in the state which should be met, and that unlimited appropriations could ultimately either destroy the limitation or severely distort the allocation of limited expenditures in the operating budget. Also of concern was how the state might preserve an ability to meet certain large appropriation desires, such as those for hydro projects.

Different moderate approaches were offered both in versions of the bill and in discussion. Generally, these approaches can be classified as attempts to limit capital expenditures by limiting amount or by limiting through procedural requirements. Some versions seek to limit capital appropriations both by amount and by procedure, combining both approaches. Limitations by amount were either by placement in the base of a sum seen as sufficient to meet capital needs or by a special limit outside the base amount. For example, it was suggested that capital appropriations should not exceed some set percentage of operating budget appropriations. In discussion, it was suggested that a separate amount, stated as a figure, be established. In the Senate Finance Committee version, a per capita sum was given as the limitation on capital appropriations outside the base.

Various procedural limitations were also suggested. Generally, these were attempts to limit extraordinary capital appropriations (those outside the base) by requiring extraordinary majorities to approve the appropriation. Single appropriations were also suggested as a limiting device. Various combinations of procedural limitations appear in different versions of the amendment. A two-thirds vote of each house on an appropriation bill (or on a single item appropriation) plus approval by the voters, or approval by the governor, plus three-quarters vote of each house to override a veto. Other procedural approaches had to do with the source of the apropriation (the governor) or with the ability of the legislature to amend extraordinary appropriation bills. Discussion of procedural limitations on extraordinary capital appropriations dealt with issues involving balance of powers between branches of government, disincentives to log rolling and effectiveness as a limit.

In summary, the issue of capital appropriations, likely to be a focus during the special session, has different aspects. Most versions placed some amount of capital appropriation within the limited base. Most versions exempted capital costs that were funded through general obligation bonds. Most versions tried to accomodate extraordinary capital appropriations (those neither in the base nor funded by general obligation bonds), but sought to limit these either by establishing a separate limit, or by establishing stringent procedural requirements, or both.

Attached you will find some suggested versions along "moderate" lines; that is, approaches which allow for extraordinary capital appropriations but which recognize a need to limit those appropriations.

Regarding the formula for adjustments to the base, below is language which appeared in different versions of the constitutional spending limit.

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

b). "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 last two federal censuses or reenumerations." (CSSJR4 (Fin)

c). "estimated rate of growth of the economy of the State as determined by law" (SJR3)

d). "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)

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

Recommendation:

1. The language of CSSJR4 (Fin) (item b. above).

2. If this is not acceptable, at a minimum, "cumulative change in federal indexes of population and inflation."

Below is a listing of the approaches taken in different versions of the constitutional limit for dealing with extraordinary capital improvements.

Governor's Bill: "...money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters."

CSSJR4 (Jud), HJR 5: "...money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

CS SJR4 (Fin): "...money not to exceed $1,500 per capita appropriated by the affirmative vote of two-thirds of the membership of each house, whether of bond proceeds or otherwise, to construct capital improvements;"

SJR3: "...and excepting appropriations for capital improvements."

State Chamber of Commerce: "...appropriations or capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year;"

HCS CSSJR4 (Fin) am H: "...appropriations required to pay the principal and interest on general obligation bonds,"

FCC SJR4: "The govornor may propose appropriatons in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement and the legislature may approve, without amendment, each bill by a two-thirds vote of each house."

Other related concerns: see override approaches below (extraordinary majority needed for exemption; single purpose, single appropriation):

HJR 57: "The legislature may, by affirmative vote of two-thirds of the membership of each house, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose but the excesss appropriations, if any, shall not be included in calculating the limit for the next fiscal year."

Draft CS SJR 4 (Fin): "The legislature, may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation without regard to the appropriation limitation under Section 16 of this article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Sections 15 and 16 of Article II, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation in the budget submitted under Section 12 of this article. Extraordinary appropriations shall not be included in calculating the appropriation limitation for the next fiscal year."

Additional alternatives given below deal with the issue of extraordinary capital appropriations. Except where noted otherwise, in giving these alternatives, it is assumed that some sum for capital is included in the base figure, but that principal and interest payments for general obligation bonds of the state are exempted from limitation. In addition, it is assumed that the constitutionally provided process for approval of bond obligations remains unchanged.

a. ..."except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are similar in kind to the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house."

In this alternative, the authority to initiate extraordinary appropriation bills resides solely with the governor.

b. "...except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three-quarters vote of each house."

In this alternative, authority to initiate extraordinary appropriation bills resides in both the legislative and executive branches. In addition to the extraordinary approval vote, an extraordinary majority is required to override a veto.

Another alternative which was briefly discussed departs from the approaches used in the different House, Senate, and executive versions. In general, the approach picks up on the idea of a separate limitation for operating budget expenditures and another limit, stated as a percentage, for capital and other appropriations. An example of this approach follows in its entirely; however, the numbers should not be considered firm until further fiscal analysis has taken place.

> APPROPRIATION LIMITATIONS: Except for appropriations to the Alaska Permanent Fund and appropriations of money received for from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year for the operating expenses of government shall not exceed $1.7 billion by more than the cumulative change in federal indexes of population and inflation, as defined by law, since July 1, 1981. Thirty percent of the adjusted base may be appropriated for additional purposes. No other appropration in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

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

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

May 28, 1981

To: Senator Arliss Sturgulewski
Chairman
Legislative Budget and
Audit Committee

From: Margo Waring MW
Senior Policy Analyst

Subject: Expenditure Limitation

You asked me to provide you with background information on expenditure limitations and specific analysis of constitutional spending limitations.

Background

Throughout the nation taxpayers are concerned about the growth of the public sector, growth that sometimes has outpaced the rate of inflation and the growth in real personal income. This concern translates into debate about the size and scope of government, efforts to increase efficiency and effectiveness of existing governmental services, and sometimes, efforts to inhibit increasing tax burdens by way of limits of the amount of revenues and, therefore, expenditures available to government. Throughout the nation, states have looked at ways to control the growth of government expenditures by curbing state taxes. Generally, this has been done by linking the amount of revenue collected to a measure of economic growth. Those who have looked at this issue use the terms "expenditure limitation" and "tax limitation" interchangeably. Hence, proponents select revenue or expenditure controls for a variety of political reasons, knowing that the same effect will be achieved. Usually, spending limit campaigns have been fought in the context of tax increases. Proponents hope not only to limit expenditures, but also to reduce taxes, permitting no real growth, or even reducing existing size of government. Thus, the availability of excess revenues is seen as inevitably leading to their expenditure: the only way to curb growth is to curb revenues and, thus, expenditures. The relationship is seen as one in which to effect any one element is to effect the others.

Alaska's Tax History

Alaska's tax history is not representative of the experience of other states. Alaskan law defines several personal and business taxes for different levels of government. Each of these has a statutorily defined ceiling. State individual income tax, set at a relatively low rate, brought funds into the state treasury which were spent on state government services, as well as for services which are generally provided at the local level, such as schools and roads. Local property taxes, relatively modest by national standards, fund a narrower range of services than elsewhere. When local governments have elected to provide services at the local level instead of having them provided by the state, these transfers of authority have been accompanied by transfers of funds with which to partially provide for the services.

Government growth, in terms of numbers of state employees and in terms of goods and services provided by the state to the citizens, has been fueled not by personal income tax or by property taxes but by corporate oil taxes, lease sale bonuses, and other forms of petroleum revenues.

As government has grown and as revenues have risen, Alaskans' response has been to cut taxes, not so that government growth will be curbed, but so that others will pay for the goods and services. Gross business receipts tax was effectively eliminated in 1978. Property tax revenues from petroleum properties were shared with local governments in 1973 and 1975. And in 1980, the individual personal income tax was eliminated. During the same year, faced with a decline in revenues from one source, but an increase in revenues from petroleum sources, the legislature significantly increased the extent of state funding to schools, capital projects, revenue sharing to local governments, and so forth. In essence, transfer payments to local governments and to private citizens (in the form of actual checks, subsidized loans, and other benefits) have increased, while non petroleum revenue sources have steadily disappeared.

Petroleum revenues, while increasing substantially over the next few years, will in about 10 years begin to decline substantially. By about 2000, revenues from Prudhoe Bay will have declined to the level of 1978 revenues. Thus, goods and services supported by petroleum revenues will be in jeopardy once petroleum revenues decline.

While some Alaskans seek to limit the growth of government for reasons of political philosophy, others seek such limitations in order to insure that future revenues will meet governmental obligations. Some Alaskans are also advocating repeal of such other non petroleum taxes as the local property tax, shifting that burden to state revenues. Thus, expenditure limitation desires coincide with efforts to reduce taxes paid by residents of the state. If, however, the tax repeal efforts are sucessful, then state government obligations will increase by having a heavier reliance placed on petroleum revenues, even if an expenditure limitation is also enacted. It is estimated that, exclusive of further tax repeals, by FY'82, 94% of the state's revenues will come from petroleum sources of all varieties.

Alternatives

1. Both the legislature and the Governor have, in past years, sought to place a lid on annual appropriations as part of the budget process. In 1978 statutory amendments to AS 37.07.070, the legislature specified for itself an identified ceiling and early production of the budget. The Governor too has identified the administration's upper spending limit. However, these approaches have not been successful, apparently because of constituent pressures to increase governmental spending.

2. There has been discussion of either a statutorily imposed or constitutionally defined ceiling on expenditures. This approach has, apparently, been met with mixed success in other states. A bill, using Tennessee's law as a model, was introduced in the 1980 session to place a limit on expenditures. Some of the issues involved in such a limitation are: the factor on which the limit should be based, the expenditure level that should be sustained, how to avoid shifting tax burdens, what to do with excess revenues, what exemptions should be provided, how to provide for emergencies, and what budgetary items should be included under the ceiling (debt service, capital projects, operating budget, loan programs, etc.) and treatment of the surplus. Opponents have expressed concern that this approach is too inflexible to meet Alaska's needs and that our boom-burst economy is not suited to the factors proposed for defining allowable growth.

3. Since in Alaska an expenditure limitation is not a revenue limitation, other suggestions have been made that would effectively impose an expenditure limitation by reducing the amount of available revenue by not placing that revenue in the general fund. For example, if a higher percentage of all petroleum revenues were automatically to be placed in the Permanent Fund, the amount of revenues available for expenditure would be curtailed. Permanent Fund income could be placed

either in the general fund or plowed back into the Permanent Fund itself. Thus, if 100% of petroleum revenues were placed in the Permanent Fund, expenditures would be limited to recurring revenues and recurring income of the Permanent Fund.

Expenditures could also be limited by increasing the amount of funds funneled into loan programs, although there are significant concerns regarding the ability of Alaska's economy to absorb hugely increased loan funds without under-taking highly risky ventures.

Alternatively, it has been suggested that Alaska use some of its excess petroleum revenues to invest in projects of national interest and benefit, projects supportive of national economic and social goals to "prove" to national critics that Alaska is capable of wise wealth management.

4. If we desire to peg expenditures to recurring revenues, one alternative would be to increase the number and amount of recurring revenues. This is not a particularly viable alternative in Alaska, except to the extent that such revenues are corporate taxes generated by renewable resource development.

Summary

Increased government growth in Alaska has alarmed many people, especially because this growth is based on non-recurring petroleum revenues. Prudence and concern for residents who will be here in 10-15 years indicates that steps should be taken to restrain governmental expenditures to the level that can be sustained by recurring revenues. This could be accomplished by statutorily or constitutionally limiting expenditures, increasing recurring revenues, or placing non-recurring revenues in the Permanent Fund and using Permanent Fund income as a recurring revenue source.

Constitutional Limitations

For those who favor spending limitations, the focus has been on the establishment of constitutionally defined limits to the growth of the budget. While there are certain drawbacks to this approach (lack of flexibility, difficulty in establishing an adequate formula, the "log rolling" that would occur to gather enough votes for an override, etc.), Alaskans have favored this approach as one less likely to be ignored by legislators and more likely to restore "rationality" and prioritization among spending options.

Prior to discussion of the bills currently before the legislature, I will briefly summarize the key issues facing decision makers regarding constitutionally defined spending limitations.

Limitation Components

A. Spending Formula

All spending limitations consist of an expenditure base and an adjustment factor. The base is the selected budget year. Selection of the expenditure base will be a function of the year in which a constitutional limitation is approved by the voters. Delay in this regard can mean significant differences in terms of the base, as the budget has been growing by over 20% per year.

The adjustment factor is the means by which calculations of year to year changes are made. Other states have used such factors as growth in personal income or population changes or the cost of living index.

The use of growth in personal income to determine the growth rate of spending is based on the rationale that personal income is a proxy for ability and willingness to pay for government services; or, alternatively, on the belief that government spending should not become a greater proportion of total economic activity.

Use of an adjustment factor involving population growth and inflation (both of which are also reflected in changes in personal income) allows spending to expand in response to these direct cost pressures. Such a real per capita limit would over time reduce the percentage of state spending to personal income. This would occur to the extent that private economic growth exceeded population changes and inflation. It is to be expected that this formula would be more restrictive than would one depending upon changes in personal income.

Another alternative that has been suggested is to simply select a percentage of budget growth that appears reasonable. The rationale for this approach is the difficulty of finding adequate data for more complex formulae. For example, Commonwealth North and others have suggested basing the adjustment factor on the growth of the private sector in Alaska. The difficulty here would be in determining that figure, and insuring that the figure itself was not a function of state expenditure.

Coverage

A. The formulae generally apply to expenditure of general fund revenues, after exempting federal funds, and occasionally exempting certain capital expenditures and/or local government aid. In general, the more inclusive the base the more effective the limit and the fewer distortions expected in expenditure patterns. The "adjustments" which are made to such limits tend to be a redefinition of activities to fit into the allowable expenditure categories. Since in Alaska the limit impetus comes from a need to reduce rather than redirect spending, a broad limit would appear most applicable. The federal funds exemption seems to be the least damaging, although this might lead to an increased emphasis on federal, as opposed to state, priorities.

Greatest concern focuses on the possible exemption of capital spending. If capital projects are not covered by the limitation, the impact on the operating budget, new operation, maintenance and programs costs may result in either unmet obligations or a decline in funding of those programs not associated with capital facilities.

Another concern in coverage is how to insure that state expenditure burdens are not being deferred to local governments. If services now funded by the state are delegated to local governments, who pays for these services and are those costs to be included in the expenditure limitation? Similarly, the state has been increasingly funding services through grants to non-profit groups. Again, should such grants be included in an expenditure limitation? Assuming a desire to restrict expenditures, changes in service patterns should not be used as an escape valve through which expenditures in excess of the limitation may flow. Some states have specifically stated in their constitutional amendments language that requires the state to fund under the spending limitation services which are being delegated to other levels of government.

B. Escape Clauses

There are a variety of emergency override provisions contained in other states' spending limits. Over half the limits are statutory and thus may be amended through the usual legislative process. The constitutionally established limits require approval of specific excess amounts by a simple, or a strong majority (3/5 or 2/3); or, by voter approval.

Some provision must be made for unforeseen circumstances. One approach is to include two overrides: one procedure for natural disaster or other similar emergencies and another (perhaps more rigorous) procedure for simply exceeding the formula amount.

C. Treatment of Surplus

Any effort to limit state spending must include provisions for the general fund surplus.

This is probably the most crucial component of an Alaska spending limit and also that area where other states' experience offers the least guidance. Those states which address this question provide for tax rebates or reductions with some allowing for a budget stabilization or rainy day fund. Since the Alaska limit intent is to enhance the long-term fiscal security and stability of the state, it would be inappropriate to return the total unspent windfall oil revenue to individuals. Here are some other possibilities:

1. Increased contribution to the Permanent Fund. The Permanent Fund was conceived and established as a mechanism for preserving our oil wealth in income producing investments which could fund the on-going provision of traditional government services. Depending on the size of the principal and the return on investments, the income from the permanent fund could provide an important source of recurring revenues in the future as our non-recurring mineral revenues decline. One approach would be to provide for an additional contribution to the Permanent Fund of some fixed percentage of the general fund surplus, say 75%. The remainder could be allocated to a budget stabilization fund, emergency fund, or other use.

2. Endowments and a semi-permanent fund. This would involve design of a semi-permanent fund styled after the existing Permanent Fund, but from which expenditures could be made once oil revenues and Permanent Fund interest earnings are insufficient to support even the "limited" state expenditure levels. This would, in essence, be a long-term budget stabilization fund, which would be invested in income earning assets.

Endowments also offer the possibility of providing a funding source for future government services. However, unlike the more general semi-permanent fund concept, endowments, by assuring funding for such specific services as education, raise the possibility of future budget distortions and limitations on the appropriation authority of the legislature.

3. Loans. Direct loans or investments are another possibility. It is assumed that appropriation of funds to increase the capitalization of loan funds (existing or new) and appropriation of loan subsidies would both be covered by the expenditure limit. If this were not the case, the state would be in a situation similar to the recently resolved problem of the general fund balance automatically funneling into loan programs. Most of the existing loan programs are revolving funds, where repayments return to the fund to be reloaned for a similar purpose, though, due to inflation and low interest rates, the fund experiences a "declining balance" over time. Direct loans from the general fund, for industrial development or other purposes, could be designed to repay the general fund on schedules which would help offset declining oil revenues. Another possibility would be to make general fund loans to existing loan programs. This money could then be leveraged, loaned, and repaid to the general fund (i.e. would not be part of the revolving accounts).

4. "Altruistic" expenditures. The question has been raised whether some portion of currently surplus revenues should not be used in a way to furnish long-term, national benefits. Both "investments" in public and private income producing activities in the lower 48 states and contributions to medical, educational and social programs have been suggested. The important elements of such an expenditure would be potential benefits to the nation as opposed to benefits to Alaska. In considering such an approach it must be remembered that this is basically a spending option which would contribute to long-term fiscal security only in so far as to offer an offsetting advantage to the federal government.

Other Issues

In addition to the questions discussed above, there are several other issues that need to be addressed in the design of a spending limit. These are outlined briefl, below.

A. Impact on State Credit Rating

If bond buyers become concerned about a spending limit affecting the ability of the state to pay its debts, this could negatively influence the State's credit rating, thus increasing the cost of borrowing. Bond repayment can be guaranteed either by granting such payments first claim on State spending (priority status) or by exempting such payments from the limit. The former method appears preferable, in that a limit exclusion would encourage bonding and discourage the careful evaluation of the impact of debt service on the State's future fiscal health.

B. Unfunded Obligations

Legislation is sometimes passed which creates programs without provisions for funding these activities. A spending limit might create an incentive to design programs without concurrent funding, thus disguising, at least temporarily, the fiscal impact of government actions. An example of such action might be the incremental funding of a large project, or the raising of unemployment benefits. Another aspect of this problem is programs which represent obligations to make future payments. Difficulties arise if these obligations (e.g., pensions or other benefits) are not adequately funded between the commitment time and the time payment is due. This problem can be avoided by the requirement that actuarily sound current appropriations be made for pensions and other future obligations.

C. Treatment of Dedicated Funds and User Charges

Alaska has certain dedicated funds, and the conclusion or exclusion of expenditures from these funds in a limit calculation must be decided. For example, it may be desirable to count expenditures from the Fish and Game Fund and Renewable Resources Funds under the limit. If these expenditures do not "count," there would be a great incentive to refinance programs from these sources rather than from the general fund.

Another consideration of this nature is the treatment of user charges. Some have argued that spending financed from such sources should be excluded from the general limit, where the purchase of such goods or services by the user is discretionary. It would be important to define carefully program receipts, since there would be pressure to inflate and extend user charges as a means of circumventing a limit. Also, since dedication of funds is constitutionally limited, such an exclusion might pose legal difficulties.

D. Mandated or Shifted Costs

Limiting the expenditures of one level of government results in an incentive to transfer expenditures to another (unlimited) government, or to mandate new functions without providing new funding. Some limits, therefore, provide that the current proportion of state expenditures going to municipalities is not to be reduced unless there is a shift of program responsibility; and, if such a shift is made, provide that the expenditure base be appropriately adjusted.

E. Effect on the Economy

Alaska's economic history is characterized by "boom and bust." Depending upon the specific formula selected in a spending limitation, there is concern that insufficient funds will be available when booms occur with their increase in population, inflation, and higher demand for government services. Similarly, when the "bust" occurs, will the formula be based on lagging data? This concern can also be stated in terms of whether the spending limitation formula will function to heat up and cool down the economy at the right or the wrong times.

Proposed Legislation

Bills have been introduced on both the House and Senate sides proposing an amendment to the State Constitution relating to limiting increases in expenditures. Copies of these resolutions are attached.

SJR 4 and CSSJR 4 (Jud)

Formula: growth in appropriations is limited to the amount of increase in the federal consumer price index for Alaska for the preceding calendar year plus "a percentage equal to the average yearly growth in the state's population as shown by the last two federal censuses or renumerations."

ase: the preceding fiscal year appropriations minus exempted penditures. Exemptions: exempted appropriations include propriations into the Permanent Fund, Permanent Fund vidends, loan capitalization, capital improvements approved by the voters, accounts for the repayment of general obligation bonds, reserves for disasters, increases in user fees, costs resulting from court orders or from "the transfer of authority or responsibility to the State from the federal government" and money derived from one-quarter of the income from those contributions made to the Permanent Fund which exceed the minimum required by this constitution; or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor."

HJR 4

Formula: growth in appropriations adjusted to the "rate of growth of the economy of the State as determined by law."

Base: the appropriations of the previous year, minus exemptions or appropriations for emergencies.

Exemptions: appropriations as a result of a declaration of a state of emergency.

Coverage: all appropriations except appropriations to the Permanent Fund and loans made by the State.

Other: the title declares this amendment to also require "payment by the state of mandated increased expenditures of a political subdivision of the state."

HJR 5

The same as SJR 4.

HJR 57

Rep. Malone's proposed amendment has a
Formula: cumulative increase in federal consumer price index for Alaska, plus or minus population growth or loss.
Coverage: all appropriations except to the Permanent Fund and to pay principal and interest on GBOs. Includes federal funds.
Override: to exceed the ceiling requires a two-thirds vote of both houses; appropriation bills limited to single items.
Base: FY 81, minus votes in excess of the limitation.
Other: Unappropriated balance invested at market rates.

Please let me know if you would like a more through discussion of the implications and expectatble effects of each of these bills.

SSSJR 4

BASE: 2.5 billion in FY 82
FORMULA: Cumulative increase in federal CPI for Alaska adjusted (plus or minus) for average yearly growth or loss of population. Excludes excepted appropriations.
EXCEPTIONS: Money received in trust, deposits to permanent fund, permanent fund dividends, loan fund capitalization, capital construction if approved by the voters, appropriations for escrow or other GBO debt service, disaster reserve fund, money coinciding with increased user fees, money for court ordered payments or transfer of responsibility to state from federal government, one-quarter of permanent fund income over the constitutional 25%, money approved by 2/3 of each house and the governor to meet disasters declared by the governor.

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

Marge Nerity

HAMMOND STATEMENT ON SPENDING LIMITATION.
JUNE 25, 1981

IT IS WITH EQUALLY DEEP REGRET AND CONVICTION THAT I'M PERSUADED TO CALL A SPECIAL SESSION OF THE LEGISLATURE TO DEAL WITH CRUCIAL, UNFINISHED BUSINESS.

PERHAPS NO OTHER LEGISLATURE IN HISTORY HAS BEEN FORCED TO DEAL WITH SO MANY COSTLY, COMPLEX ISSUES. UNFORTUNATELY, IN THE ENSUING DELIBERATIONS, THE MOST IMPORTANT ISSUE WAS LEFT UNRESOLVED.

IN MY STATE OF THE STATE ADDRESS AND REPEATEDLY SINCE, I HAVE ASSERTED MY BELIEF THAT A CONSTITUTIONAL LIMITATION ON SPENDING WAS ABSOLUTELY CRUCIAL IF WE WERE TO DISCIPLINE OURSELVES SUFFICIENTLY TO CHECK RUNAWAY GOVERNMENT GROWTH AND AVOID ULTIMATE FINANCIAL CHAOS. SUBSEQUENT EVENTS NOT ONLY DRAMATICALLY SUPPORTED THAT CONVICTION BUT INDUCED ARDENT DISCIPLESHIP IN MANY WHO WERE PREVIOUSLY OPPOSED TO THAT PRESUMPTION.

MOST AGREE THAT A MEANINGFUL SPENDING LIMITATION PROPOSAL WOULD BE FAR MORE DIFFICULT TO DEAL WITH NEXT YEAR. MOREOVER, WERE THE PROPOSAL ADOPTED THIS YEAR IT WOULD PERMIT US TO APPLY IT TO NEXT YEAR'S BUDGET AND THEREBY DEMONSTRATE ITS VIABILITY OR INADEQUACIES. HOW BETTER TO PERMIT THE ELECTORATE TO BECOME INFORMED AS TO A SPENDING LIMITATION'S EFFECTIVENESS PRIOR TO ENSHRINING IT WITHIN THE CONSTITUTION?

I RECOGNIZE, OF COURSE, THE NEED TO SECURE THE NECESSARY TWO-THIRDS VOTE OF EACH HOUSE IF ANY PROPOSAL WERE TO PASS. THUS I WAS TORN BETWEEN UNYIELDING ADHERENCE TO A MEANINGFUL SPENDING LIMITATION FORMULA THIS YEAR AND THE ASSURANCE OF THAT REQUIRED TWO-THIRDS VOTE. BELIEVING THE FORMER

MEANINGLESS WITHOUT THE LATTER, I CONDITIONED MY ACCEPTANCE OF A SPENDING LEVEL, DOMINATED BY AN EXTREMELY QUESTIONABLE SCHEME FOR HYDRO FINANCING, ON THE UNDERSTANDING THAT AN ACCEPTABLE SPENDING LIMITATION MUST FIRST PASS.

UP UNTIL YESTERDAY, I'VE HAD EVERY ASSURANCE SUCH WOULD BE THE CASE. THE ISSUE WAS IN FREE CONFERENCE COMMITTEE. MY OFFICE, THROUGH THE PRESENCE OF THE LT. GOVERNOR, WAS GRANTED EVERY COURTESY INSOFAR AS PROVIDING INPUT. TO THE CREDIT OF THAT COMMITTEE THEY SUCCEEDED IN DRAFTING A MOST ACCEPTABLE LIMITATION PROPOSAL. YESTERDAY MORNING I WAS ADVISED THAT CONFEREES HAD REACHED AGREEMENT. YESTERDAY AFTERNOON I WAS ADVISED BY THE SPEAKER OF THE HOUSE THAT THE CONFERENCE COMMITTEE'S PROPOSAL WAS UNACCEPTABLE TO HIM. I URGED HIM, NONETHELESS, TO PERMIT THAT PROPOSAL TO COME TO THE FLOOR FOR ACTION OR TO SECURE THE NECESSARY 27 VOTES TO PASS ANY ONE OF SEVERAL OTHER PROPOSALS WHICH MIGHT BE ACCEPTABLE.

I POINTED OUT THAT REGARDLESS OF OUR INDIVIDUAL VIEWS, THE PUBLIC SHOULD BE PERMITTED TO VOTE UPON THE ISSUE. WE COULD THEN MAKE OUR RESPECTIVE CASES TO THE PUBLIC AND VOTE AS WE SO CHOSE. TO DENY THE PUBLIC SUCH AN OPPORTUNITY REGARDLESS OF MOTIVATION, OFTEN STRIKES THE PUBLIC AS PATRONIZING ARROGANCE. TO LEAVE NO QUESTION AS TO MY DEEP CONVICTIONS ON THIS MATTER, I REMINDED HIM AND ALL OTHER MEMBERS OF THE BODY THAT MY RELUCTANT ACCEPTANCE OF SEVERAL LEGISLATIVE MEASURES WAS CONTINGENT ON PASSAGE OF AN ACCEPTABLE LIMITATION PROPOSAL. IN FAIRNESS TO ALL MEMBERS, I ALSO WANTED TO GRANT THEM AMPLE WARNING THAT SHOULD THEY FAIL TO ACT UPON THIS MATTER IN THE REGULAR SESSION I WOULD BE COMPELLED TO CALL THE SPECIAL SESSION.

IN AN EFFORT TO COMPEL THE HOUSE TO BRING THIS ISSUE TO THE FLOOR OR BEAR FULL RESPONSIBILITY FOR EITHER OR BOTH THE

SPECIAL SESSION AND AN AVALANCHE OF VETOES, AN INFURIATED SENATE UNANIMOUSLY PASSED THE CONFERENCE COMMITTEE'S PROPOSAL AND ADJOURNED.

AS YOU KNOW, DESPITE AMPLE WARNING AND THE ACTIONS BY THE SENATE, THE HOUSE LEADERSHIP FAILED TO EVEN BRING THE ISSUE TO A VOTE BEFORE ADJOURNING.

SINCE THE ENTIRE SENATE AND MANY HOUSE MEMBERS MADE GOOD FAITH EFFORTS TO KEEP THEIR PART OF THE BARGAIN, I'M GOING TO WITHHOLD POSSIBLE VETO ACTIONS UNTIL THEY HAVE HAD THE OPPORTUNITY TO ONCE AGAIN PERSUADE THEIR COLLEAGUES OF THEIR OWN AND MY DETERMINATION TO SECURE AN ACCEPTABLE LIMITATION PROPOSAL THIS YEAR.

SINCE I CAN CALL A SPECIAL SESSION WITHIN 15 DAYS WHILE I HAVE 20 DAYS AFTER RECEIPT TO DEAL WITH MEASURES BEFORE THEY BECOME LAW WITHOUT MY SIGNATURE, THERE IS AMPLE TIME FOR LEGISLATORS TO ADDRESS THE LIMITATION ISSUE. I'M WILLING TO WORK WITH THEM ON ANY ONE OF SEVERAL PROPOSALS WHICH CAN BE MADE ACCEPTABLE TO ME. MEANWHILE, MY APOLOGIES TO THOSE LEGISLATORS WHO ATTEMPTED TO RESOLVE THIS MATTER IN SUCH A WAY AS TO AVOID TRAUMATIC REPERCUSSIONS. IT'S REGRETTABLE THAT THE STRESS AND INCONVENIENCE OF A SPECIAL SESSION MUST BE BORNE BY YOU RATHER THAN ONLY BY MYSELF AND THOSE WHOSE INACTIONS COMPEL ME TO MAKE THE CALL.

January 13, 1981

The Honorable Jalmar Kerttula
President of the Senate
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under art. III, sec. 18, of the Alaska Constitution, I am transmitting a proposed constitutional amendment on spending limitations for the consideration of the legislature.

My proposal would amend the constitution's finance article to add two sections, one setting forth spending limitations and the other prescribing ten specific exceptions. Each of the exceptions is reasonably necessary, and some of them are for appropriations of money to be invested rather than expended, and, to that extent, do not really involve actual expenditures.

The proposed amendment limits annual increases in appropriations of state money -- but not of money from other, non-state sources such as federal money -- to the increase in the federal consumer price index for Alaska for the preceding year plus a percent equal to the state's average yearly growth in population.

At the present time, the only federal consumer price index for Alaska is that done for the Anchorage area. It appears that one will also be prepared for Fairbanks sometime soon. And indexes may also be prepared for other Alaskan cities in the future. The index for the state will consist of the weighted average of those indexes, that is, in proportion to each community's relative population.

The measure of the state's average yearly population growth is the federal decennial census and the interim renumeration to be taken at five year intervals. The latter, while called for by federal law, has yet to be funded. Nevertheless, even without a renumeration, the decennial census provides an accurate measure of the state's average yearly growth.

The use of data prepared exclusively by the United States is deliberate and essential. The pressure to shape cost and population data to justify increased expenditures would be enormous if those data were prepared by state or local agencies. Using data developed by an independent and separate government avoids that problem completely.

These two measures of growth, while not always coincident with all governmental needs, will allow the state to keep abreast of most needs and yet hold growth to reasonable and responsible limits. To the extent that the state still lags behind its sister states in some areas of governmental services and facilities, the exceptions prescribed by the second section will allow it to catch up, if that is what the electorate wants. Each of these exceptions will be discussed in turn, below.

The first exception is for appropriations of money to be deposited in the permanent fund, and the second is to pay permanent fund dividends to the people. It is self-evident that neither needs to be limited. The third exception is to capitalize loan funds, that is, appropriations of the money which will be loaned and repaid with interest under the state's loan programs. To the extent that low interest loans are subsidized, the appropriations for that purpose must be separate, and they are not within the terms of the exception. The fourth exception is for appropriations for capital improvements which have been approved by the voters. This includes those funded by appropriation from the general fund and those funded by bond proceeds. Voter approval is a must for the appropriations to be within the exception. But if the voters approve, there are no limits on appropriations for capital improvements.

The term "capital improvements" is used in the amendment in the same sense as it is used in sections 8 and 9 of the finance article relating to state and local debt. It refers, generally speaking, to public works or facilities of a permanent character as described in the case of <u>City of Juneau</u> <u>v</u>. <u>Hixson</u>, 373 P.2d 743 (Alaska 1962).

The fifth exception is for appropriations made to escrow accounts or otherwise to repay general obligation bonds. As a practical matter, it may be to the state's great advantage at any time to make a large payment, either into escrow or directly, to repay outstanding general obligation bonds. That kind of a payment would not constitute a true increase in expenditures, and it is, therefore, made one of the exceptions.

The sixth exception is for money appropriated as a reserve account for disasters of natural or human origin.

The device has been called a rainy-day account, and it is simply a means of setting aside a financial cushion for the state during a fiscal year in case of exceptional need. At the present time the Reserve for Emergency Operating Expenses Account has been established under AS 37.05.159 to meet this need. It will be superseded by this amendment, and in order to spend money appropriated to the reserve account, the provisions of the tenth exception will have to be followed.

The seventh exception is for money appropriated to coincide with increases in user fees. The term "user fees" includes all kinds of taxes or charges which are levied upon those who use a government facility or service. They range from hunting and fishing licenses to boiler inspection fees. So long as users are paying the money, no purpose would be served by placing this category within the limitations on expenditures. No big increases are foreseen at this time, but should users wish to have them, there is no reason to place a constitutional bar in their way.

The eighth exception is for appropriations required by court orders or by a transfer of functions from the federal to the state government. Transfers from local to the state government are within the legislature's control, and therefore are subject to the limitation. Court orders -- and that would include judgments for damages or orders for future relief -- are not within the legislature's control and could cause significant, temporary increases from time to time. The same could happen if the federal government were, for instance, to shift all of the social services or education burden to states. While one hopes this exception will be little used, prudence dictates its existence.

The ninth exception is for appropriations of money derived from one-quarter of the income from extra appropriations made to the permanent fund. The purpose of this exception is to encourage those who would spend more money to save more money. The more money that is placed in the fund, the more money there will be available under this exception to spend.

The tenth and final exception is for natural disasters. As safeguards against spurious spending under this exception, the disaster must be declared by the governor in the first instance and the appropriation bill must be passed by a two-thirds majority of the membership of each house and approved by the governor. If the governor does not approve the appropriation or vetoes it to reduce or strike any item, his veto is final. The purpose of the absolute veto is to preclude any excess spending on non-emergency items in a bill appropriating money for disaster relief. Without an absolute veto, this exception would create an unacceptably large loophole.

The proposed amendment is conservative, responsible, and workable. It will not hobble the state or prevent the performance of any needed governmental function. It will set limits where they are needed, and it will not set limits where they are not needed. It will be good for both the private sector and the public sector, and I urge its favorable consideration.

Sincerely,

S/JSH

Jay S. Hammond
Governor

Department of Revenue - Research

4/14/81

REVENUES-EXPENDITURES

NO GAS LINE
25% PERMANENT FUND
(MILLIONS OF CURRENT DOLLARS)
16% REAL EXPENDITURE GROWTH RATE

(+10% inflation = 26% nominal growth rate))

FY	GENERAL FUND SUSTAINABLE REVENUES	UNRESTRICTED REVENUES GENERAL FUND	EXPENDITURES GENERAL FUND operating budget only	SURPLUS OR DEFICIT GENERAL FUND	GENERAL FUND BALANCE	PERMANENT FUND CONTRIBUTION	PERMANENT FU BALANCE
81	330.8	3607.0	1500.0	2107.0	1677.0	1261.8	1796.0
→ 82	$ [illegible] 423.2	5191.1	1914.0	3277.1	4954.1	557.2	2446.2
83	637.6	6435.8	2442.3	3993.5	8947.5	679.3	3248.7
84	888.0	7660.5	3116.3	4544.2	13491.8	807.1	4223.6
85	1213.4	8939.6	3976.4	4963.2	18455.0	914.4	5319.8
86	1566.9	10326.5	5073.9	5252.6	23707.6	1068.5	6592.8
87	1945.0	11687.1	6474.3	5212.8	28920.4	1190.7	8019.1
88	2341.3	13133.7	8261.2	4872.5	33792.9	1320.9	9606.9
89	2742.8	14647.3	10541.3	4106.0	37898.9	1451.2	11356.7
90	3130.5	15621.4	13450.6	2170.8	40069.7	1523.6	13208.7
91	3450.9	16169.7	17163.0	-993.2	39076.5	1555.5	15116.6
92	3646.6	15829.6	21900.0	-6070.4	33006.1	1501.5	16985.2
93	3628.3	15346.8	27944.3	-12597.5	20408.6	1455.1	18811.2
94	3327.2	14303.0	35656.9	-21353.9	-945.4	1376.7	20554.1
95	2639.6	12919.7	45498.2	-32578.5	-33523.8	1304.2	22213.5
96	1452.2	11124.1	58055.6	-46931.5	-80455.4	1240.7	23795.2
97	-376.2	8663.6	74078.8	-65415.2	-145870.6	1191.0	25312.4
98	-3030.9	5421.5	94524.4	-89102.9	-234973.5	1142.3	26766.9
99	-6744.7	1149.1	120613.0	-119463.9	-354437.4	1095.7	28161.4
0	-11815.9	-4481.9	153902.0	-158383.9	-512821.3	1050.9	29498.8

DRAFT

ESTIMATED FY 82 APPROPRIATION CEILING UNDER SJR4 & HJR57

Governor's Office

SJR4	HJR57		
($mil GF)	($mil GF)	($mil Tot. Funds)	
$4772.5	$4772.5	$5545.1	Executive Budget Book I Total FY 81 Adjusted Authorizations Book
			Exemptions
(900.0)	(900.0)	(900.0)	Permanent Fund Contribution
(129.4)	0	0	Permanent Fund Dividends
0[1]	0	0	Loan Capitalizations
0	0	0	Voter Approved Capital Projects
0	0	0	Escrow Accounts
(93.7)	(93.7)	(96.8)	Debt Service
(350.0)	0	0	Reserve for Disaster/Emergency
0	0	0	User Fee Increase
0	0	0	Court Orders
0	0	0	Transfer of Fed. Responsibility
0	0	0	Quarter Income from P.F. Contributions
0	0	0	Two-thirds vote of Legislature for Disaster Needs
			Other Possible Exemptions[2]
-	-	-	Income Tax Relief
-	-	-	Native Land Claims
$ 3299.4	$ 3778.8	$ 4548.3	
x 1.1298	x 1.1298	x 1.1298	Estimated Growth Rate [3]
$ 3727.7	$ 4269.3	$ 5138.7	Estimated FY 82 Appropriation Ceiling

DRAFT

FOOTNOTES

1. Assume capitalizations for loans, which will be made at Market Rates, are exempt from limitation of appropriation increases. Capitalizations for loans which will be made at interest rates below the market rate are NOT exempt from limitation of appropriation increases.

2. The income tax relief appropriation $186.4 million and the Native Land Claims appropriation $292.6 million may also be considered possible exemption items. However, neither SJR4 nor HJR57 specifically recognizes these items.

3. 12.98% Growth Rate = 2.84% Av (1970-80) Pop. Increase + 10.14% Av 1980 CPI.
   NOTE: 10.14% is a weighted average of the CPI for all Urban Consumers, based on Anchorage and Fairbanks data. (Anchorage, population 173,992 with 1980 CPI increase of 10.0%; Fairbanks population 53,799 with 1980 CPI increase of 10.6%).

ALASKA PERSONAL INCOME

Calendar Year	Personal Income to Alaska Residents ($ Millions)
1969	1245
1970	1412
1971	1557
1972	1698
1973	2002
1974	2437
1975	3528
1976	4195
1977	4313
1978	4369
1979	4568
Average Annual Compound Growth	13.88%

Source: U. S. Bureau of Economic Analysis

PREPARED BY:

Legislative Finance Div.
6-8-81

TABLE I

ANNUAL COMPOUND GROWTH RATES

Period	Anchorage Consumer Price Index	Alaska Population	General Fund Appropriations	General Fund Appropriations in Constant Dollars	General Fund Appropriations Per Capital in Constant
1960 - 1980	4.73%	2.90%	23.78%	18.19%	14.87%
1960 - 1969	1.72	3.03	14.40	12.49	9.18
1970 - 1980	7.60	2.85	26.40	17.47	14.22
1969 - 1980	7.26	2.78	32.01	23.08	19.75
1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.
5-25-81

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. 2/	General Fund Appropriations ($ millions) 3/	General Fund Appropriations in Constant Dollars ($ millions)	Per Capita General Fund Appropriations in Constant Dollars $
1960	92.0	226,167	45.9	49.8	220
1961	92.9	238,000	52.3	56.3	236
1962	92.6	246,000	65.8	71.0	289
1963	93.3	256,000	82.9	88.8	347
1964	93.9	263,000	79.1	84.2	320
1965	94.2	271,000	86.1	102.0	337
1966	97.9	271,000	93.8	95.8	354
1967	100.0	278,000	113.1	113.1	407
1968	102.6	285,000	124.1	120.9	424
1969	107.3	296,000	154.1	143.6	485
1970	111.5	302,361	314.2	281.7	932
1971	114.4	316,000	292.1	255.3	808
1972	116.9	326,000	333.5	285.2	875
1973	123.8	332,000	379.3	306.3	923
1974	140.0	343,000	451.3	322.3	940
1975	157.4	379,000	590.3	375.0	989
1976	167.6	405,000	692.3	413.0	1020
1977	177.3	408,000	819.1	462.0	1132
1978	194.8 1/	411,000	1071.7	550.2	1339
1979	211.8	406,000	1062.3	501.6	1235
1980	232.0	400,331	3270.8	1409.8	3521

1. 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.

2. 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.

3. (a) The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of $39.8 million in general funds was signed into law.

   (b) 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.

   (c) Supplemental appropriations are excluded except for a $580.8 million capital projects supplemental in 1980.

   (d) Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:
Legislative Finance
5-25-81

FY 82 OPERATING BUDGET COMPARISON
GOVERNOR'S ADJUSTED - EXPENDITURE LIMIT, SJR 4*
Base Year FY 80 Actual

CATEGORY	FY 80 ACT	FISCAL YEAR 1982 GOV. ADJ.	HOUSE	SENATE	SJR 4 (Leg. Rec.)	GOV. ADJ. - SJR 4 COMPARISON	
EDUCATION	389,907.9	572,196.9	568,432.5	565,948.4	498,302.8	73,894.1	14.7%
UNIVERSITY	178,206.6	217,713.9	222,815.0	203,559.9	227,748.4	-10,034.5	-4.3%
SOCIAL SERVICES	136,865.3	214,131.6	214,623.2	211,465.6	174,913.3	39,218.3	22.3%
HEALTH	91,386.9	147,049.8	136,527.7	130,939.2	116,792.6	30,257.2	25.8%
NATURAL RESOURCES	91,322.9	176,024.8	154,424.0	119,287.0	116,693.2	59,331.6	50.7%
PUBLIC PROTECTION	35,000.6	43,874.8	43,543.9	36,348.0	44,731.2	-856.4	-1.8%
JUSTICE	88,822.8	130,834.0	129,223.1	121,196.3	113,516.5	17,317.5	15.2%
DEVELOPMENT	71,269.7	204,072.6	178,236.0	208,157.0	91,082.9	112,989.7	124.0%
TRANSPORTATION	181,049.7	301,510.8	293,609.4	247,922.1	231,381.5	70,129.3	30.2%
GENERAL GOVERNMENT	88,423.5	305,472.7	299,515.4	297,248.4	113,005.1	192,467.6	170.2%
TOTAL	1,352,255.9	2,312,881.9	2,240,950.2	2,142,071.9	1,728,167.5	584,714.4	33.8%

The above table computes the FY 82 "SJR 4 recommendation" based on the growth allowed under SJR 4 from the FY 80 actual expenditure base. The table does not exclude debt service, non-state funds or fee supported activities. Thus, the legislative recommendation overstates the allowed budget growth.

GOVERNOR'S PROPOSED SPENDING LIMIT-SJR 4*

Calendar Year	Anchorage CPI		Population	FY 80 to FY 82 High Rate	FY 80 to FY 82 Low Rate
1979	10.1 or 9.4	+	3.0% = 13.1 or 12.4%	27.8%	25.7%
1980	10.0 or 8.8	+	3.0% = 13.0 or 11.8%		

Note: 27.8% or high rate was used in the calculations

State of Alaska
Division of Legislative Finance
Room 506 Capitol Bldg., Pouch WF
Juneau, Alaska 99811
Ph: 465-3795
MAY 26 1981

TABLE I

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1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.
5-25-81

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Honorable Ed Dankworth,
Co-chairman
Senate Finance Committee

FROM: Milt Barker, MB Fiscal Analyst
Legislative Finance Division

DATE: January 22, 1981

SUBJECT: FY 82 Budget Under Proposed Constitutional Limits

Following are estimates of what FY 82 budgets would be permitted if various proposed constitutional limits on budget growth were now in effect.

SJR 3 by Colletta

This limits growth of appropriations, except those for capital projects and contributions to the permanent fund, to growth of the economy. For calendar 1979, Alaska personal income grew 4.55%. Applied to an FY 81 operating budget of $1,282.0 million (see attached Table I), this would permit an FY 82 operating budget of $1,340.3 million. The Governor has proposed a general fund operating budget of $1,826.5 million.

HJR 5 & SJR 4 by Request of the Governor

This limits growth of appropriations to inflation in the calendar year preceding the Governor's budget submission plus the average yearly growth in the State's population as measured by the last two federal censuses. Using the most recent Anchorage consumer price index figures and the 1970 and preliminary 1980 census data, the permitted growth rate for the FY 82 budget would be 12.8% to 14.0%, depending on which of two Anchorage consumer price indices is used.

The limitation does not apply to:

1) permanent fund contributions
2) permanent fund dividends
3) loan fund capitalization (but loan subsidies are limited)
4) capital projects approved by voters
5) debt service
6) disaster reserve funds
7) increases in state expenditures resulting from court order or federal law
8) 1/4 of the income from contributions to the permanent fund above the 25% minimum

Referring to Table I again, the following FY 81 expenditures would be subject to growth limits:

Operating	$ 1,282.0
Capital	72.1
Special Appropriations	64.7
Renewable Resources	125.0
HB 60	580.8
Loan Subsidies 1/	144.7
TOTAL	$ 2,269.3

The 12.8% or 14.0% growth rates applied to this figure, plus 1/4 of 10% interest on $900 million excess permanent fund contributions, would permit FY 82 budgets for restricted expenditures of $2,582.2 or $ 2,609.5 million. The Governor's FY 82 budget for such items totals $2,286.9 million:

Operating	$ 1,826.5
Loan Subsidies 1/	233.0
Capital	227.4
TOTAL	$ 2,286.9

HJR 4 - by Gardiner

This limits growth of appropriations, except for appropriations to the permanent fund and for loans, to growth of the economy. Using the 4.55% growth in personal income in 1979 and an FY 81 base from Table I of $2,474.6 million,

Operating	$ 1,282.0
Capital (less native claims)	72.1
Special Appropriations (includes general fund reserve)	414.7
HB 60	580.8
Renewable Resources	125.0
TOTAL	$ 2,474.6

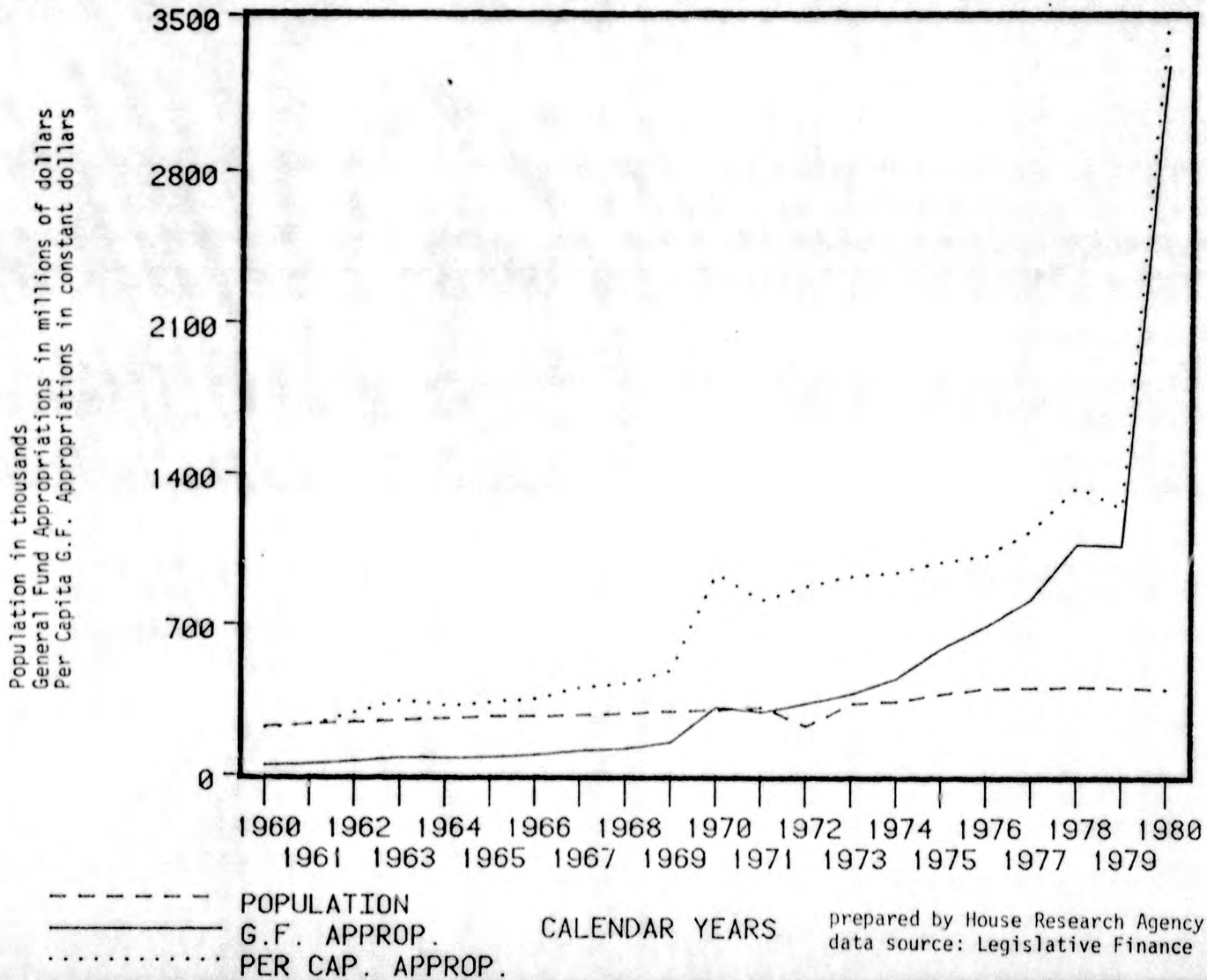
1. Figures provided by Budget and Management.

The permitted FY 82 budget would be $2,587.1 million. For these same restricted items, the Governor's FY 82 budget proposes $2,703.9 million:

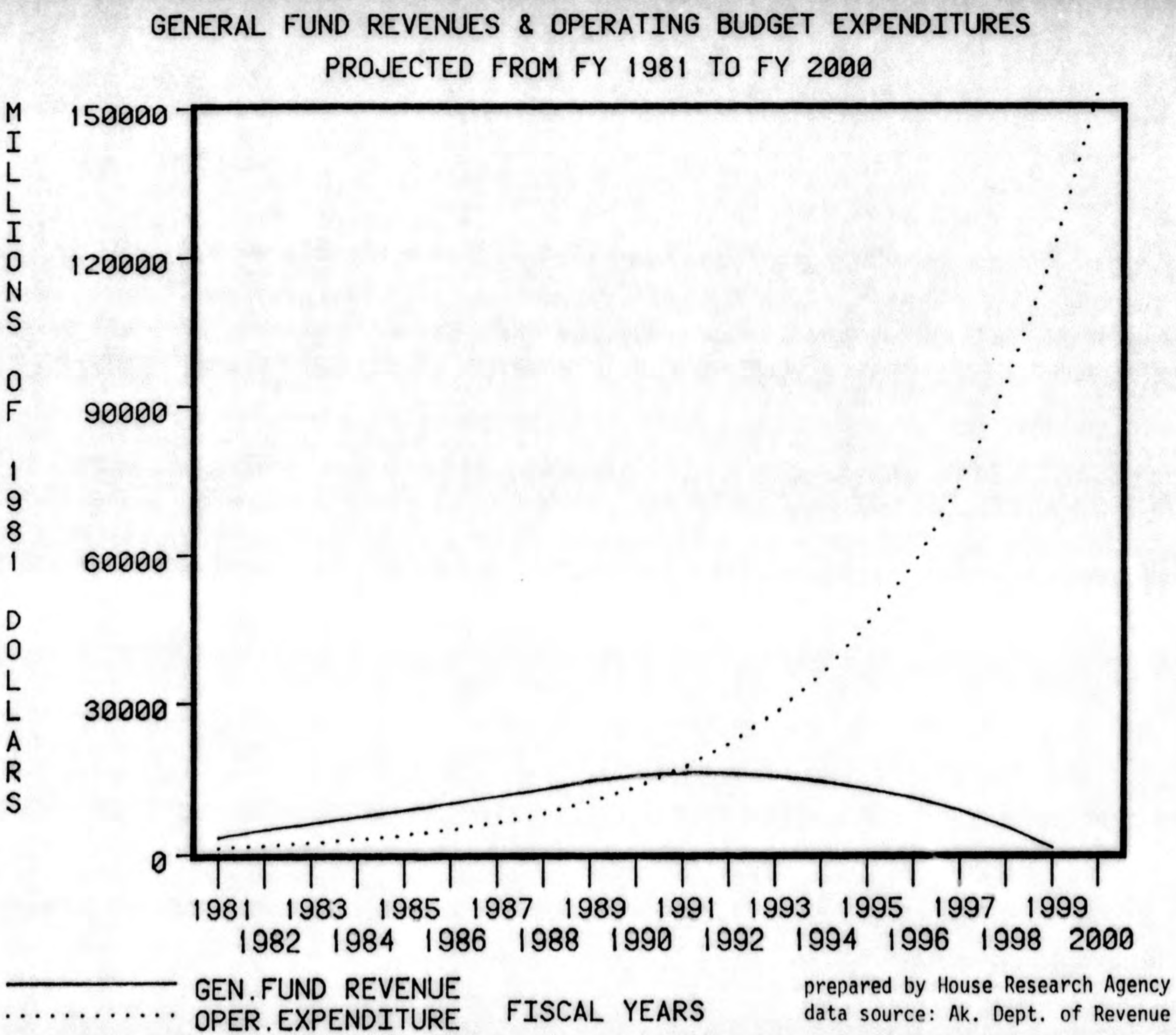
Operating	$ 1,826.5
Capital	227.4
Rainy Day Funds (general fund reserve)	350.0
Escrow Account	300.0
TOTAL	$ 2,703.9

MB:dh

HISTORICAL GROWTH IN GENERAL FUND PER CAPITA APPROPRIATIONS FROM CALENDAR YEAR 1960 TO 1980



prepared by House Research Agency
data source: Legislative Finance


GENERAL FUND REVENUES & OPERATING BUDGET EXPENDITURES
PROJECTED FROM FY 1981 TO FY 2000
MILLIONS OF 1981 DOLLARS
150000
120000
90000
60000
30000
0
1981 1983 1985 1987 1989 1991 1993 1995 1997 1999
1982 1984 1986 1988 1990 1992 1994 1996 1998 2000
GEN.FUND REVENUE
OPER.EXPENDITURE
FISCAL YEARS
prepared by House Research Agency
data source: Ak. Dept. of Revenue

PROJECTED BUDGET AND PERMANENT FUND BALANCE AND INCOME
($ Billions)

	NOMINAL DOLLARS				FY 82 DOLLARS			
FY	Budget (exclusive of expenditures from Perm. Fund Income	Permanent Fund Balance	Permanent Fund Income	Permanent Fund Income Available for Disbursement	Budget (exclusive of expenditures from Perm. Fund Income	Permanent Fund Balance	Permanent Fund Income	Permanent Fund Income Available for Disbursement
1982	2.4	5.4	.4	.1	2.4	5.4	.4	.1
1983	2.7	9.0	.7	.3	2.5	8.2	.6	.3
1984	3.1	13.0	1.1	.5	2.6	10.7	.9	.4
1985	3.5	17.2	1.5	.8	2.6	12.9	1.1	.6
1986	3.9	22.0	2.0	1.1	2.7	15.1	1.4	.8
1987	4.4	27.3	2.5	1.6	2.7	17.0	1.6	1.0
1988	5.0	33.2	3.0	2.0	2.8	18.8	1.7	1.1
1989	5.6	39.3	3.6	2.5	2.9	20.1	1.8	1.3
1990	6.4	45.0	4.2	3.1	3.0	21.0	2.0	1.4
1991	7.2	50.2	4.8	3.6	3.1	21.3	2.0	1.5
1992	8.1	54.9	5.3	4.2	3.1	21.2	2.0	1.6
1993	9.2	58.4	5.7	4.7	3.2	20.5	2.0	1.6
1994	10.4	60.7	6.0	5.2	3.3	19.3	1.9	1.7
1995	11.8	61.9	6.1	5.6	3.4	17.9	1.8	1.6
1996	13.3	63.1	6.3	5.9	3.5	16.6	1.7	1.6
1997	15.0	64.3	6.4	6.1	3.6	15.4	1.5	1.5

Assumptions:

1. All surplus funds deposited in the permanent fund; balance is as of year end.
2. Permanent fund income calculated at 10% on average balance during the year; income actually available for disbursement is a moving average of the past five years.
3. Expenditures are projected to equal the amount of Permanent Fund income plus 13% annual compound growth from a budget of $2.4 billion in FY 82.
4. Revenues as contained in Table III of June 18, 1981 memo to Hon. Arliss Sturgulewski from Milt Barker re "General Fund and Permanent Fund Balance Projections."
5. 10% annual inflation.

Prepared by:
Legislative Finance
6-19-81

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

?-JUN-81

OMMENTS
FY82 BUDGET $2.4 BILLION

ASSUMPTIONS
ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 10.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 13.00%
% OF PERMANENT FUND EARNINGS TO PUBLIC = % 100 %
% OF SURPLUS TO PERMANENT FUND = % 100 %

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 REQ FOR GF BAL OF $0 MIL
1981										2580.0	0.0	
1982	5110.0	399.3	5509.3	2400.0	0.0	0.0	799.5	3199.5	2309.7	5405.5	0.0	0.0
1983	6170.0	720.9	6890.9	2712.0	0.0	0.0	1205.5	3917.5	2973.4	9012.2	0.0	0.0
1984	6843.0	1098.2	7941.2	3064.6	0.0	0.0	1649.3	4713.9	3227.3	12952.0	0.0	0.0
1985	7571.0	1509.3	9080.3	3463.0	0.0	0.0	2136.8	5599.7	3480.6	17234.0	0.0	0.0
1986	8457.0	1960.2	10417.2	3913.1	0.0	0.0	2673.4	6586.5	3830.6	21969.4	0.0	0.0
1987	9571.0	2465.2	12036.2	4421.8	0.0	0.0	3284.7	7706.6	4329.6	27335.1	0.0	0.0
1988	10587.0	3024.7	13611.7	4996.7	0.0	0.0	3942.6	8939.3	4672.4	33159.0	0.0	0.0
1989	11538.0	3622.6	15160.6	5646.3	0.0	0.0	4652.6	10298.8	4861.8	39293.8	0.0	0.0
1990	11832.0	4212.9	16044.9	6380.3	0.0	0.0	5303.3	11683.6	4361.3	44963.6	0.0	0.0
1991	12280.0	4759.7	17039.7	7209.7	0.0	0.0	5918.9	13128.6	3911.1	50229.5	0.0	0.0
1992	12635.0	5255.5	17890.5	8147.0	0.0	0.0	6482.5	14629.4	3261.1	54880.6	0.0	0.0
1993	12649.0	5665.6	18314.6	9206.1	0.0	0.0	6944.1	16150.2	2164.4	58431.7	0.0	0.0
1994	12580.0	5954.1	18534.1	10402.9	0.0	0.0	7284.6	17687.4	846.7	60651.2	0.0	0.0
1995	11907.0	6129.7	18036.7	11755.2	0.0	0.0	7420.9	19176.2	-1139.5	61942.5	0.0	1139.5
1996	11220.0	6254.6	17474.6	13283.4	0.0	0.0	7461.1	20744.5	-3269.9	63149.0	0.0	3269.9
1997	10494.0	6371.1	16865.1	15010.2	0.0	0.0	7494.8	22505.1	-5640.0	64272.7	0.0	5640.0

LIQUID FUNDS AVAILABLE FOR APPROPRIATION THROUGH FY 1982

($ millions)

3/81 ESTIMATE OF LIQUID FUNDS AVAILABLE FOR APPROPRIATION.............6,061.6

FY 1981 Changes

6/81 revision in production tax..................	+15.4	
6/81 revision in royalty (net of Perm. Fund).....	-18.6	
6/81 revision in AS 43.21........................	+11.6	
6/81 revision in AS 43.56 due to North Slope Borough's increase in local millage...........	-40.3	
6/81 revision in other taxes.....................	-6.1	
6/81 revision in other revenue...................	-7.4	
NET REVISION FOR FY 1981...		-45.4

FY 1982 Changes

6/81 revision in production tax..................	-114.0	
6/81 revision in royalty (net of Perm. Fund).....	-124.1	
6/81 revision in AS 43.21........................	-85.5	
6/81 revision in AS 43.56 due to North Slope Borough's increase in local millage...........	-50.2	
6/81 revision in other taxes.....................	+0.6	
6/81 revision in investment earnings.............	+75.0	
6/81 revision in other revenue...................	+12.7	
NET REVISION FOR FY 1982...		-285.5

REVISED ESTIMATE OF LIQUID FUNDS AVAILABLE FOR APPROPRIATION..........5,730.7

Tom Mulkain. 6/4/81

FY 82 OPERATING BUDGET COMPARISON
GOVERNOR'S ADJUSTED - EXPENDITURE LIMIT, SJR 4*
Base Year FY 80 Actual

CATEGORY	FY 80 ACT	FISCAL YEAR 1982 GOV. ADJ.	HOUSE	SENATE	SJR 4 (Leg. Rec.)	GOV. ADJ. - SJR 4 COMPARISON	
EDUCATION	389,907.9	572,196.9	568,432.5	565,948.4	498,302.8	73,894.1	14.7%
UNIVERSITY	178,206.6	217,713.9	222,815.0	203,559.9	227,748.4	-10,034.5	-4.3%
SOCIAL SERVICES	136,865.3	214,131.6	214,623.2	211,465.6	174,913.3	39,218.3	22.3%
HEALTH	91,386.9	147,049.8	136,527.7	130,939.2	116,792.6	30,257.2	25.8%
NATURAL RESOURCES	91,322.9	176,024.8	154,424.0	119,287.0	116,693.2	59,331.6	50.7%
PUBLIC PROTECTION	35,000.6	43,874.8	43,543.9	36,348.0	44,731.2	-856.4	-1.8%
JUSTICE	88,822.8	130,834.0	129,223.1	121,196.3	113,516.5	17,317.5	15.2%
DEVELOPMENT	71,269.7	204,072.6	178,236.0	208,157.0	91,082.9	112,989.7	124.0%
TRANSPORTATION	181,049.7	301,510.8	293,609.4	247,922.1	231,381.5	70,129.3	30.2%
GENERAL GOVERNMENT	88,423.5	305,472.7	299,515.4	297,248.4	113,005.1	192,467.6	170.2%
TOTAL	1,352,255.9	2,312,881.9	2,240,950.2	2,142,071.9	1,728,167.5	584,714.4	33.8%

The above table computes the FY 82 "SJR 4 recommendation" based on the growth allowed under SJR 4 from the FY 80 actual expenditure base. The table does not exclude debt service, non-state funds or fee supported activities. Thus, the legislative recommendation overstates the allowed budget growth.

GOVERNOR'S PROPOSED SPENDING LIMIT-SJR 4*

Calendar Year	Anchorage CPI		Population	FY 80 to FY 82 High Rate	Low Rate
1979	10.1 or 9.4	+	3.0% = 13.1 or 12.4%	27.8%	25.7%
1980	10.0 or 8.8	+	3.0% = 13.0 or 11.8%		

Note: 27.8% or high rate was used in the calculations

Shows Gov's Budget 2½ times his limit.

Shows compound growth rates
— from M. Barker.

State of Alaska
Division of Legislative Finance
Room 506 Capitol Bldg., Pouch WF
Juneau, Alaska 99811
Ph: 465-3795
MAY 2 6 1981

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. 2/	General Fund Appropriations ($ millions) 3/	General Fund Appropriations in Constant Dollars ($ millions)	[redacted] General Fund Appropriations in [redacted] $ adj for inflation
[redacted]	92.0	226,167	45.9	49.8	[redacted]
1961	92.9	238,000	52.3	56.3	236
1962	92.6	246,000	65.8	71.0	289
1963	93.3	256,000	82.9	88.8	347
1964	93.9	263,000	79.1	84.2	320
1965	94.2	271,000	86.1	102.0	337
1966	97.9	271,000	93.8	95.8	354
1967	100.0	278,000	113.1	113.1	407
1968	102.6	285,000	124.1	120.9	424
1969	107.3	296,000	154.1	143.6	485
[redacted]	111.5	302,361	314.2	281.7	[redacted]
1971	114.4	316,000	292.1	255.3	808
1972	116.9	326,000	333.5	285.2	875
1973	123.8	332,000	379.3	306.3	923
1974	140.0	343,000	451.3	322.3	940
1975	157.4	379,000	590.3	375.0	989
1976	167.6	405,000	692.3	413.0	1020
1977	177.3	408,000	819.1	462.0	1132
1978	194.8 1/	411,000	1071.7	550.2	1339
[redacted]	211.8	406,000	1062.3	501.6	[redacted]
[redacted]	232.0	400,331	3270.8	1409.8	[redacted]

1. 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.

2. 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.

3. (a) The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of $39.8 million in general funds was signed into law.

   (b) 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.

   (c) Supplemental appropriations are excluded except for a $580.8 million capital projects supplemental in 1980.

   (d) Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:
Legislative Fina
5-25-81

Malone

FY 80 APPROPRIATIONS SUMMARY

Enacted into Law

General Fund

General Appropriations Act

Operating		$915,278,168	
New Legislation		3,081,800	FY 79
Capital		86,802,200	
	TOTAL	$1,005,162,168	
Special Appropriations Acts		19,887,559	FY 79
Supplemental Appropriations		631,305,919	FY 80
Special Appropriations		1,374,738,231	FY 80
		$3,301,092,877	
-Debt Service		150,000,000	
-Permanent Fund		900,000,000	
The base is FY 80 at		$1,981,093,877	

Debt Service	76,900,000	
Local Debt Ser.	25,000,000	
HB 281	50,000,000	(estimate)
	$150,000,000	(approximate)

SECTION III

A LID ON GOVERNMENT SPENDING

The elimination of taxes must be accompanied by a lid on both state and local spending. Elected officials must rally the courage and detachment to place tough, binding curbs on budgetary growth.

The Alaskan people endorse the involvement of state government to tend to the impoverished, the handicapped, the disabled, and the involuntarily unemployed. There is, however, a growing backlash to the philosophy that views government as the surrogate for church, community, neighbor, and the family.

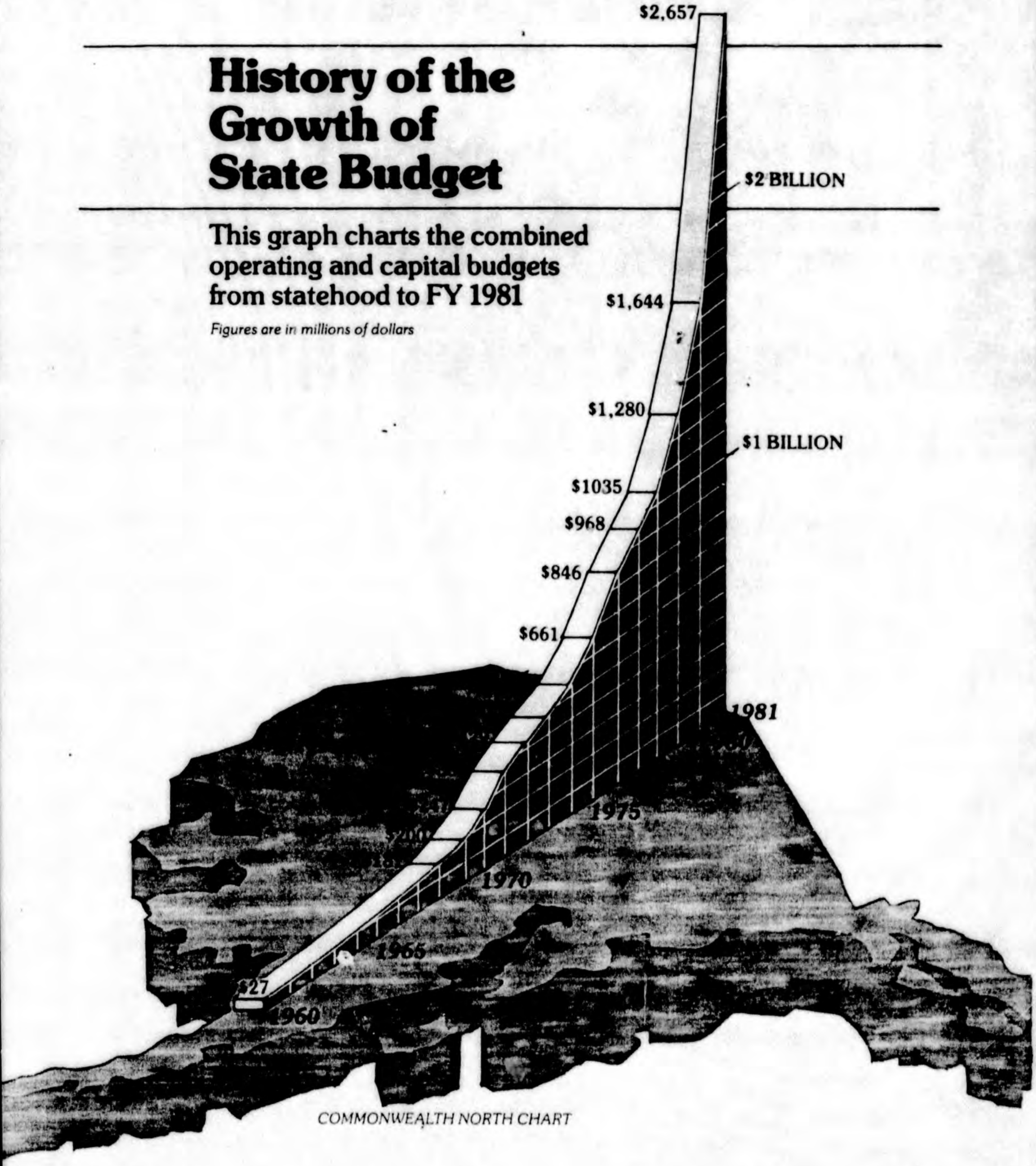
If state budget growth averages 20 %, by the year 2000 the legislature will be spending $45 billion per year.

The mere existence of the surplus oil revenues is a nearly irresistible temptation for those who subscribe to the above philosophy to indulge in spending sprees to try to do everything for everyone. If this view dominates state policy, the present good fortune will soon vanish.

Even a cursory examination of the budgetary history of Alaska is enough to heighten one's appreciation of the problem of government growth and to encourage the advancement of remedial proposals.

To underline the need for spending limits, consider the possibility of state budget growth at 20 percent (13 percent real growth, plus 7 percent inflation). At that rate, by the year 2000, our legislature will be spending $45 billion per year.

Figure D



COMMONWEALTH NORTH CHART

It is essential to clamp a lid on both state and local government expenditures

As shown on the graph (Figure D), the State of Alaska had a budget of $27 million in 1960. The population at the time was approximately 225,000. The per capita cost of the budget was $120. In 1979, less than 20 years later, the budget had grown to $1.2 billion with a population of nearly 420,000. In other words, the annual rate of growth averaged over 100 percent. The per capita cost today is roughly $2,800.

A person who earned $10,000 a year in 1960 (a good income at that time) would have to earn $240,000 per year in 1980 to equal the state's growth record.

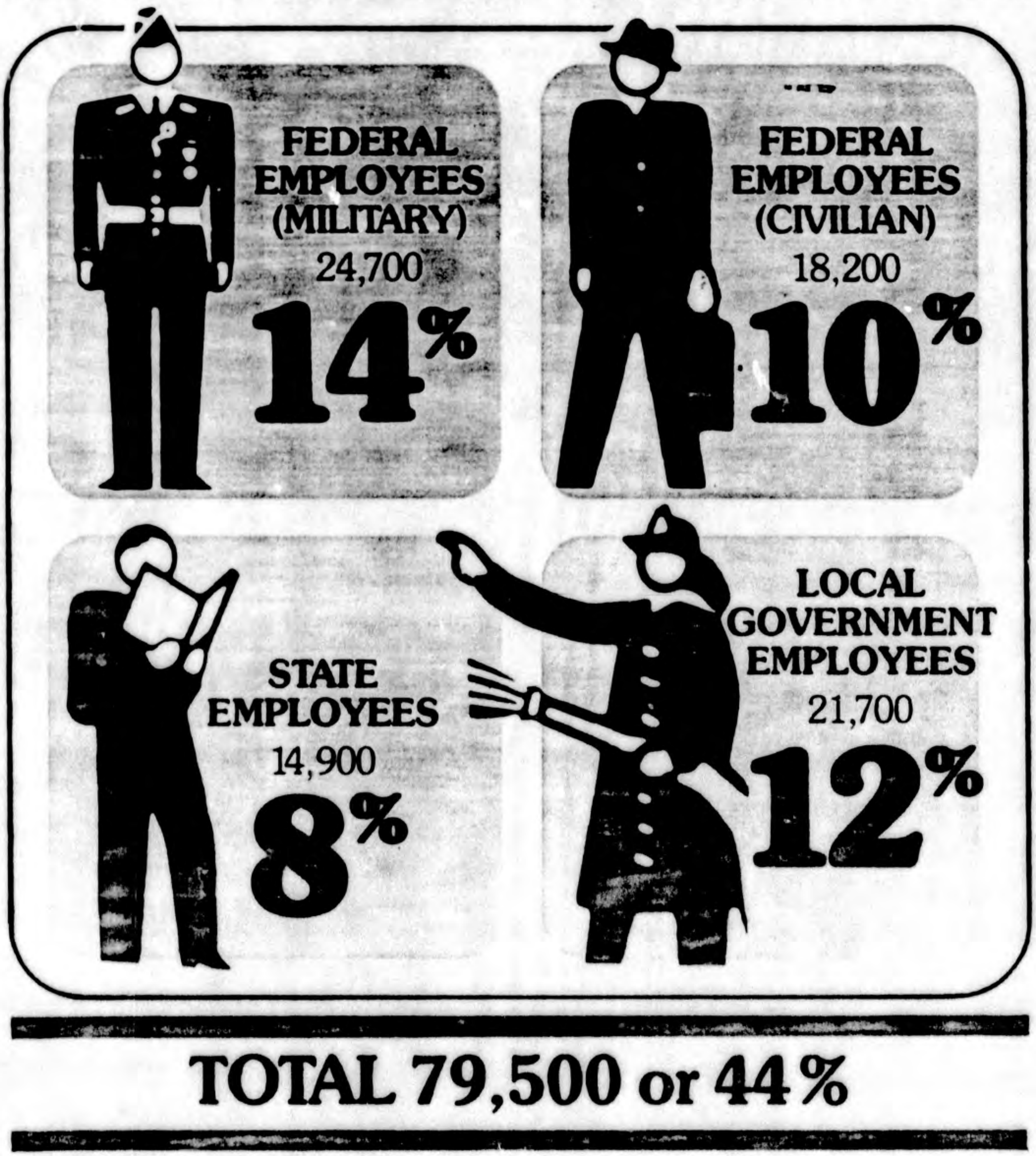
Sixty to 70 percent of government expenses are dedicated to salaries. To control spending, Alaska's elected leaders must check the expanding size of the public payroll. Figure D illustrates the large number of Alaskans employed by government. In addition, at least 15 percent of the work force makes its living from government as consultants, contractors and suppliers.

It would be an unwarranted assumption to suppose that local government, reimbursed by the state for uncollected property or sales taxes, would act with restraint. It is essential to clamp a lid on local expenditures in order to insure that municipal budgets are not inflated for superfluous purposes.

One of the best ways to limit government spending at any level is to tie state and local budgets to the annual fluctuation of personal income per capita of the non-governmental work force. These figures on a statewide and local basis can be obtained annually from the Department of Commerce and Economic Development.

Figure E

Number of Public Employees in Alaska



COMMONWEALTH NORTH CHART

DATA SOURCE: Alaska Department of Labor, Research Division, Juneau

ALASKA'S GOLDEN OPPORTUNITY

RESOURCE REVENUES
AND
STATE SPENDING

A REPORT BY

COMMONWEALTH NORTH

Prepared by the Resource Income Committee

December 1980

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

Budget growth rates in relation to revenues

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 18, 1981

M E M O R A N D U M

TO: Honorable Arliss Sturgulewski
Honorable Hugh Malone

FROM: Milt Barker, Fiscal Analyst MB

SUBJECT: General Fund and Permanent Fund Balance Projections

The attached computer runs project the State's fiscal situation based on assumed growth rates of 15%, 20%, 25%, and 30% per annum in budget expenditures. The FY 82 expenditure base is assumed at the following levels ($ millions):

Governor's FY 82 Request	Amount	Run #'s
Operating	$1776.5	1-4
Operating, capital	2003.9	5-8
Operating, capital, loans	2404.3	9-12
Operating, capital, loans, other	2786.1	13-16
Operating, capital, loans, other, escrow	3086.1	17-20
Operating, capital, loans, other, escrow, rainy day	3436.1	21-24

The high rates of budget growth used in these projections roughly cover the spectrum of historical growth rates (see Tables I and II attached), which have averaged from 14.40% to 32.01% annually for significant periods of time during the past two decades. With increased revenues in the past few years, growth has accelerated markedly, even in the traditional operating and capital budgets:

(General Fund, $ Millions)

	FY 80 1. Appropriations	FY 82 2. Gov's Request	Annual Compound Growth
Operating	952.5	1776.5	36.57%
Operating & Capital	1039.3	2003.9	38.86%

31-01LH

Table III (attached) details the revenue projections used in all 24 computer runs. Roughly speaking, they reflect a 60% probability of gas line completion by FY 87.

---

1. "Free Conference Committee Report, Fiscal Year 1980, Operating and Capital Budget"

2. Governor's Budget Document for FY 82

TABLE I

ANNUAL COMPOUND GROWTH RATES

Period	Anchorage Consumer Price Index	Alaska Population	General Fund Appropriations	General Fund Appropriations in Constant Dollars	General Fund Appropriations Per Capital in Constant $
1960 - 1980	4.73%	2.90%	23.78%	18.19%	14.87%
1960 - 1969	1.72	3.03	14.40	12.49	9.18
1970 - 1980	7.60	2.85	26.40	17.47	14.22
1969 - 1980	7.26	2.78	32.01	23.08	19.75
1970 - 1979	7.39	3.33	14.49	6.62	3.18

PREPARED BY:

Legislative Finance Div.
5-25-81

TABLE II

Calendar Year	Anchorage Consumer Price Index October 1967-100.0	Alaska Pop. 2/	General Fund Appropriations ($ millions) 3/	General Fund Appropriations in Constant Dollars ($ millions)	Per Capita General Fund Appropriations in Constant Dollars $
1960	92.0	226,167	45.9	49.8	220
1961	92.9	238,000	52.3	56.3	236
1962	92.6	246,000	65.8	71.0	289
1963	93.3	256,000	82.9	88.8	347
1964	93.9	263,000	79.1	84.2	320
1965	94.2	271,000	86.1	102.0	337
1966	97.9	271,000	93.8	95.8	354
1967	100.0	278,000	113.1	113.1	407
1968	102.6	285,000	124.1	120.9	424
1969	107.3	296,000	154.1	143.6	485
1970	111.5	302,361	314.2	281.7	932
1971	114.4	316,000	292.1	255.3	808
1972	116.9	326,000	333.5	285.2	875
1973	123.8	332,000	379.3	306.3	923
1974	140.0	343,000	451.3	322.3	940
1975	157.4	379,000	590.3	375.0	989
1976	167.6	405,000	692.3	413.0	1020
1977	177.3	408,000	819.1	462.0	1132
1978	194.8 1/	411,000	1071.7	550.2	1339
1979	211.8	406,000	1062.3	501.6	1235
1980	232.0	400,331	3270.8	1409.8	3521

1. 1978-1980 figures are Anchorage price index for urban wage earners and clerical employees as of November.

2. 1960, 1970, and 1980 figures based on April 1st census; other figures refer to estimated July 1st population of the U. S. Bureau of the Census.

3. (a) The figures are for the fiscal year following the listed calendar year, e.g., in 1960 the fiscal year 1961 appropriations act of $39.8 million in general funds was signed into law.

   (b) 1960-1972 figures from Governor's Budget Document; 1973-1980 figures from Free Conference Committee Report on the Budget.

   (c) Supplemental appropriations are excluded except for a $580.8 million capital projects supplemental in 1980.

   (d) Appropriations to the Permanent Fund and general reserve which are strictly for investment are excluded.

Prepared by:
Legislative Finance
5-25-81

Prepared by:
Legislative Finance
6-17-81

TABLE III
PROJECTED REVENUE
FY 81 - FY 97
($ Millions)

FY	(1) Severance	(2) Royalties	(3) Petroleum Income Tax	(4) Property Tax	(5) Non-Petroleum Revenue
1981	1186	1422	768	141	210
1982	1527	2063	1142	145	233
1983	1869	2533	1357	152	259
1984	2063	2850	1474	168	288
1985	2278	3206	1585	183	319
1986	2554	3619	1734	195	355
1987	2944	4144	1887	202	394
1988	3275	4606	2062	206	438
1989	3661	5092	2088	210	487
1990	3754	5234	2093	210	541
1991	3887	5419	2167	206	601
1992	3986	5560	2224	197	688
1993	3953	5547	2218	189	742
1994	3886	5491	2196	182	825
1995	3585	5165	2066	175	916
1996	3278	4826	1930	168	1018
1997	2909	4495	1798	161	1131
TOTAL	50595	71272	30789	3090	9445

Sources:

(1,2) June forecast of Petroleum Revenue Division, Department of Revenue.

(3) FY 81-85: from "Fiscal Analysis of the Proposed Backstop Tax Legislation", Gregg Erickson & Associates, May 1981.

FY 86-90: Col. 1, Table 1 of "Oil Tax Settlement Fiscal Analysis" memo of June 12, 1981 from Milt Barker to Hon. Hugh Malone for Sadlerochit plus $300 million per year for Cook Inlet, Kuparak, and TAPS.

FY 91-97: 40% of royalties (an optimistic estimate since operating costs per barrel will increase as production declines)

(4) FY 81-83: "Revenue Sources, June 1981 Update", Research Division, Department

FY 84-97: 70% of March unpublished forecast of Research Division, Dept. of Revenue. (reduction based on increased North Slope Borough taxation).

(5) March unpublished forecast of Research Division, Department of Revenue.

STATE OF ALASKA

LEGISLATIVE FINANCE WORKING DOCUMENT

BUDGET FORECASTING MODEL

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET

OPERATING $1776.5

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 = 15.00%

% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4038.1	0.0
1983	6170.0	915.9	7085.9	2043.0	0.0	0.0	761.8	2804.8	4281.1	2888.0	8319.1	0.0
1984	6813.0	1457.1	8300.1	2347.4	0.0	0.0	874.7	3224.1	5076.0	3600.5	13395.1	0.0
1985	7571.0	2091.6	9662.6	2701.8	0.0	0.0	1001.6	3703.4	5959.2	4402.9	19354.4	0.0
1986	8457.0	2834.9	11291.9	3107.1	0.0	0.0	1147.5	4254.6	7037.3	5304.0	26391.7	0.0
1987	9571.0	3712.2	13283.2	3573.2	0.0	0.0	1327.2	4900.4	8382.8	6342.0	34774.5	0.0
1988	10587.0	4737.4	15324.4	4109.2	0.0	0.0	1497.4	5606.6	9717.8	7494.3	44492.3	0.0
1989	11538.0	5908.9	17446.9	4725.5	0.0	0.0	1679.5	6405.1	11041.8	8767.3	55534.2	0.0
1990	11832.0	7194.9	19026.9	5434.4	0.0	0.0	1779.6	7213.9	11813.0	10075.8	67347.1	0.0
1991	12280.0	8570.4	20850.4	6249.5	0.0	0.0	1892.4	8141.9	12708.5	11430.5	80055.7	0.0
1992	12635.0	10036.3	22671.3	7186.7	0.0	0.0	1976.3	9103.2	13488.0	12820.5	93543.7	0.0
1993	12649.0	11565.4	24214.4	8265.0	0.0	0.0	2062.4	10327.4	13887.0	14207.3	107430.7	0.0
1994	12580.0	13126.8	25706.8	9504.7	0.0	0.0	2117.4	11622.2	14084.6	15580.0	121515.3	0.0
1995	11907.0	14669.9	26576.9	10930.4	0.0	0.0	2102.5	13033.0	13543.9	16871.3	135059.2	0.0
1996	11220.0	16140.3	27360.3	12570.0	0.0	0.0	2080.2	14650.2	12710.1	18077.8	147769.3	0.0
1997	10494.0	17504.4	27998.4	14455.5	0.0	0.0	2055.7	16511.2	11487.1	19201.5	159256.4	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT

BUDGET FORECASTING MODEL

17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5

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 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 REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4038.1	0.0
1983	6170.0	913.1	7083.1	2131.8	0.0	0.0	761.8	2893.6	4189.4	2880.0	8227.5	0.0
1984	6843.0	1440.9	8283.9	2558.2	0.0	0.0	874.7	3432.9	4851.0	3600.5	13078.5	0.0
1985	7571.0	2046.7	9617.7	3069.8	0.0	0.0	1001.6	4071.4	5546.3	4402.0	18624.7	0.0
1986	8457.0	2737.9	11196.9	3683.8	0.0	0.0	1147.5	4831.2	6365.7	5306.8	24990.5	0.0
1987	9571.0	3538.0	13109.0	4420.5	0.0	0.0	1327.2	5747.7	7361.3	6342.8	32351.8	0.0
1988	10587.0	4444.6	15031.6	5304.6	0.0	0.0	1497.4	6802.0	8229.6	7494.3	40581.4	0.0
1989	11538.0	5445.4	16983.4	6365.5	0.0	0.0	1679.5	8045.1	8938.4	8767.3	49519.7	0.0
1990	11832.0	6492.2	18324.2	7638.6	0.0	0.0	1779.6	9418.2	8906.0	10075.8	58425.7	0.0
1991	12280.0	7539.2	19819.2	9166.3	0.0	0.0	1892.4	11058.8	8760.5	11439.5	67186.2	0.0
1992	12635.0	8561.2	21196.2	10999.6	0.0	0.0	1996.3	12995.9	8200.3	12820.5	75386.5	0.0
1993	12649.0	9498.3	22147.3	13199.5	0.0	0.0	2062.4	15262.0	6885.3	14207.3	82271.8	0.0
1994	12580.0	10278.4	22858.4	15839.5	0.0	0.0	2117.4	17956.9	4901.5	15580.0	87173.3	0.0
1995	11907.0	10799.9	22706.9	19007.3	0.0	0.0	2102.5	21109.9	1597.0	16871.3	88770.4	0.0
1996	11220.0	10944.4	22164.4	22808.8	0.0	0.0	2080.2	24889.0	-2724.6	18077.8	86045.8	0.0
1997	10494.0	10599.3	21093.3	27370.6	0.0	0.0	2055.7	29426.3	-8333.0	19201.5	77712.8	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

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	REVENUE REQ FOR GF BAL OF 40 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4038.1	0.0
1983	6170.0	910.2	7080.2	2220.6	0.0	0.0	761.8	2982.4	4097.8	2880.0	8135.9	0.0
1984	6843.0	1424.4	8267.4	2775.8	0.0	0.0	874.7	3650.5	4616.9	3609.5	12752.8	0.0
1985	7571.0	1999.8	9570.8	3469.7	0.0	0.0	1001.6	4471.3	5099.5	4482.0	17852.2	0.0
1986	8457.0	2637.9	11094.9	4337.2	0.0	0.0	1147.5	5484.6	5610.3	5306.8	23462.5	0.0
1987	9571.0	3345.6	12916.6	5421.4	0.0	0.0	1327.2	6748.7	6167.9	6342.8	29630.4	0.0
1988	10587.0	4111.6	14698.6	6776.8	0.0	0.0	1497.4	8274.2	6424.4	7494.3	36054.8	0.0
1989	11538.0	4902.5	16440.5	8471.0	0.0	0.0	1679.5	10150.5	6289.[illegible]	8767.3	42344.7	0.0
1990	11832.0	5643.8	17475.8	10588.8	0.0	0.0	1779.6	12368.3	5107.4	10075.8	47452.2	0.0
1991	12280.0	6255.6	18535.6	13236.0	0.0	0.0	1892.4	15128.4	3407.2	11430.5	50859.4	0.0
1992	12635.0	6667.5	19302.5	16544.9	0.0	0.0	1996.3	18541.2	761.2	12820.5	51620.6	0.0
1993	12649.0	6760.4	19409.4	20681.2	0.0	0.0	2062.4	22743.6	-3334.3	14207.3	48286.4	0.0
1994	12580.0	6384.8	18964.8	25851.5	0.0	0.0	2117.4	27968.9	-9004.1	15580.0	39282.3	0.0
1995	11907.0	5338.5	17245.5	32314.3	0.0	0.0	2102.5	34416.9	-17171.4	16871.3	22110.9	0.0
1996	11220.0	3660.9	14880.9	40392.9	0.0	0.0	2080.2	42473.2	-27592.3	18077.8	0.0	5481.4
1997	10494.0	2873.8	13367.8	50471.2	0.0	0.0	2055.7	52546.9	-39179.1	19201.5	0.0	39179.1

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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17-JUN-81

COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5

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 = 30.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	479.2	5589.2	1776.5	0.0	0.0	615.6	2392.1	3197.1	2254.8	4038.1	0.0
1983	6170.0	907.4	7077.4	2309.5	0.0	0.0	761.8	3071.3	4006.2	2888.0	8044.3	0.0
1984	6843.0	1407.6	8250.6	3002.3	0.0	0.0	874.7	3877.0	4373.6	3600.5	12417.8	0.0
1985	7571.0	1950.8	9521.8	3903.0	0.0	0.0	1001.6	4904.5	4617.3	4402.0	17035.1	0.0
1986	8457.0	2528.6	10985.6	5073.7	0.0	0.0	1147.5	6221.3	4764.3	5306.8	21799.4	0.0
1987	9571.0	3133.4	12704.4	6596.0	0.0	0.0	1327.2	7923.3	4781.1	6342.8	26580.6	0.0
1988	10587.0	3733.8	14320.8	8574.8	0.0	0.0	1497.4	10072.3	4248.6	7494.3	30829.2	0.0
1989	11538.0	4267.9	15805.9	11147.3	0.0	0.0	1679.5	12826.8	2979.1	8767.3	33808.2	0.0
1990	11832.0	4621.9	16453.9	14491.5	0.0	0.0	1779.6	16271.0	182.9	10075.8	33991.2	0.0
1991	12280.0	4661.7	16941.7	18838.9	0.0	0.0	1892.4	20731.3	-3789.6	11430.5	30201.6	0.0
1992	12635.0	4242.0	16877.0	24490.6	0.0	0.0	1996.3	26486.8	-9609.8	12820.5	20591.8	0.0
1993	12649.0	3141.9	15790.9	31837.7	0.0	0.0	2062.4	33900.2	-18109.3	14207.3	2482.5	0.0
1994	12580.0	2441.3	15021.3	41389.0	0.0	0.0	2117.4	43506.5	-28485.2	15580.0	0.0	26002.8
1995	11907.0	2698.7	14605.7	53805.8	0.0	0.0	2102.5	55908.3	-41302.6	16871.3	0.0	41302.6
1996	11220.0	3146.4	14366.4	69947.5	0.0	0.0	2080.2	72027.7	-57661.3	18077.8	0.0	57661.3
1997	10494.0	3682.6	14176.6	90931.7	0.0	0.0	2055.7	92987.5	-78810.9	19201.5	0.0	78810.9

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 $ 222.4

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 = 15.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.8	3803.5	0.0
1983	6170.0	882.9	7052.9	2304.5	0.0	0.0	761.8	3066.3	3986.6	2888.0	7770.1	0.0
1984	6843.0	1391.9	8234.9	2650.2	0.0	0.0	874.7	3524.9	4710.1	3600.5	12500.2	0.0
1985	7571.0	1986.5	9557.5	3047.7	0.0	0.0	1001.6	4049.2	5508.3	4402.0	18008.4	0.0
1986	8457.0	2680.6	11137.6	3504.8	0.0	0.0	1147.5	4652.3	6485.3	5306.8	24493.8	0.0
1987	9571.0	3498.0	13069.0	4030.6	0.0	0.0	1327.2	5357.8	7711.2	6342.8	32205.0	0.0
1988	10587.0	4450.3	15037.3	4635.1	0.0	0.0	1497.4	6132.6	8904.7	7494.3	41109.7	0.0
1989	11538.0	5533.7	17071.7	5330.4	0.0	0.0	1679.5	7010.0	10061.8	8767.3	51171.5	0.0
1990	11832.0	6713.7	18545.7	6130.0	0.0	0.0	1779.6	7909.6	10636.2	10075.8	61807.7	0.0
1991	12280.0	7762.1	20242.1	7049.5	0.0	0.0	1892.4	8941.9	11300.2	11430.5	73107.9	0.0
1992	12635.0	9275.9	21910.9	8106.9	0.0	0.0	1996.3	10103.2	11807.7	12820.5	84915.6	0.0
1993	12649.0	10623.8	23272.8	9322.9	0.0	0.0	2062.4	11385.4	11887.4	14207.3	96803.0	0.0
1994	12580.0	11969.6	24549.6	10721.4	0.0	0.0	2117.4	12838.8	11710.8	15580.0	108513.8	0.0
1995	11907.0	13257.1	25164.1	12329.6	0.0	0.0	2102.5	14432.1	10732.0	16871.3	119245.8	0.0
1996	11220.0	14424.9	25644.9	14179.0	0.0	0.0	2080.2	16259.2	9385.7	18077.8	128631.5	0.0
1997	10494.0	15431.4	25925.4	16305.9	0.0	0.0	2055.7	18361.6	7563.8	19201.5	136195.4	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

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 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 REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2617.5	2742.5	2254.0	3603.5	0.0
1983	6170.0	879.7	7049.7	2404.7	0.0	0.0	761.8	3166.5	3883.2	2880.0	7686.7	0.0
1984	6843.0	1373.6	8216.6	2885.6	0.0	0.0	874.7	3760.3	4456.3	3600.5	12143.0	0.0
1985	7571.0	1935.8	9506.8	3462.7	0.0	0.0	1001.6	4464.3	5042.5	4402.0	17185.5	0.0
1986	8457.0	2573.5	11030.5	4155.3	0.0	0.0	1147.5	5302.8	5727.7	5306.8	22913.3	0.0
1987	9571.0	3301.5	12872.5	4986.3	0.0	0.0	1327.2	6313.6	6558.9	6342.8	29472.2	0.0
1988	10587.0	4120.0	14707.0	5983.6	0.0	0.0	1497.4	7481.0	7226.0	7494.3	36698.2	0.0
1989	11538.0	5011.0	16549.0	7180.3	0.0	0.0	1679.5	8859.9	7689.1	8767.3	44387.2	0.0
1990	11832.0	5921.1	17753.1	8616.4	0.0	0.0	1779.6	10396.0	7357.1	10075.8	51744.3	0.0
1991	12280.0	6790.9	19070.9	10339.7	0.0	0.0	1892.4	12232.1	6844.8	11430.5	58591.1	0.0
1992	12635.0	7612.0	20247.0	12407.6	0.0	0.0	1996.3	14403.9	5843.1	12820.5	64434.2	0.0
1993	12649.0	8292.1	20941.1	14887.1	0.0	0.0	2062.4	16951.6	3989.5	14207.3	68423.7	0.0
1994	12580.0	8756.7	21336.7	17862.0	0.0	0.0	2117.4	19984.4	1352.3	15580.0	69775.9	0.0
1995	11907.0	8891.8	20798.8	21440.4	0.0	0.0	2102.5	23542.9	-2744.1	16871.3	67031.8	0.0
1996	11220.0	8564.0	19784.0	25728.4	0.0	0.0	2080.2	27808.7	-8024.7	18077.8	59007.1	0.0
1997	10494.0	7642.5	18136.5	30874.1	0.0	0.0	2055.7	32929.9	-14793.4	19201.5	44213.7	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

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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.8	3803.5	0.0
1983	6170.0	876.6	7046.6	2504.9	0.0	0.0	761.8	3266.7	3779.9	2888.0	7583.4	0.0
1984	6843.0	1355.0	8198.0	3131.1	0.0	0.0	874.7	4005.8	4192.2	3600.5	11775.6	0.0
1985	7571.0	1882.9	9453.9	3913.9	0.0	0.0	1001.6	4915.4	4538.5	4402.0	16314.0	0.0
1986	8457.0	2458.5	10915.5	4892.3	0.0	0.0	1147.5	6039.8	4875.7	5306.8	21189.7	0.0
1987	9571.0	3084.4	12655.4	6115.4	0.0	0.0	1327.2	7442.7	5212.7	6342.8	26402.4	0.0
1988	10587.0	3744.5	14331.5	7644.3	0.0	0.0	1497.4	9141.7	5189.8	7494.3	31592.2	0.0
1989	11538.0	4398.5	15936.5	9555.3	0.0	0.0	1679.5	11234.9	4701.6	8767.3	36293.8	0.0
1990	11832.0	4964.0	16796.0	11944.2	0.0	0.0	1779.6	13723.7	3072.3	10075.8	39366.1	0.0
1991	12280.0	5350.9	17630.9	14930.2	0.0	0.0	1892.4	16822.6	808.3	11430.5	40174.4	0.0
1992	12635.0	5475.8	18110.8	18662.8	0.0	0.0	1996.3	20659.0	-2548.2	12820.5	37626.2	0.0
1993	12649.0	5203.7	17852.7	23328.5	0.0	0.0	2062.4	25390.9	-7538.2	14207.3	30087.9	0.0
1994	12580.0	4364.7	16944.7	29160.6	0.0	0.0	2117.4	31278.0	-14333.3	15580.0	15754.6	0.0
1995	11907.0	3139.3	15046.3	36450.7	0.0	0.0	2102.5	38553.3	-23507.0	16871.3	0.0	7752.3
1996	11220.0	2658.7	13878.7	45563.4	0.0	0.0	2080.2	47643.6	-33764.9	18077.8	0.0	33764.9
1997	10494.0	3003.0	13497.0	56954.3	0.0	0.0	2055.7	59010.0	-45512.9	19201.5	0.0	45512.9

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

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 = 30.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	472.0	5582.0	2003.9	0.0	0.0	615.6	2619.5	2962.5	2254.8	3803.5	0.0
1983	6170.0	873.4	7043.4	2605.1	0.0	0.0	761.8	3366.9	3676.5	2888.0	7480.0	0.0
1984	6843.0	1336.0	8179.0	3386.6	0.0	0.0	874.7	4261.3	3917.7	3600.5	11397.8	0.0
1985	7571.0	1827.7	9398.7	4402.6	0.0	0.0	1001.6	5404.1	3994.5	4402.0	15392.3	0.0
1986	8457.0	2335.2	10792.2	5723.3	0.0	0.0	1147.5	6870.8	3921.4	5306.8	19313.7	0.0
1987	9571.0	2845.1	12416.1	7440.3	0.0	0.0	1327.2	8767.6	3648.5	6342.8	22962.2	0.0
1988	10587.0	3318.3	13905.3	9672.4	0.0	0.0	1497.4	11169.9	2735.4	7494.3	25697.6	0.0
1989	11538.0	3682.7	15220.7	12574.2	0.0	0.0	1679.5	14253.7	967.0	8767.3	26664.6	0.0
1990	11832.0	3811.4	15643.4	16346.4	0.0	0.0	1779.6	18126.0	-2482.6	10075.8	24182.0	0.0
1991	12280.0	3553.0	15833.0	21250.4	0.0	0.0	1892.4	23142.8	-7309.7	11430.5	16872.3	0.0
1992	12635.0	2739.9	15374.9	27625.5	0.0	0.0	1996.3	29621.7	-14246.8	12820.5	2625.5	0.0
1993	12649.0	2200.9	14849.9	35913.1	0.0	0.0	2062.4	37975.5	-23125.6	14207.3	0.0	20500.1
1994	12580.0	2423.1	15003.1	46687.0	0.0	0.0	2117.4	48804.5	-33801.4	15580.0	0.0	33801.4
1995	11907.0	2836.4	14743.4	60693.1	0.0	0.0	2102.5	62795.7	-48052.2	16871.3	0.0	48052.2
1996	11220.0	3325.5	14545.5	78901.1	0.0	0.0	2080.2	80981.3	-66435.8	18077.8	0.0	66435.8
1997	10494.0	3915.4	14409.4	102571.4	0.0	0.0	2055.7	104627.1	-90217.8	19201.5	-0.0	90217.8

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

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 = 15.00%
% 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	REVENUE REQ FOR GF BAL OF $0 BIL
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.9	2549.5	2254.8	3390.5	0.0
1983	6170.0	824.9	6994.9	2764.9	0.0	0.0	761.8	3526.8	3468.1	2880.0	6858.6	0.0
1984	6843.0	1277.2	8120.2	3179.7	0.0	0.0	874.7	4054.4	4065.8	3600.5	10924.3	0.0
1985	7571.0	1801.4	9372.4	3656.6	0.0	0.0	1001.6	4658.2	4714.2	4402.0	15638.5	0.0
1986	8457.0	2409.1	10866.1	4205.1	0.0	0.0	1147.5	5352.6	5513.5	5306.8	21152.0	0.0
1987	9571.0	3120.8	12691.8	4835.9	0.0	0.0	1327.2	6163.1	6528.7	6342.8	27680.7	0.0
1988	10587.0	3944.8	14531.8	5561.3	0.0	0.0	1497.4	7058.7	7473.1	7494.3	35153.8	0.0
1989	11538.0	4873.2	16411.2	6395.5	0.0	0.0	1629.5	8025.0	8336.1	8262.3	43489.9	0.0
1990	11832.0	5866.4	17698.4	7354.8	0.0	0.0	1779.6	9134.4	8564.1	10075.8	52054.0	0.0
1991	12280.0	6890.9	19170.9	8458.0	0.0	0.0	1892.4	10350.4	8820.5	11430.5	60874.4	0.0
1992	12635.0	7937.0	20572.0	9726.7	0.0	0.0	1996.3	11723.0	8849.0	12820.5	69723.4	0.0
1993	12649.0	8965.8	21614.8	11185.7	0.0	0.0	2062.4	13248.2	8366.6	14207.3	78090.0	0.0
1994	12580.0	9932.2	22512.2	12863.6	0.0	0.0	2117.4	14981.0	7531.2	15580.0	85621.1	0.0
1995	11907.0	10769.6	22676.6	14793.1	0.0	0.0	2102.5	16895.7	5780.9	16871.3	91402.0	0.0
1996	11220.0	11404.5	22624.5	17012.1	0.0	0.0	2080.2	19092.3	3532.2	18027.8	94934.2	0.0
1997	10494.0	11781.5	22275.5	19563.9	0.0	0.0	2055.7	21619.7	655.8	19201.5	95590.0	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

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 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 REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.9	2549.5	2254.8	3390.5	0.0
1983	6170.0	821.1	6991.1	2885.2	0.0	0.0	761.8	3647.0	3344.1	2888.0	6734.6	0.0
1984	6843.0	1255.2	8098.2	3462.2	0.0	0.0	874.7	4336.9	3761.3	3600.5	10495.9	0.0
1985	7571.0	1740.6	9311.6	4154.6	0.0	0.0	1001.6	5156.2	4155.4	4402.0	14651.2	0.0
1986	8537.0	2200.5	10737.5	4985.6	0.0	0.0	1147.5	6133.0	4604.5	5306.8	19255.7	0.0
1987	9571.0	2885.0	12456.0	5982.7	0.0	0.0	1327.2	7309.9	5146.1	6342.8	24401.8	0.0
1988	10587.0	3548.6	14135.6	7179.2	0.0	0.0	1497.4	8676.6	5458.9	7494.3	29860.7	0.0
1989	11538.0	4245.9	15783.9	8615.0	0.0	0.0	1679.5	10294.6	5489.3	8767.3	35350.1	0.0
1990	11832.0	4915.4	16747.4	10338.0	0.0	0.0	1779.6	12117.6	4629.8	10075.8	39979.8	0.0
1991	12280.0	5495.3	17775.3	12405.7	0.0	0.0	1892.4	14298.1	3477.2	11430.5	43457.1	0.0
1992	12635.0	5940.6	18575.6	14886.8	0.0	0.0	1996.3	16883.1	1692.6	12820.5	45149.6	0.0
1993	12649.0	6168.2	18817.2	17864.2	0.0	0.0	2062.4	19926.6	-1109.4	14207.3	44040.2	0.0
1994	12580.0	6077.3	18657.3	21437.0	0.0	0.0	2117.4	23554.4	-4897.1	15580.0	39143.0	0.0
1995	11907.0	5532.0	17439.0	25724.4	0.0	0.0	2102.5	27826.9	-10388.0	16871.3	28755.1	0.0
1996	11220.0	4372.5	15592.5	30869.3	0.0	0.0	2080.2	32949.5	-17357.0	18072.8	11398.1	0.0
1997	10486.0	3174.7	13660.7	37043.1	0.0	0.0	2055.7	39098.8	-25438.1	19201.5	0.0	14032.0

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

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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.9	2549.5	2254.8	3390.5	0.0
1983	6170.0	817.3	6987.3	3005.4	0.0	0.0	761.8	3767.2	3220.1	2880.0	6610.6	0.0
1984	6843.0	1232.8	8075.8	3756.7	0.0	0.0	874.7	4631.4	3444.4	3600.5	10055.0	0.0
1985	7571.0	1677.1	9248.1	4695.9	0.0	0.0	1001.6	5697.5	3550.6	4402.0	13605.6	0.0
1986	8457.0	2142.5	10599.5	5869.8	0.0	0.0	1147.5	7017.3	3582.2	5306.8	17187.7	0.0
1987	9571.0	2624.5	12195.5	7337.3	0.0	0.0	1327.2	8664.6	3531.0	6342.8	20718.7	0.0
1988	10587.0	3097.9	13684.9	9171.7	0.0	0.0	1497.4	10669.1	3015.8	7494.3	23734.5	0.0
1989	11538.0	3511.1	15049.1	11464.6	0.0	0.0	1679.5	13144.1	1904.9	8767.3	25639.5	0.0
1990	11832.0	3767.2	15599.2	14330.7	0.0	0.0	1779.6	16110.3	-511.2	10075.8	25128.3	0.0
1991	12280.0	3758.0	16038.0	17913.4	0.0	0.0	1892.4	19805.8	-3767.8	11430.5	21360.5	0.0
1992	12635.0	3377.7	16012.7	22391.8	0.0	0.0	1796.3	24188.1	-8175.4	12820.5	13185.1	0.0
1993	12649.0	2560.4	15209.4	27989.7	0.0	0.0	2062.4	30052.2	-14842.7	14207.3	0.0	1657.7
1994	12580.0	2189.1	14769.1	34987.2	0.0	0.0	2117.4	37104.6	-22335.5	15580.0	0.0	22335.5
1995	11907.0	2497.2	14404.2	43734.0	0.0	0.0	2102.5	45836.5	-31432.3	16971.3	0.0	31432.3
1996	11220.0	2840.8	14060.8	54667.5	0.0	0.0	2080.2	56747.7	-42686.9	18077.8	0.0	42686.9
1997	10494.0	3230.6	13724.6	68334.3	0.0	0.0	2055.7	70390.0	-56665.4	19201.5	0.0	56665.4

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

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 = 30.00%
% 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	REVENUE REQ FOR GF BAL OF $0 BIL
1981										1737.0	841.0	
1982	5110.0	459.3	5569.3	2404.3	0.0	0.0	615.6	3019.9	2549.5	2254.8	3390.5	0.0
1983	6175.0	813.5	6983.5	3125.6	0.0	0.0	761.8	3887.4	3096.1	2808.0	6406.5	0.0
1984	6843.0	1210.1	8053.1	4063.3	0.0	0.0	874.7	4938.0	3115.1	3600.5	9601.7	0.0
1985	7571.0	1610.8	9181.8	5282.2	0.0	0.0	1001.6	6283.8	2898.0	4402.0	12499.7	0.0
1986	8457.0	1994.6	10451.6	6866.9	0.0	0.0	1147.5	8014.4	2437.2	5306.8	14936.9	0.0
1987	9571.0	2337.4	11908.4	8927.0	0.0	0.0	1327.2	10254.2	1654.2	6342.8	16591.1	0.0
1988	10587.0	2586.6	13173.6	11605.1	0.0	0.0	1497.4	13102.5	71.1	7494.3	16662.2	0.0
1989	11538.0	2652.2	14190.2	15086.6	0.0	0.0	1679.5	16766.2	-2575.9	8767.3	14086.2	0.0
1990	11832.0	2384.2	14216.2	19612.6	0.0	0.0	1779.6	21392.2	-7176.0	10075.8	6910.3	0.0
1991	12280.0	1930.8	14210.8	25496.4	0.0	0.0	1892.4	27388.8	-13178.0	11430.5	0.0	6267.8
1992	12635.0	1875.5	14510.5	33145.3	0.0	0.0	1996.3	35141.6	-20631.1	12820.5	0.0	20631.1
1993	12649.0	2213.2	14862.2	43088.9	0.0	0.0	2062.4	45151.4	-30289.2	14207.3	0.0	30289.2
1994	12580.0	2609.7	15189.7	56015.6	0.0	0.0	2117.4	58133.0	-42943.3	15580.0	0.0	42943.3
1995	11907.0	3079.0	14986.0	72820.3	0.0	0.0	2102.5	74922.8	-59936.8	16871.3	0.0	59936.8
1996	11220.0	3640.8	14860.8	94666.3	0.0	0.0	2080.2	96746.6	-81885.8	18077.8	0.0	81885.8
1997	10494.0	4325.3	14819.3	123066.2	0.0	0.0	2055.7	125122.0	%-110303	19201.5	0.0	110302.7

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 $ 381.8

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 = 15.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1737.0	841.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.8	2996.6	0.0
1983	6170.0	769.6	6939.6	3204.0	0.0	0.0	761.8	3965.8	2973.7	2880.0	5970.3	0.0
1984	6843.0	1167.7	8010.7	3684.6	0.0	0.0	874.7	4559.3	3451.4	3600.5	9421.7	0.0
1985	7571.0	1624.9	9195.9	4237.3	0.0	0.0	1001.6	5238.9	3957.0	4402.0	13378.7	0.0
1986	8457.0	2150.1	10607.1	4872.9	0.0	0.0	1147.5	6020.4	4586.7	5306.8	17965.5	0.0
1987	9571.0	2761.2	12332.2	5603.8	0.0	0.0	1327.2	6931.1	5401.1	6342.8	23366.5	0.0
1988	10587.0	3462.8	14049.8	6444.4	0.0	0.0	1497.4	7941.8	6107.9	7494.3	29474.5	0.0
1989	11538.0	4243.3	15781.3	7411.1	0.0	0.0	1679.5	9090.6	6690.7	8767.3	36165.1	0.0
1990	11832.0	5058.5	16890.5	8522.7	0.0	0.0	1779.6	10302.3	6588.2	10075.8	42753.4	0.0
1991	12280.0	5869.5	18149.5	9801.2	0.0	0.0	1892.4	11693.6	6455.9	11430.5	49209.3	0.0
1992	12635.0	6660.3	19295.3	11271.3	0.0	0.0	1996.3	13267.6	6027.7	12820.5	55236.9	0.0
1993	12649.0	7384.8	20033.8	12962.0	0.0	0.0	2062.4	15024.5	5009.3	14207.3	60246.3	0.0
1994	12580.0	7987.4	20567.4	14906.3	0.0	0.0	2117.4	17023.8	3545.6	15580.0	63791.9	0.0
1995	11907.0	8397.6	20304.6	17142.3	0.0	0.0	2102.5	19244.8	1059.8	16871.3	64851.7	0.0
1996	11220.0	8524.4	19744.4	19713.6	0.0	0.0	2080.2	21793.8	-2049.4	18077.8	62802.2	0.0
1997	10474.0	8301.0	18795.0	22670.7	0.0	0.0	2055.7	24726.4	-5931.4	19261.5	56870.9	0.0

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS
FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 381.8

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 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 REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.0	2996.6	0.0
1983	6170.0	765.2	6935.2	3343.3	0.0	0.0	761.8	4105.1	2830.0	2880.0	5826.6	0.0
1984	6843.0	1142.3	7985.3	4012.0	0.0	0.0	874.7	4886.7	3098.6	3600.5	8925.2	0.0
1985	7571.0	1554.4	9125.4	4814.4	0.0	0.0	1001.6	5815.9	3309.5	4402.0	12234.6	0.0
1986	8457.0	2001.1	10458.1	5777.3	0.0	0.0	1147.5	6924.7	3533.4	5396.0	15768.0	0.0
1987	9571.0	2487.9	12058.9	6932.7	0.0	0.0	1327.2	8259.9	3798.9	6342.8	19567.0	0.0
1988	10587.0	3003.6	13590.6	8319.3	0.0	0.0	1497.4	9816.7	3774.0	7494.3	23340.9	0.0
1989	11538.0	3516.4	15054.4	9983.1	0.0	0.0	1679.5	11662.6	3391.8	8767.3	26732.7	0.0
1990	11832.0	3956.5	15788.5	11979.7	0.0	0.0	1779.6	13759.3	2029.2	10075.0	28761.9	0.0
1991	12280.0	4252.2	16532.2	14375.7	0.0	0.0	1892.4	16268.1	264.2	11439.5	29026.0	0.0
1992	12635.0	4346.9	16981.9	17250.8	0.0	0.0	1996.3	19247.1	-2265.2	12820.5	26760.9	0.0
1993	12649.0	4142.9	16791.9	20701.0	0.0	0.0	2062.4	22763.4	-5971.5	14207.3	20789.4	0.0
1994	12580.0	3522.3	16102.3	24841.1	0.0	0.0	2117.4	26958.6	-10856.3	15580.0	9933.1	0.0
1995	11907.0	2715.4	14622.4	29809.4	0.0	0.0	2102.5	31911.9	-17289.5	16871.3	0.0	7356.4
1996	11220.0	2462.9	13682.9	35771.3	0.0	0.0	2080.2	37851.5	-24168.6	18077.8	0.0	24168.6
1997	10474.0	2732.5	13216.5	42925.5	0.0	0.0	2055.7	44981.2	-31764.8	19201.5	0.0	31764.8

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COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 381.8

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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.8	2996.6	0.0
1983	6170.0	760.8	6930.8	3482.6	0.0	0.0	761.8	4244.4	2686.3	2880.0	5682.9	0.0
1984	6843.0	1116.4	7959.4	4353.3	0.0	0.0	874.7	5228.0	2731.4	[illegible]	8414.3	0.0
1985	7571.0	1480.8	9051.8	5441.6	0.0	0.0	1001.6	6443.2	2608.7	4402.0	11022.9	0.0
1986	8457.0	1841.2	10278.2	6802.0	0.0	0.0	1147.5	7949.5	2348.7	5306.8	13371.7	0
1987	9571.0	2186.1	11757.1	8502.5	0.0	0.0	1327.2	9829.7	1927.3	6342.8	15299.0	0.0
1988	10587.0	2481.5	13068.5	10628.1	0.0	0.0	1497.4	12125.6	942.9	7494.3	16241.9	0.0
1989	11538.0	2664.9	14202.9	13285.2	0.0	0.0	1679.5	14964.7	-761.8	8767.3	15480.1	0.0
1990	11832.0	2625.9	14457.9	16606.5	0.0	0.0	1779.6	18386.0	-3928.1	10075.8	11551.9	0.0
1991	12280.0	2239.1	14519.1	20758.1	0.0	0.0	1892.4	22650.5	-8131.4	11430.5	3420.5	0.0
1992	12635.0	1902.5	14537.5	25947.6	0.0	0.0	1996.3	27943.9	-13406.3	12820.5	0.0	9985.8
1993	12649.0	2000.1	14649.1	32434.5	0.0	0.0	2062.4	34496.9	-19847.8	14207.3	0.0	19847.8
1994	12580.0	2300.2	14880.2	40543.1	0.0	0.0	2117.4	42660.5	-27780.3	15509.0	0.0	27780.3
1995	11907.0	2636.1	14543.1	50678.9	0.0	0.0	2102.5	52781.4	-38238.3	16871.3	0.0	38238.3
1996	11220.0	3014.4	14234.4	63348.6	0.0	0.0	2080.2	65428.8	-51194.4	19077.8	0.0	51194.4
1997	10454.0	3447.7	13941.7	79185.7	0.0	0.0	2055.7	81241.5	-67299.8	19201.5	0.0	67299.8

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BUDGET FORECASTING MODEL

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COMMENTS
FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 381.8

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 = 30.00%
% 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	REVENUE REQ FOR GF BAL. OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	447.3	5557.3	2786.1	0.0	0.0	615.6	3401.7	2155.6	2254.8	2996.4	0.0
1983	6170.0	756.4	6926.4	3621.9	0.0	0.0	761.8	4383.7	2542.6	2888.6	5539.2	0.0
1984	6843.0	1090.0	7933.0	4708.5	0.0	0.0	874.7	5583.2	2347.8	3600.5	7887.0	0.0
1985	7571.0	1404.1	8975.1	6121.1	0.0	0.0	1001.6	7122.6	1852.4	4402.0	9741.4	0.0
1986	8457.0	1669.8	10126.8	7957.4	0.0	0.0	1142.5	9104.0	1022.8	5306.8	10763.4	0.0
1987	9571.0	1853.3	11424.3	10344.6	0.0	0.0	1327.2	11671.8	-247.5	6342.8	10515.9	0.0
1988	10587.0	1888.9	12475.9	13448.0	0.0	0.0	1497.4	14945.4	-2469.5	7494.3	8046.5	0.0
1989	11538.0	1669.7	13207.7	17482.4	0.0	0.0	1679.5	19161.9	-5954.2	8767.3	2092.2	0.0
1990	11832.0	1501.3	13333.3	22727.1	0.0	0.0	1779.6	24506.6	-11173.3	10029.8	0.0	9081.1
1991	12280.0	1666.2	13946.2	29545.2	0.0	0.0	1892.4	31437.6	-17491.4	11430.5	0.0	17491.4
1992	12635.0	1980.7	14615.7	38408.8	0.0	0.0	1996.3	40405.0	-25789.3	12828.5	0.0	25789.3
1993	12649.0	2350.0	14999.0	49931.4	0.0	0.0	2062.4	51993.8	-36994.8	14207.3	0.0	36994.8
1994	12580.0	2787.6	15367.6	64910.8	0.0	0.0	2117.4	67028.2	-51660.6	15500.0	0.0	51660.6
1995	11907.0	3310.2	15217.2	84384.0	0.0	0.0	2102.5	86486.6	-71269.3	16871.3	0.0	71269.3
1996	11220.0	3941.4	15161.4	109699.2	0.0	0.0	2080.2	111779.5	-96618.0	18077.8	0.0	96618.0
1997	10494.0	4716.1	15210.1	142609.0	0.0	0.0	2055.7	144664.7	X-129455	19201.5	0.0	129454.6

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COMMENTS

FY82 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 ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.6[illegible]%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	437.8	5547.8	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.0	2687.1	0.0
1983	6170.0	726.1	6896.1	3549.0	0.0	0.0	761.8	4310.8	2585.3	2888.0	5272.4	0.0
1984	6843.0	1081.7	7924.7	4081.4	0.0	0.0	874.7	4956.1	2968.6	3600.5	8241.0	0.0
1985	7571.0	1486.2	9057.2	4693.6	0.0	0.0	1001.6	5695.1	3362.1	4402.9	11603.1	0.0
1986	8457.0	1946.6	10403.6	5397.6	0.0	0.0	1147.5	6545.1	3858.5	5306.8	15461.6	0.0
1987	9571.0	2478.5	12049.5	6207.2	0.0	0.0	1327.2	7534.5	4515.0	6342.8	19976.7	0.0
1988	10587.0	3084.1	13671.1	7138.3	0.0	0.0	1497.4	8635.8	5035.3	7494.3	25012.0	0.0
1989	11538.0	3748.3	15286.3	8209.1	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	1779.6	11220.0	5035.7	10075.8	35445.4	0.0
1991	12280.0	5066.9	17346.9	10856.5	0.0	0.0	1892.4	12748.9	4598.0	11430.5	40043.3	0.0
1992	12635.0	5657.1	18292.1	12485.0	0.0	0.0	1996.3	14481.3	3810.9	12820.5	43854.2	0.0
1993	12649.0	6142.5	18791.5	14357.7	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	2117.4	18628.8	414.0	15580.0	46639.5	0.0
1995	11907.0	6533.8	18440.8	18988.1	0.0	0.0	2102.5	21090.6	-2649.9	16871.3	43989.7	0.0
1996	11220.0	6261.4	17481.4	21836.3	0.0	0.0	2080.2	23916.6	-6435.2	18077.8	37554.5	0.0
1997	10474.0	5566.3	16060.3	25111.8	0.0	0.0	2055.7	27167.5	-11107.2	19201.5	26447.3	0.0

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BUDGET FORECASTING MODEL

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COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 381.8
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 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 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 REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	437.8	5547.8	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.8	2687.1	0.0
1983	6170.0	721.2	6891.2	3703.3	0.0	0.0	761.8	4465.1	2426.1	2888.0	5113.2	0.0
1984	6843.0	1053.5	7896.5	4444.0	0.0	0.0	874.7	5318.7	2577.8	3600.5	7691.0	0.0
1985	7571.0	1408.1	8979.1	5332.8	0.0	0.0	1001.6	6334.3	2644.8	4402.0	10335.8	0.0
1986	8457.0	1781.6	10238.6	6399.3	0.0	0.0	1147.5	7546.8	2691.0	5306.8	13027.6	0.0
1987	9571.0	2175.0	11746.0	7679.2	0.0	0.0	1327.2	9006.4	2740.4	6342.8	15768.0	0.0
1988	10587.0	2575.4	13162.4	9215.0	0.0	0.0	1497.4	10712.5	2450.0	7494.3	18218.0	0.0
1989	11538.0	2943.2	14481.2	11058.1	0.0	0.0	1679.5	12737.6	1743.6	8767.3	19961.6	0.0
1990	11832.0	3203.0	15035.0	13269.7	0.0	0.0	1779.6	15049.2	-14.3	10075.8	19947.3	0.0
1991	12280.0	3275.5	15555.5	15923.6	0.0	0.0	1892.4	17816.0	-2260.5	11430.5	17686.8	0.0
1992	12635.0	3094.7	15729.7	19108.3	0.0	0.0	1996.3	21104.6	-5374.9	12820.5	12311.9	0.0
1993	12649.0	2551.6	15200.6	22930.0	0.0	0.0	2062.4	24992.4	-9791.8	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	15600.0	0.0	12367.7
1995	11907.0	2282.9	14189.9	33019.2	0.0	0.0	2102.5	35121.7	-20931.8	16871.3	0.0	20931.8
1996	11220.0	2539.9	13759.9	39623.0	0.0	0.0	2080.2	41703.2	-27943.3	18077.8	0.0	27943.3
1997	10494.0	2814.9	13308.9	47547.6	0.0	0.0	2055.7	49603.3	-36294.4	19201.5	0.0	36294.4

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BUDGET FORECASTING MODEL

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COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 381.8
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 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	REVENUE REQ FOR GF BAL OF $0 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	2754.0	2687.1	0.0
1983	6170.0	716.3	6886.3	3857.6	0.0	0.0	761.8	4619.4	2266.9	2088.0	4954.0	0.0
1984	6843.0	1024.8	7867.8	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	6027.5	0.0	0.0	1001.6	7029.1	1868.5	4402.0	8993.6	0.0
1986	8457.0	1604.5	10061.5	7534.4	0.0	0.0	1147.5	8681.9	1379.6	5396.8	10373.2	0.0
1987	9571.0	1841.5	11412.5	9418.0	0.0	0.0	1327.2	10745.3	667.2	6342.8	11040.4	0.0
1988	10587.0	1997.0	12584.0	11772.5	0.0	0.0	1497.4	13270.0	-685.9	7494.3	10354.5	0.0
1989	11538.0	2000.0	13538.0	14715.7	0.0	0.0	1679.5	16395.2	-2857.2	8767.3	7497.3	0.0
1990	11832.0	1729.1	13561.1	18394.6	0.0	0.0	1779.6	20174.2	-6613.0	10075.8	884.2	0.0
1991	12280.0	1579.4	13859.4	22993.2	0.0	0.0	1892.4	24885.6	-11026.3	11439.5	0.0	10142.0
1992	12635.0	1787.4	14422.4	28741.5	0.0	0.0	1996.3	30737.8	-16315.4	12829.5	0.0	16315.4
1993	12649.0	2069.9	14718.9	35926.9	0.0	0.0	2062.4	37989.4	-23270.5	14207.3	0.0	23270.5
1994	12580.0	2387.5	14967.5	44908.7	0.0	0.0	2117.4	47026.1	-32058.6	15589.0	0.0	32058.6
1995	11907.0	2745.3	14652.3	56135.8	0.0	0.0	2102.5	58238.4	-43586.1	16871.3	0.0	43586.1
1996	11220.0	3150.8	14370.8	70169.8	0.0	0.0	2080.2	72250.0	-57879.2	18077.8	0.0	57879.2
1997	10494.0	3618.2	14112.2	87712.2	0.0	0.0	2055.7	89768.0	-75655.8	19201.5	0.0	75655.8

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 $ 381.8
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 ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 25.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 30.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	437.8	5547.8	3086.1	0.0	0.0	615.6	3701.7	1846.1	2254.8	2687.1	0.0
1983	6170.0	711.5	6881.5	4011.9	0.0	0.0	761.8	4773.7	2107.7	2888.0	4794.8	0.0
1984	6843.0	995.6	7838.6	5215.5	0.0	0.0	874.7	6090.2	1748.4	3600.5	6543.3	0.0
1985	7571.0	1241.6	8812.6	6780.2	0.0	0.0	1001.6	7781.7	1030.9	4402.0	7574.1	0.0
1986	8457.0	1414.6	9871.6	8814.2	0.0	0.0	1147.5	9961.7	-90.0	5306.8	7484.1	0.0
1987	9571.0	1473.0	11044.0	11458.5	0.0	0.0	1327.2	12785.7	-1741.7	6342.8	5742.4	0.0
1988	10587.0	1340.7	11927.7	14896.0	0.0	0.0	1497.4	16393.4	-4465.7	7494.3	1276.6	0.0
1989	11538.0	1264.2	12802.2	19364.8	0.0	0.0	1679.5	21044.4	-8242.2	8762.3	0.0	6965.5
1990	11832.0	1445.6	13277.6	25174.3	0.0	0.0	1779.6	26953.8	-13676.2	10075.8	0.0	13676.2
1991	12280.0	1729.8	14009.8	32726.5	0.0	0.0	1892.4	34619.0	-20609.1	11430.5	0.0	20609.1
1992	12635.0	2063.4	14698.4	42544.5	0.0	0.0	1996.3	44540.8	-29842.3	12829.5	0.0	29842.3
1993	12649.0	2457.5	15106.5	55307.9	0.0	0.0	2062.4	57370.3	-42263.8	14207.3	0.0	42263.8
1994	12580.0	2927.4	15507.4	71900.2	0.0	0.0	2117.4	74017.7	-58510.3	15580.0	0.0	58510.3
1995	11907.0	3492.0	15399.0	93470.3	0.0	0.0	2102.5	95572.8	-80173.8	16871.3	0.0	80173.8
1996	11220.0	4177.7	15397.7	121511.4	0.0	0.0	2080.2	123591.6	%-108194	18077.8	0.0	108193.9
1997	10494.0	5023.3	15517.3	157964.8	0.0	0.0	2055.7	160020.5	%-144503	19201.5	0.0	144503.3

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COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 237.4
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 = 15.00%
% 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	REVENUE REQ FOR GF BAL OF $0 MIL
1981										1739.0	841.0	
1982	5110.0	426.8	5536.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.8	2326.1	0.0
1983	6170.0	675.4	6845.4	3951.5	0.0	0.0	761.8	4713.3	2132.0	2808.0	4450.1	0.0
1984	6843.0	981.4	7824.4	4544.2	0.0	0.0	874.7	5419.0	2405.4	3600.5	6863.[illegible]	0.0
1985	7571.0	1324.4	8895.4	5225.9	0.0	0.0	1001.6	6227.4	2668.0	4402.0	9531.5	0.0
1986	8457.0	1709.2	10166.2	6009.8	0.0	0.0	1147.5	7157.2	3009.0	5306.0	1254[illegible].5	0.0
1987	9571.0	2148.8	11719.8	6911.2	0.0	0.0	1327.2	8238.5	3481.4	6342.0	160[illegible].9	0.0
1988	10587.0	2642.2	13229.2	7947.9	0.0	0.0	1497.4	9445.3	3783.9	7474.3	1[illegible].7	0.0
1989	11538.0	3170.9	14708.9	9140.1	0.0	0.0	1679.5	10819.6	3889.3	8767.3	2369[illegible].6	0.0
1990	11832.0	3683.1	15515.1	10511.1	0.0	0.0	1779.6	12290.7	3224.4	100[illegible].8	26917.4	0.0
1991	12280.0	4130.5	16410.5	12087.8	0.0	0.0	1892.4	13980.2	2430.3	1143[illegible]	29[illegible]49.8	0.0
1992	12635.0	4486.8	17121.8	13700.9	0.0	0.0	1996.3	15897.2	1224.6	12820.5	30574.3	0.0
1993	12649.0	4693.2	17342.2	15986.1	0.0	0.0	2062.4	18048.5	-706.3	14207.3	29868.0	0.0
1994	12580.0	4681.9	17261.9	18384.0	0.0	0.0	2117.4	20501.4	-3239.6	15580.0	26628.5	0.0
1995	11907.0	4359.4	16266.4	21141.6	0.0	0.0	2102.5	23244.1	-6977.8	16871.3	19650.7	0.0
1996	11220.0	3621.2	14841.2	24312.8	0.0	0.0	2080.2	26393.1	-11551.9	18077.8	8098.8	0.0
1997	10471.0	2828.1	13322.1	27959.8	0.0	0.0	2055.7	30015.5	-16693.4	19201.3	0.0	8594.6

STATE OF ALASKA
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BUDGET FORECASTING MODEL

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COMMENTS

FY82 GOVERNORS BUDGET
OPERATING $1776.5
CAPITAL $ 227.4
LOANS $ 400.4
OTHER $ 331.0
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 = 70.00%
% 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 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 FED FOR GF BAL OF 10 MIL
1981										1739.0	841.0	
1982	5110.0	426.8	5536.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.8	2326.1	0.0
1983	6170.0	670.0	6840.0	4123.3	0.0	0.0	741.8	4865.1	1954.0	2888.0	4280.9	0.0
1984	6843.0	950.0	7793.0	4948.0	0.0	0.0	874.7	5822.7	1970.3	3600.5	6231.2	0.0
1985	7571.0	1237.5	8808.5	5937.6	0.0	0.0	1001.6	6939.1	1869.3	4402.6	8120.5	0.0
1986	8457.0	1525.5	9982.5	7125.1	0.0	0.0	1147.5	8272.6	1709.9	5306.8	9830.4	0.0
1987	9571.0	1811.8	11382.8	8550.1	0.0	0.0	1327.2	9877.4	1505.4	6342.8	11335.8	0.0
1988	10587.0	2075.9	12662.9	10260.1	0.0	0.0	1497.4	11757.6	905.3	7494.3	12241.2	0.0
1989	11538.0	2274.5	13812.5	12312.2	0.0	0.0	1679.5	13991.7	-179.2	8767.3	12062.0	0.0
1990	11832.0	2323.9	14155.9	14774.6	0.0	0.0	1779.6	16554.2	-2398.3	10075.8	9663.7	0.0
1991	12280.0	2136.0	14416.0	17727.5	0.0	0.0	1892.4	19621.9	-5206.0	11430.5	4457.8	0.0
1992	12635.0	1860.9	14495.9	21275.4	0.0	0.0	1996.3	23271.7	-8775.8	12829.5	0.0	4318.0
1993	12649.0	1862.0	14511.0	25530.5	0.0	0.0	2062.4	27593.0	-13082.0	14207.3	0.0	13082.0
1994	12580.0	2102.1	14682.1	30636.6	0.0	0.0	2117.4	32754.0	-18071.9	15500.6	0.0	18071.9
1995	11907.0	2357.8	14264.8	36763.9	0.0	0.0	2102.5	38866.5	-24601.6	16871.3	0.0	24601.6
1996	11220.0	2629.8	13849.8	44116.7	0.0	0.0	2080.2	46196.7	-32347.2	18077.8	0.0	32347.2
1997	10494.0	2922.8	13416.8	52940.1	0.0	0.0	2055.7	54995.8	-41579.0	19201.5	0.0	41579.0

STATE OF ALASKA
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BUDGET FORECASTING MODEL

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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	REVENUE REQ FOR GF BAL OF 10 BIL
1981										1739.0	841.0	
1982	5110.0	426.8	5536.8	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.8	2326.1	0.0
1983	6170.0	664.5	6834.5	4295.1	0.0	0.0	761.8	5056.9	1777.6	2888.0	4103.7	0.0
1984	6843.0	918.0	7761.0	5368.9	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	1328.3	9785.3	8388.9	0.0	0.0	1147.5	9536.4	248.9	5306.0	6875.0	0.0
1987	9571.0	1439.6	11010.6	10486.1	0.0	0.0	1327.2	11813.4	-802.8	6342.8	6072.1	0.0
1988	10587.0	1431.9	12018.9	13107.7	0.0	0.0	1497.4	14605.1	-2586.2	7494.3	3485.9	0.0
1989	11538.0	1315.1	12853.1	16386.6	0.0	0.0	1677.5	18064.1	-5211.1	8767.3	0.0	1725.1
1990	11832.0	1351.8	13183.8	20480.8	0.0	0.0	1779.6	22260.4	-9076.6	10075.8	0.0	9076.6
1991	12280.0	1587.3	13867.3	25600.9	0.0	0.0	1892.4	27493.3	-13626.0	11430.5	0.0	13626.0
1992	12635.0	1852.6	14487.6	32001.2	0.0	0.0	1996.3	33997.4	-19509.9	12820.5	0.0	19509.9
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	12580.0	2487.4	15067.4	50001.8	0.0	0.0	2117.4	52117.3	-37049.9	15600.0	0.0	37049.9
1995	11907.0	2872.6	14779.6	62502.3	0.0	0.0	2102.5	64604.8	-49825.2	16871.3	0.0	49825.2
1996	11220.0	3310.0	14530.0	78127.9	0.0	0.0	2080.2	80208.1	-65678.1	18077.8	0.0	65678.1
1997	10494.0	3817.2	14311.2	97659.8	0.0	0.0	2055.7	99715.6	-85404.4	19201.5	0.0	85404.4

STATE OF ALASKA
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BUDGET FORECASTING MODEL

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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 = 30.00%
% 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	REVENUE REQ FOR GF BAL OF 40 MIL
1981										1739.0	841.0	
1982	5110.0	426.0	5536.0	3436.1	0.0	0.0	615.6	4051.7	1485.1	2254.8	2326.1	0.0
1983	6170.0	659.1	6829.1	4466.9	0.0	0.0	761.8	5228.7	1600.4	2888.0	3926.4	0.0
1984	6843.0	885.5	7728.5	5807.0	0.0	0.0	874.7	6681.7	1046.8	3600.5	4973.2	0.0
1985	7571.0	1052.1	8623.1	7549.1	0.0	0.0	1001.6	8550.7	72.4	4462.0	5045.6	0.0
1986	8457.0	1116.9	9573.9	9613.8	0.0	0.0	1147.5	10761.3	-1187.4	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	7474.3	0.0	6270.4
1989	11538.0	1244.3	12782.3	21561.0	0.0	0.0	1679.5	23240.6	-10458.3	8767.3	0.0	10458.3
1990	11832.0	1502.7	13334.7	28029.3	0.0	0.0	1779.6	29808.9	-16474.2	10075.8	0.0	16474.2
1991	12280.0	1804.1	14084.1	36439.1	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	1994.3	49365.8	-34570.9	12820.5	0.0	34570.9
1993	12649.0	2583.0	15232.0	61580.4	0.0	0.0	2062.4	63642.9	-48410.9	14207.3	0.0	48410.9
1994	12580.0	3090.5	15670.5	80054.6	0.0	0.0	2117.4	82172.0	-66501.5	15580.0	0.0	66501.5
1995	11907.0	3704.0	15611.0	104070.9	0.0	0.0	2102.5	106173.4	-90562.5	16871.3	0.0	90562.5
1996	11220.0	4453.3	15673.3	135292.2	0.0	0.0	2080.2	137372.4	%-121699	18077.8	0.0	121699.1
1997	10494.0	5381.6	15875.6	175879.8	0.0	0.0	2055.7	177935.6	%-162060	19201.5	0.0	162060.0

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Fairbanks Daily News-Miner 6/13/81

Hard times from early tax revolt

Jack Germond and Jules Witcover

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 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 extracurricular 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 categorial to block grants, only intensifies the concern here, because the state is blamed for the fiscal dilemna 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.

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

SOHIO

3111 "C" STREET
ANCHORAGE, ALASKA

TELEPHONE (907) 265 [illegible]

MAIL POUCH [illegible]
ANCHORAGE, ALASKA 995[illegible]

CHARLES R. ELDER JR
CONSULTANT

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 inflater 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 inflater 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.

C

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 speaking invitation 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

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 IMMEDIATE RELEASE:

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

"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.

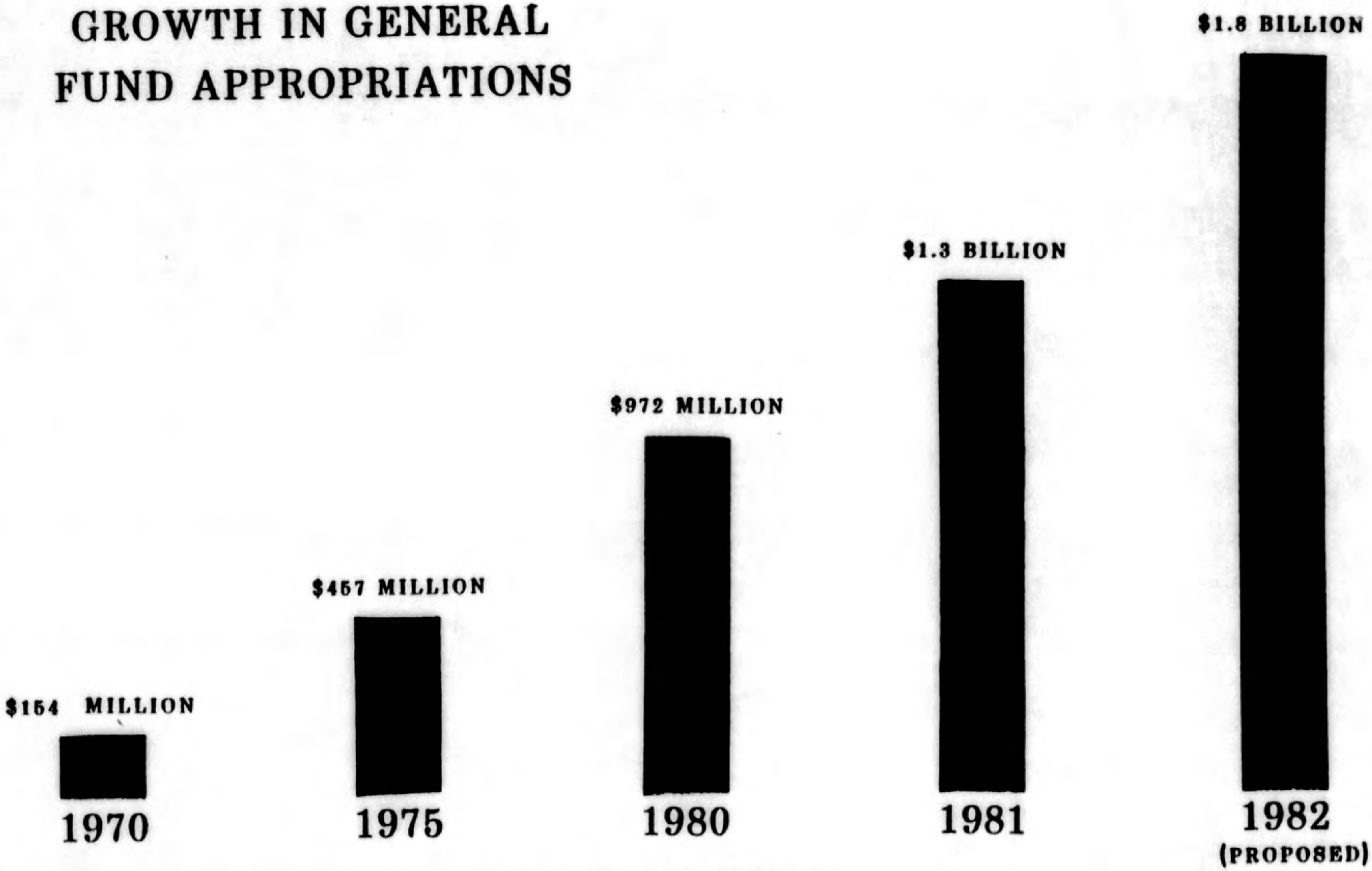
"Strong support for a limit on state spending has also come from members of the Alaska State Legislature," said Norman. "With the overwhelming support from all sectors of Alaska, we feel that the unprecedented rate of increase in state spending must stop now." The present budget now under consideration 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.

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

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

GROWTH IN GENERAL FUND APPROPRIATIONS



Common Sense for Alaska, Inc.

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

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 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 difficulites--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 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

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 accellerate 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 committe 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,

Shelby Stastny

J. Shelby Stastny, CPA

cc: Members of State Senate
Members of House of Representatives

JSS/cs

...r Reyense ask me to distribute this to you [illegible signature]

An Open Letter To

April 30, 1981

SJR 4

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. Reyuse

Albert H. Rayuse
St. Rt. Box 470
Mile 64 Slana - Tok Hwy.
...kona, Alaska 99586

Name	Address
Bill Ellis	SR Box 370 GAKONA, AK 99586
Joan Reyuse	SR Box 470 Gakona, AK 99586
Lorene Ellis	SR Box 370 Gakona, Ak. 99586
Thelma Schrank	S.R. Box 380 Gakona, Ak. 99586
Murray S Lenz	71.8 TOK CUTOFF TOK AK 99780
Donna Lenz	" " " " " "
Donald L. Whiting	71½ TOK HWY. GAKONA AK. 99586
Michael [illegible]	Mile 182 Glennhiway Glennallen, Alaska 9958[illegible]
Bruce R. [illegible]	Mile 111 Richardson " " "
[illegible]	Box 272 Glennallen Alaska 99588
William [illegible]	Mile six Nebesna Rd. Alask 99586
Rin F. Frey Sr.	Mi. 58½ TOK. Rd. GAKONA 99586
Mary H. Frey	MILE 58½ TOK RD. GAKONA 99586
[illegible] D. Frey Jr.	MILE 58½ Box 930 SLANA ALASKA 99586

Copper River Native Association
ATNA' T'AENE 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

Tom Craig
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus

Copper River Native Association
ATNA' T'AENE 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 disproportionagely 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 simutaneously 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

Tom Craig
EXECUTIVE DIRECTOR

TC/dmt

cc: Bush Caucus

SJR 4

Alaska

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 tieing 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. 'ncrease 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 stabalize 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

Permanent Fund and payment for bonded debt, 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.

AJR4

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 AL[illegible]
THE LEG[illegible]

LEGISLATIVE AF[illegible]

Steve } Please make
Glen w/ then set a
copy for my
finance file
copy spending limit file
9

M E M O R A N D [illegible]

SUBJECT: V[illegible]
([illegible])

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?

The cited provision provides in part:

> The initiative shall not be used to * * * make or repeal appropiations . . . * * * 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

Alaska State Legislature

Senate

Committee on Finance

Official Business

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

Constitutional Spending Limit

STATE OF ALASKA

THE LEGISLATURE

1981

Source: FSS-FCCSSJR 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.

1

DELETE

2

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.

? how much

12%

3

DELETE AND INSERT:

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

4

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

* 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.

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 AS
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 of 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

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

M E M O R A N D U M

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 rev dist
to people
Cathart population - lower per share

THE WALL STREET JOURNAL, Friday, June 1, 1979

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. SANSWEET
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 1978.

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 13," 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 13" 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, [illegible] cities and [illegible] special districts. While many have praised the new [illegible], others fear its possible negative effects on such groups as low- or fixed-income people and first-time home buyers.

Cities Recoup 19%

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 $[illegible] 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 13" 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 land 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-

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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 30 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 25% 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 Jachens, 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, UCLA Professor Case says. "They usually err on the high side, and the money just goes to the general fund anyway," he says. "Los Angeles raised building-permit fees but still laid off 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.

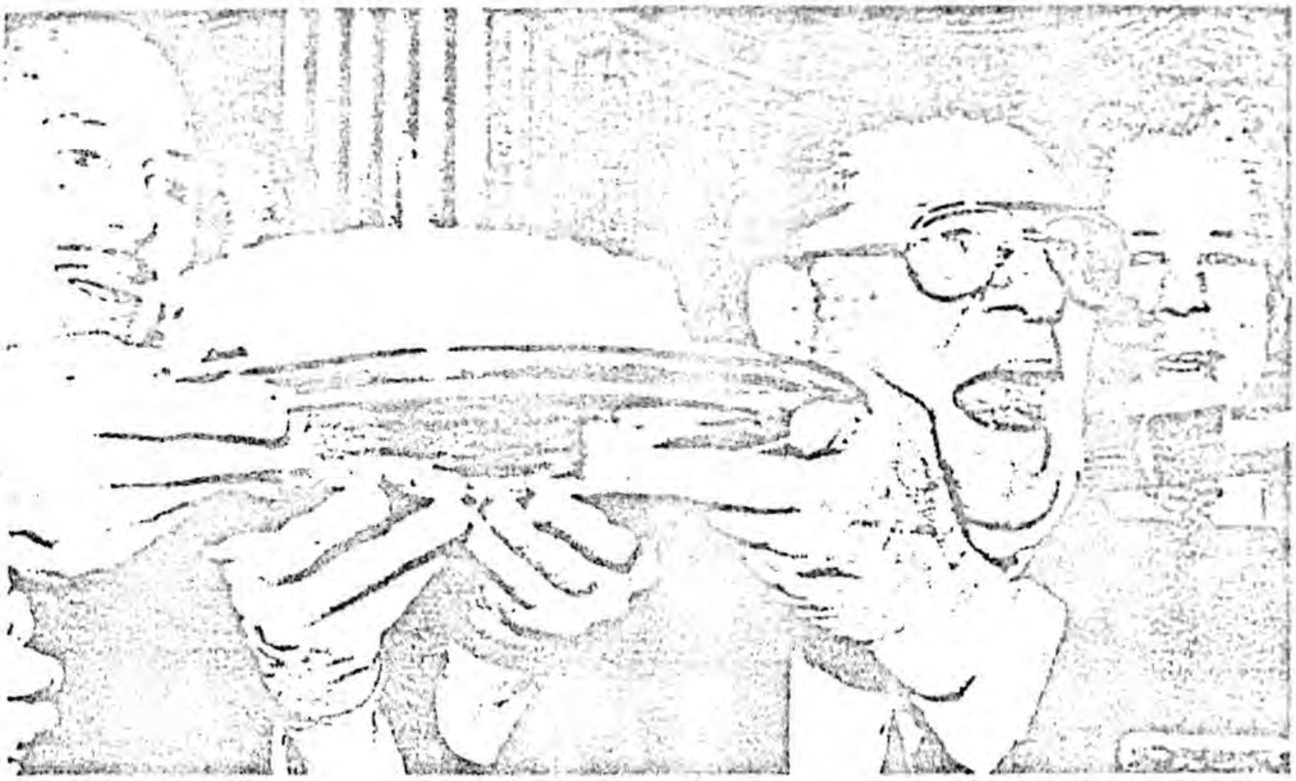
"We don't want to turn parks and swimming pools into country clubs for the middle-class and the rich," says Larry Naake, executive director of the California Park and Recreation Society, a professional group. "Fees may increase total revenue, but already attendance is down everywhere from the Sacramento 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 30% 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 employe 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 AP

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 Ralph Flynn, executive director of the California Teachers 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 1978-79, 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 Francisco 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 $287 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.

M E M O R A N D U M 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.

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

IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP, KERTTULA AND HACKNEY

SPONSOR SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 52

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in expenditures and requiring payment by the state of mandated increased expenditures of a political subdivision of the state.

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 new sections to read:

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

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

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

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

* 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.

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

IN THE SENATE

BY COLLETTA, BENNETT, FAHRENKAMP, KERTTULA AND HACKNEY

SENATE JOINT RESOLUTION NO. 52

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in expenditures and requiring payment by the state of mandated increased expenditures of a political subdivision of the state.

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 new sections to read:

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

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

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

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

* 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.

Introduced: 4/11/80
Referred: State Affairs

IN THE SENATE BY THE RULES COMMITTEE

SENATE BILL NO. 558

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

Sec. 37.25.030. BASIS FOR ESTIMATED RATE OF GROWTH OF ECONOMY. The estimated rate of growth of the state's economy shall be based on the projected change in Alaska personal income. Alaska personal income consists of those sources of income included in the United States Department of Commerce's definition of personal income. Before January 30 of each year the commissioner of commerce and economic development shall certify to the legislature the projected Alaska personal income for the following fiscal year, the change from the present fiscal year, and the percentage of change.

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

original submission by Chambers

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.

<u>SECTION 6</u>. 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.

<u>SECTION 7</u>. 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.

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

<u>SECTION 9</u>. 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.

State Spending (1978)

TENNESSEE

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 24—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.

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

In no year shall the rate of growth of appropriations from state tax revenues exceed the estimated rate of growth of the state's 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 Amendment 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

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law, shall submit a bil
assembly to permit th
index to exceed the
amount by which the
ch. 408, § 3.]

Compiler's Notes. Secti
ch. 408 provided: "The pro
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administration shall, in co
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9-624. Indexes to
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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.

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

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.

Philosphy 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.

Bix (12) Therefore, both limits are necessary, and can coexist in the Constitution with the limit being the lesser of the two formulae.

Cont'd

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 o[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, constitional 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 forumla-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 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 [redacted] 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 provent 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 <u>unusual</u> and <u>unforeseen</u>. 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 unusual 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.

Arliss

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.

Ah

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 (SJR4)

I have reviewed your memorandum on expenditure limitations and have fount 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 inflexable 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 maintance 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 ([illegible] I do not believe it would be) the result would be larger amounts of money being placed in the permanent fund or toher 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

~~Mndexxlimitxxx(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, governaor 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
xxxxxxxxxxxxxxxxx
"federal index for inflation in Alaska for the calendar year preceding the governor's submission of the budgetplus 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

... Except for appropriations

to the Alaska permanent fund and

HJR 57 HCS CSSJR 4(Fin)am
and CS SJR 4 (Fin)am

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

Gov bill + HJR 5

The limitations on increases in appropriations do not apply to appropriations of money to be deposited in the permanent fund:

CSSJR4(Fin)

...s, excepting appropriations to the permanent fund established in Section 15 of this article

HJR4

... , excepting appropriations to the permanent fund established in Section 15 of this article

SJ

(iv) constitutional or legislative authorizations for investment of the Permanent Fund;

St. Chamb

money appropriated to pay permanent fund dividends;

CSSJR4(Jud)
HJR5

ok

appropriations required to pay the principal and interest on general obligation bonds, or

HCS CSSJR 4(Fin)am H
HJR 57

money appropriated to escrow accounts or otherwise to repay general obligation bonds;

Gov's bill

to money appropriated to pay principal and interest on general obligation bonds;

CSSJR 4(Fin)

money appropriated to escrow accounts or otherwise to repay general obligation bonds;

CSSJR 4 (Jud)
HJR 5

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.

St Chamber

Court Orders

or

money appropriated to meet increases in costs to the State resulting from court orders;

Gov's bill

money appropriated to meet increases in costs to the State resulting from court orders or a transfer of authority or responsibility to the State from the federal government;/

CSSJR4 (Jud) HJR 5

) appropriations required for the purpose of complying with mandates of any court of competent jurisdiction and any appeal therefrom,

St. Chamber

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.

St. Chamber

Loans

clause

. money appropriated to capitalize loan funds, but only if the money to subsidize these loans at below market interest rates is appropriated separately under the limitations;

Gov's bill

money appropriated to capitalize loan funds, but the money to subsidize low interest loans must be appropriated separately and is subject to the limitations;

CSSJR4 (Jud) HJR 5

to money appropriated to capitalize loan funds, but only if the money to subsidize these loans at below market interest rates is appropriated separately under the limitations;

CS SJR 4 (FIN)

and excepting appropriations made for the purpose of loans to be made by the State,

HJR4

St. Chamber

loan funds or indebtedness funds,

or to appropriations to other funds that produce income at market rates (draft)

Capital

money appropriated by two-thirds of each house to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

Gov's bill

money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters;

CSSJR4 (Jud)

HJR 5

money not to exceed $1,500 per capita appropriated by the affirmative vote of two-thirds of the membership of each house, whether of bond proceeds or otherwise, to construct capital improvements;

CS SJR 4 (FIN)

and excepting appropriations for capital improvements.

SJR 3

appropriations for capital improvement projects in an amount not to exceed 25% of the appropriations limit for each fiscal year; or

St. Chamber

appropriations required to pay the principal and interest on general obligation bonds,

HCS CS SJR4 (FIN) am H

Other related concepts: see extraordinary majority needed for exemption; single purpose, single appropriation

Money in Trust

ok

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations established in Section 16 of this article do not apply to money received in trust for a specific purpose; /CS SJR 4 (FIN) am

The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose;

Gov's bill

(iii) benefit payments from retirement, unemployment insurance, and disability insurance funds;

St. Chamber

money received in trust from a non-state source for a specific purpose (draft)
beneficial trusts established by a nOn-state source for a specific purpose (draft)

membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

-1- CSSJR 4(Fin) am

or money appropriated by a vote of two-thirds of the membership of each house and

Gov's bill

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

money appropriated as a reserve for disasters of natural or human origin or other emergencies; HJR 5

CSSJR4 (Jud)

or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

CSSJR4 (Jud) HJR 5

to money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor. CS SJR 4 (FIN)

Case law - disaster fairly clear
emergency - large grey area for ct interpretation

An appropriation in excess of this limit shall not be made unless a state of emergency is declared to exist, as provided by law. The appropriation limit for each of the three years following the declaration of emergency shall be adjusted equally so that the total appropriations for the year of the emergency and the succeeding three years do not exceed the appropriations which could have been made under this section if no emergency had been declared. The limit on rate of growth of appropriations for each year shall be calculated without regard to a declared emergency or the subsequent three-year adjustment.

HJR4
SJR3
State
Chamber

No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

HCSCSSJR4
(Fin) am H

Investments

St. Chamber

in-
vestments (or authorizations to invest) funds of the State, in accounts at banks or savings and loan associations or in liquid securities;

or to appropriations to other funds that produce income at market rates (draft)

MISCELLANEOUS

money appro- | CSSJR4 (Jud) | + HJR5

priated to coincide with increases in user fees;

money derived from one-quarter of the income from those contributions made to the permanent fund which exceed the minimum required by this constitution; CSSJR4 (Jud) HJR5

Revenues received

by the State in excess of the amount appropriated in compliance with this article during a fiscal year shall be distributed to the taxpayers of the State as provided by law. No appropriation is required for a distribution under this section within the succeeding fiscal year. SJR3 state chamber

The governor shall cause any unappropriated balance to be invested at market rates. HJR 57

SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general law requiring increased expenditures by a political subdivision shall become effective unless the legislature has provided that the State pay the amount of increased cost to the political subdivision. SJR3

(i) discretionary subventions made pursuant to Sections 5(a)(i)(ii) of this Article; ie = transfers of authority to local governments St. Chamber

(ii) refunds of taxes;

appropriations to other funds that produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and is subject to the appropriation limitation. Draft CS SJR 4 (Jud)

Money appropriated under any exception prescribed by Section 17 of this article shall not be included in the base for determining the allowable increase from year to year. CS SJR 4 (Fin) Am,
CS SJR 4 (FIN)

.. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. Governor's Bill-proposed + HJR 5

Override of Spending Limitation

The legislature may, by affirmative vote of two-thirds of the membership of each house, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose but the excess appropriations, if any, shall not be included in calculating the limit for the next fiscal year. HJR 57

The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation without regard to the appropriation limitation under Section 16 of this article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Sections 15 and 16 of Article II, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. The governor may not propose an extraordinary appropriation in the budget submitted under Section 12 of this article. Extraordinary appropriations shall not be included in calculating the appropriation limitation for the next fiscal year. Draft CS SJR 4 (FIN)

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

APPROPRIATION LIMITATIONS: Except for appropriations to the Alaska Permanent Fund and appropriations ~~to pay~~ of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year for the operating expenses of government shall not exceed \$1. 7 by more than the cumulative change in federal indexes of population and inflation, as defined by law, since July 1, 1981. ~~In addition~~ 30% of the adjusted base may be appropriated for additional purposes. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated banlance to be invested so as to yield compettitive market rates to the treasury.

Alaska State Legislature

HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

ONE HUNDRED FIFTY-EIGHTH DAY

Thursday

Chaplain: Intern Perry C. Francis
Resurrection Lutheran Church

June 18, 1981
Convenes: 10:00 a.m.

SECOND READING OF HOUSE BILLS

HB 318 "An Act relating to the control of bee disease."
-Resources report w/CS(Res) (same title), p. 1753
- Resources Fiscal Note, H. Supplement No. 49
-Finance w/CS(Res), p. 2052

SECOND READING OF SENATE BILLS

SB am 392 "An Act continuing the existence of the Board of Governors of the Alaska Bar Association and amending the statutes relating to the practice of law in the state; and providing for an effective date."
-Judiciary report w/HCS(Jud) (new title), p. 2008:
HCS(Jud): Continuing the existence of the Board of Governors of the Alaska Bar Association and amending the statutes relating to the practice of law in the state; amending Alaska State Supreme Court Bar Rule 2; repealing section 3 of Alaska State Supreme Court Bar Rule 2 and section 7 of Alaska State Supreme Court Bar Rule 3; effective date

SB 422 "An Act amending grant limits for certain programs of the Department of Community and Regional Affairs; and providing for an effective date."
-C&RA report, p. 1753
-Finance report, p. 2008

SECOND READING OF SENATE RESOLUTIONS

CS SCR (SA) 13 Relating to the preservation of the House of Wickersham.

SJR am 47 Relating to the extension of the Voting Rights Act.
-State Affairs report, p. 1853

except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve ~~xxxxxxxxxxxxxxxxxxx~~ each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvemtns in excess of the appropriation limit requires a three quarters vote of each house.

except that the Governor may propose appropriations in excess of this limit for capital improvemnts of the same type in a separate bill for each type of capital improvemnt and the legislature may approve without increase in the amount of appropriation each bill by a two thirds vote of each house. To override a veto on a bill for appropriations for capital improvemnts in excess of the appropriation limit requires a three quarters vote of each house.

Alaska State Legislature

HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

ONE HUNDRED FIFTY-NINTH DAY

Friday

Chaplain: Intern Perry C. Francis
Resurrection Lutheran Church

June 19, 1981
Convenes: 10:00 a.m.
Recessed to 5:15p m.

SECOND READING OF HOUSE BILLS

Passed 27-12 efd" Intent adopted

CS HB 565 (FIN) "An Act establishing an Alaska Silver Anniversary Commission; and providing for an effective date."
-Finance report w/CS(Fin) (same title), p. 2239
Finance Letter of Intent, p. 2239

SECOND READING OF SENATE BILLS

Passed 29-9 efd: Recon... + 20" Sec 18(35-4)

HCS CSSB 29 (Jud) "An Act relating to nuclear materials."
-Resources report w/HCS(Res) (new title), p. 597:
HCS(Res): Nuclear materials and extremely hazardous wastes; effective date
-Judiciary report w/HCS(Jud) (new title), p. 2005:
HCS(Jud): Hazardous wastes and to nuclear and radioactive facilities and materials; eff date
-Judiciary Fiscal Note, H. Supplement No. 53
-Finance w/HCS(Jud), p. 2235
-Finance Fiscal Note, H. Supplement No. 59

Passed 31-5 efds.

CS SSSB 36 (Rls) "An Act establishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."
-Resources report, p. 1429
-Finance report, p. 2236
-Finance Fiscal Note, H. Supplement No. 59

Passed 34-0 efd.

CSSB 100 (Jud) "An Act relating to mentally ill persons; and providing for an effective date."
-Judiciary report, p. 2005
-Finance report, p. 2236
-Finance Fiscal Note, H. Supplement No. 59

SECOND READING OF SENATE RESOLUTIONS

5:15

CS SJR 4 (Fin)am Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.
-Finance report w/HCS(Fin) (new title), p. 2234
HCS(Fin): Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations

~~Citations on back~~

Passed 38-1 Reconsideration
{CS HB 187 am - went back to S. & am

C-SSB 390(FIN)

HCSSB 392(Jud)am H

LANGUAGE

federal index for inflation and population change as defined by law

EXCEPT

the governor may propose a single appropriation for a single project in excess of this limit and the legislature may approve it by a two-thirds vote of each house

appropriations for capitalization of loans may be made in excess of the limit so long as the interest rate is either at competitive rates or the difference between the competitive rate and the rate charged is appropriated ~~from~~ under the appropriation limitation

~~No appropriation~~

No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor.

appropriations of funds received as a beneficial trust established by a non-state source for a specific purpose

The governor shall cause any unappropriated funds to be invested at competitive rates

Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.
OR Income from appropriations excepted from the appropriation limitation shall be exempted from the appropriation limitation.

Original sponsor: Rules/Governor

IN THE SENATE BY THE FREE CONFERENCE COMMITTEE

FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment 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 LIMITATIONS. Except for appropriations to the Alaska permanent fund, 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, appropriations from the treasury for a fiscal year shall not exceed $2,000,000,000 by more than the cumulative change in a federal index of ~~in~~ population and inflation, as defined by law, since July 1, 1979. The governor may propose bills for appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement,and the legislature may delete,replace or add capital improvements to a bill proposed by the governor,so long as they are of the same type as the capital improvements proposed in the governor's bill and the total amount of appropriation is not increased. The legislature may approve each bill by a two-thirds vote of each house. To override a veto on a bill of appropriations for capital improvements in excess of the appropriation limit requires a three-quarters vote of each house. No other appropriation in ... be approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity

kind. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are ~~of the same type as~~ similar in kind to the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house.

Alaska State Legislature

HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

PROPOSED

SUPPLEMENTAL CALENDAR

ONE HUNDRED FIFTY EIGHTH DAY

SECOND READING OF HOUSE BILLS

HB 187 "An Act relating to the penalty on tax."
-Judiciary report w/CS(Jud) (same title), p. 598
-Finance report w/CS(Jud), p. 1431

SECOND READING OF SENATE BILLS

SB am 83 "An Act restricting the authority of the Department of Natural Resources to regulate certain activities in state recreation areas; and providing for an effective date."
-Resources report w/HCS(Res) (new title), p. 1958:
HCS(Res): Restricting the authority of the Department of Natural Resources to regulate certain activities in the Chena River State Recreation Area; effective date
-Judiciary report w/HCS(Jud) (new title), p. 2175:
HCS(Jud): Restricting the authority of the Department of Natural Resources to regulate certain activities in the Chena River State Recreation Area; effective date

CSSB 390 (Fin) "An Act establishing a medical facilities special bond guarantee account in the Alaska Medical Facility Authority; and providing for an effective date."
-Finance report, p. 2067
-Finance Fiscal Note, House Supplement No. 54

SECOND READING OF SENATE RESOLUTIONS

SJR 27 Requesting the federal government to increase its efforts to account for American servicemen still missing in Southeast Asia.
-State Affairs report, p. 2156

SJR 29 Requesting the United States Postal Service to construct a new post office building for Dillingham.
-State Affairs report, p. 1622

SJR 31 Requesting the United States government to honor the unidentified dead from the Vietnam war at the Tomb of the Unknown Soldier in the national cemetery at Arlington, Virginia.
-State Affairs report, p. 2156

COMMITTEE REPORT FCC SJR 4

This report reflects the agreement and understanding of committee members regarding the content of the proposed constitutional amendment.

Regarding the base figure of $ 2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the committee approved the concept of a variety of governmental services and public needs competing under the spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanenet fund dividends, and new legislation are all incorporated under the appropriation limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation rate. The committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation change but rejected this approach on the basis of consistency with existing constitutional language. However, it is the committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of state funds. The committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the committee agreed that payments for debt service on general obligation bonds of the state should be exempted in order not to jeopardize the state's bonding capability. It is also understood that the appropriation limitation does not limit the exsisting ability of the legislature, Governor, and people of the state to offer, approve and vote in favor or disapproval of bond propositions. This constitutionally provided for process remains unchanged by the amendment offered by the committee.

Regarding the exemption of "money received from a non-state source in trust for a specific purpose," the committee excluded this item to specifically distinguish it from "appropriations from the treasury." It is intended that the words represent those funds which might be received by the state from a variety of outside sources for specific purposes. ~~For example, a personal testamentary bequethal for a chair at the university~~

The amendment excludes, among other things, money received in trust for a specific purpose. This is a term of art derived from the case law on the subject of appropriations and refers to a fairly wide variety of revenues which each state obtains from a variety of outside sources to be used for a given purpose and which cannot be used for another purpose. The revenues range from paying a boiler inspector's travel expenses to endowing a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the legislature has authorized the agency to handle. In each instance, the state receives the money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used. However, it is clearly the intention of the committee to exclude the possibility of state funded endowments as an appropriation exemption.

Op costs – as part of AS bond issue
leg. to cover referral of cap to voters

SECTION 16. APPROPRIATION LIMITATIOBNS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of $ billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropraitions of funds received as a beneficial trustfrom a non-state source for a specific purpose, appropriations requested by the governor for a single appropriation for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~from the~~ separately ~~from the~~ under the appropriation limitation. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor, as defined by law.
The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

indexed to pop + infl. change

4a

amendment ... HCS CSSJR 4

PROPOSED FCC SUBSTITUTE FOR SJR 4 by FREEMAN

SECTION 16. ~~APPROPRIATION LIMITATIONS~~ Spending Limit. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to escrow accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed $______ by more than the ~~cumulative~~ change ~~[illegible]~~ population and inflation since July 1980 as defined by law, except that the governor may propose a single capital appropriation for a single project in excess of this limit and the legislature may approve it by a two-thirds vote of the members of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless a state of ~~emergency~~ is declared by the governor as defined by law.

one single

unless to meet a state of disaster declared by the Gov.

Oral - natural

Blank $ -

operating

Capital

Loans

single capital appropriation

$ -

Project

$2.55

1.9
-125 d. serv
+500 loans
+100 150 new leg
+275 cap
pfd

oral

Any uw 2.65

Shall be invested so as to yield to the treasury

Introduced: 1/13/81
Referred: Transportation, Judiciary and Finance

IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

SENATE JOINT RESOLUTION NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

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

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

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money appropriated during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the state for the calendar year preceding the governor's submission of the budget under section 12 of this article plus a percentage equal to the average yearly growth in the State's population as shown by the last two federal censuses or renumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to appropriations of money to be deposited in the permanent fund; money appropriated to pay permanent fund dividends; money appropriated to the power development fund of the Alaska Power Authority; money appropriated to capitalize loan funds, but the money to subsidize low interest loans must be appropriated separately and is subject to the limitations; money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved

6/24/81

TO: REP. MONTGOMERY

FROM: MARGO WARING MW

Senator Sturgulewski asked me to give you these copies of the amendment.

We just had Legal Services (Berrier) re-draft the bill.

This version is exactly the same as the one approved yesterday by the committee except that:

1. the $2 billion is now $2,000,000

2. Line 19 is divided into two sentences by placing a period after 1979, deleting "except that" and capitalizing the "t" to read "The".

Everything else is the same.

FCC

H CS CS SJR 4 (Fin) am H

DRAFT
Law tj #
6/23/81
#5371

now practice
offset carpet
legisl cannot
change specify
if not spect.

1030

3,867

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, 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, appropriations from the treasury for a fiscal year shall not exceed $2 billion by more than the cumulative change in population and inflation, as defined by law, since July 1, 19~~80~~79 ~~as defined by law~~, except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve, without amendment, each bill ~~by the affirmative vote of~~ two-thirds vote of ~~the membership of~~ each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

100 + copies
Monty

2 changes
bill last night

03-038

6/24 9 AM

Original sponsor: Rules/Governor

IN THE SENATE BY THE FREE CONFERENCE COMMITTEE

FREE CONFERENCE CS FOR SENATE JOINT RESOLUTION NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment 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 LIMITATIONS. Except for appropriations to the Alaska permanent fund, 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, appropriations from the treasury for a fiscal year shall not exceed $2,000,000,000 by more than the cumulative change in population and inflation, as defined by law, since July 1, 1979. The governor may propose bills for appropriations in excess of this limit for capital improvements with each bill confined to capital improvements that are similar in kind, and the legislature may approve, without amendment, each bill by a two-thirds vote of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

* Sec. 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.

DRAFT
Law 4j. # ___
6/23/81
#5371

Revised Language by Peques

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, 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, appropriations from the treasury for a fiscal year shall not exceed $2 ~~billion~~ 000,000,000 by more than the cumulative change in population and inflation, as defined by law, since July 1, ~~1980~~ 1979, ~~as defined by law, except that~~ The governor may propose bills for appropriations in excess of this limit ~~in separate bills~~ for capital improvements, with each bill ~~limited~~ ~~devoted~~ to capital improvements which are similar in kind, ~~of the same type in separate bills for each type of capital improvement,~~ and the legislature may approve, without amendment, each bill by a ~~the affirmative vote of~~ two-thirds vote of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

DRAFT
Law

Pj. # 6/23/81
#5371

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, 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, appropriations from the treasury for a fiscal year shall not exceed $2 billion by more than the cumulative change in population and infla-

as defined by law, 1979.

tion, since July 1, ~~1980, as defined by law, except that~~ The governor may

bills for OK

propose ~~appropriations~~ in excess of this limit for capital improvements

with each bill confined to ~~a single~~

~~of the same type in separate bills for each type of capital improvement,~~

~~types of~~ capital improvement without amendment,

and the legislature may approve, each bill by a ~~the affirmative vote of~~

vote which are similar in kind,

two-thirds of ~~the membership of~~ each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

-038

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

COMPARISON OF
GENERAL APPROPRIATIONS ACT APPROPRIATIONS
GENERAL FUND

The following table shows the fiscal year-to-year dollar and percentage increase (decrease) in General Fund appropriations contained in the General Appropriations Acts.

	GENERAL FUND APPROPRIATIONS				
Fiscal Year	Operating	Capital	Total	Year-to-Year Increase/Decrease	
1960	$28,126,346	$ 3,137,988	$ 31,264,334		
				$ 14,521,984	46.4%
1961	37,795,908	7,990,410	45,786,318		
				7,150,107	15.6
1962	46,151,097	6,785,328	52,936,425		
				11,611,855	21.9
1963	57,713,070	6,835,210	64,548,280		
				14,548,450	22.5
1964	70,942,330	8,154,400	79,096,730		
				(3,750,355)	-4.7
1965	74,397,375	949,000	75,346,375		
				10,777,625	14.3
1966	84,120,600	2,003,400	86,124,000		
				7,678,250	8.9
1967	92,503,800	1,298,450	93,802,250		
				10,003,650	10.7
1968	101,997,200	1,808,700	103,805,900		
				20,299,300	19.6
1969	121,834,600	2,270,600	124,105,200		
				29,987,400	24.2
1970	152,076,000	2,016,600	154,092,600		
				160,027,900	103.9

Fiscal Year	*GENERAL FUND APPROPRIATIONS* Operating	Capital	Total	Year-to-Year Increase/Decrease	
1971	$252,966,400	$61,154,100	$314,120,500		
				$(22,016,500)	-7.0
1972	283,683,000	8,421,000	292,104,000		
				38,302,000	13.1
1973	318,771,100	11,634,900	330,406,000		
				22,577,000	6.8
1974	345,462,400	7,520,600	352,983,000		
				104,001,200	29.5
1975	444,575,100	12,409,100	456,984,200		
				96,579,800	21.1
1976	537,346,300	16,217,700	553,564,000		
				125,625,300	22.7
1977	668,278,100	10,911,200	679,189,300		
				118,570,[illegible]00	17.5
1978	768,009,800	29,750,100	797,759,900		
				106,385,700	13.3
1979	880,653,500	23,492,100	904,145,600		
				138,287,300	15.3
1980	955,630,700	86,802,200	1,042,432,900		
				818,209,300	78.5
1981	1,493,207,800	367,434,400	1,860,642,200		

FY 81 APPROPRIATIONS SUMMARY

APPROPRIATION CATEGORY	APPROPRIATED BY THE LEGISLATURE GENERAL FUND	APPROPRIATED BY THE LEGISLATURE TOTAL	ENACTED (Less Governor's Vetoes) GENERAL FUND	ENACTED (Less Governor's Vetoes) TOTAL
General Appropriations Act				
Operating	$1,192,252,852	$1,575,260,652	$1,186,634,200	$1,569,398,800
New Legislation	314,704,600	317,208,500	306,573,600	308,900,000
Capital	374,849,300	832,210,300	367,434,400	779,655,100
	1,881,806,752	2,724,679,452	1,860,642,200	2,657,953,900
Loan Funds (Secs. 1-13)	699,335,000	699,335,000	696,335,000	696,335,000
Misc. Front Sections (14-49)	8,304,000	24,291,000	8,304,000	8,304,000
TOTAL	$2,589,445,752	$3,448,305,452	$2,565,281,200	$3,362,592,900
Special Appropriations (See (1) below)	$1,385,497,923	$1,447,028,923	$1,374,738,231	$1,428,084,231
GRAND TOTAL	$3,974,943,675	$4,895,334,375	$3,940,019,431	$4,790,677,131

(1) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1980 legislative session and enacted into law.

BOND MEASURES

General Obligation Bonds	$328,500,000
Alaska Power Authority Revenue Bonds	$358,890,000

FY 80 APPROPRIATIONS SUMMARY

	Enacted into Law		Assumed Full Funding	
	General Fund	Total	General Fund	Total
General Appropriations Act				
Operating (1)(2)	$915,278,168	$1,258,000,559	$952,548,900	$1,300,637,600
New Legislation	3,081,800	3,425,700	3,081,800	3,425,700
Capital	86,802,200	192,113,100	86,802,200	192,113,100
TOTAL	$1,005,162,168	$1,453,539,359	$1,042,432,900	$1,496,176,400
Special Appropriations Acts (3)	19,887,559	20,795,559	19,887,559	20,795,559
GRAND TOTAL	$1,025,049,727	$1,474,334,918	$1,062,320,459	$1,516,971,959

(1) The operating figures in "assumed full funding" differ from the figures as passed by the Legislature in that they reflect full year funding for the Natural Resources, Administration of Justice, Transportation and General Government categories instead of partial year funding as contained in the General Appropriations Act.

(2) The single numeric item veto from this year's legislation was the veto of the reduction of an amount in Section 15 of the General Appropriations Act (Chapter 80, SLA 1979). The net effect of this veto was to increase General Fund appropriations by $265,000, the amount originally reappropriated in subsection (b) of Section 15.

(3) "Special Appropriations" are those appropriations not included in the General Appropriations Act which were passed as separate measures during the 1979 legislative session and enacted into law.

REVENUE BOND AUTHORIZATIONS

Alaska Power Authority	$140,000,000
Fairbanks Int'l Airport	8,500,000
TOTAL	$148,500,000

FY 79 APPROPRIATIONS SUMMARY

	Passed by the Legislature			Signed by the Governor	
	General Fund	Total	Vetoes General Fund	General Fund	Total
General Appropriations Act					
Operating[1]	$877,629,600	$1,158,639,400	$17,315,200	$860,314,400	$1,141,255,500
New Legislation[2]	29,704,500	33,237,300	9,365,400	20,339,100	23,814,500
Capital	40,312,700	370,192,400	16,820,600	23,492,100	353,014,400
TOTAL:	$947,646,800	$1,562,069,100	$43,501,200	$904,145,600	$1,518,084,000
Special Appropriation Acts[3]	188,475,849	218,405,549	20,961,436	167,514,413	197,444,133
GRAND TOTAL:	$1,136,122,649	$1,780,474,649	$64,462,636	$1,071,660,013	$1,715,528,513

(1) The operating figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect full year funding for the Department of Transportation instead of three-quarters of a year contained in the General Appropriations Act.

(2) The new legislation figures in this summary differ from the figures as passed by the Legislature in that the summary figures reflect reductions resulting from the failure of certain measures to pass or failure of their substance to be incorporated in some other measure.

(3) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1978 legislative session and enacted into law.

BOND AUTHORIZATIONS

General Obligation Bonds	$1,241,000,000
Revenue Bonds	329,400,000
TOTAL:	$1,570,400,000

FY 78 APPROPRIATIONS SUMMARY

	Passed by the Legislature			*Signed by the Governor*	
	General Fund	Total	Difference Gen. Fund	General Fund	Total
General Appropriations Act					
Operating	$761,631,100	$1,017,969,800	($ 5,714,400)	$755,916,700	$1,012,252,000
New Legislation (1)	14,687,900	17,090,700	(2,594,800)	12,093,100	14,042,900
Capital	47,492,100	75,276,800	(17,742,000)	29,750,100	57,516,800
TOTAL:	$823,811,100	$1,110,337,300	($26,051,200)	$797,759,900	$1,083,811,700
Special Appropriation Acts (2)	$ 27,255,500	$ 27,255,500	($ 5,908,400)	$ 21,347,100	$ 21,347,100
GRAND TOTAL:	$851,066,600	$1,137,592,800	($31,959,600)	$819,107,000	$1,105,158,800

(1) The final figures differ from the figures as passed by the Legislature in that they reflect reductions resulting from the failure of certain legislation to pass.

(2) "Special Appropriations" are those appropriations not included in the general appropriations act which were passed as separate measures during the 1977 legislative session and enacted into law.

The appropriations passed by the Legislature were based upon the following assumptions:

$652.7 million would be the general fund balance available for appropriation as of 7/1/77 (Executive Budget fiscal 1978, Budget & Management, page 6).

$854.0 million would be the anticipated general fund revenues available for appropriation during fiscal year 1978 (Revenue Sources FY 76 - 78, Department of Revenue, pages 18 & 19).

SENATE FINANCE

EXPENDITURE LIMITATION ISSUES

WHAT SHOULD BE USED AS THE BASE?

Should we pick a FY budget? What should be exempted from the budget? Should they be the same items exempted from the ceiling or others? If the base is too low, how will agencies handle budget cutbacks? If there are few ceiling exemptions, should the base contain room for innovative new programs (Energy Center, Delta Barley, Etc.)? How will the base account for assistance/revenue sharing for local governments? Should a number be used instead of a base year to allow for adjustments of, for example, income tax refunds, etc. If so, what should the number be?

WHAT FORMULA SHOULD BE USED TO CALCULATE INCREASES?

Should the formula for calculating the increase be a cumulative index applying to a single original base, or should the formula apply as an adjustment to the previous year's actual appropriation?

Should the formula be tied to population growth as well as inflation? Are there alternative indices?

Should the formula have a factor which will reduce the real per-capita spending limit overtime (such as only using .95 of the annual CPI increase)?

WHICH APPROPRIATIONS AND EXPENDITURES SHOULD BE COVERED BY THE LIMITATION?

Should the limit apply to both state and federal funds?

Should increases in user fees be covered? If exempted, what oversight should be available to keep increases reasonable?

Most likely revenue bonds should be excluded, but should General Obligation Bonds? Bond debt service?

Should capital projects be excluded and, if so, how can we manage the operating budget impacts of capital projects?

Should loan capitalization be excluded?

There is agreement that contributions to the Permanent Fund should be excluded, but should Permanent Fund dividends? Should arrangement be made for the possibility of the State losing the law suit, if so of what sort? Should a portion of permanent fund income (or real income) be exempted? Should the Permanent Fund be the only recipient of "surplus" funds, and if so, how can this be insured?

If the base is very inclusive, then the exemptions should be very limited. If the base is restricted, what level of exemptions are reasonable?

Should provision be made for exceeding the limit? If so, should it be by legislative vote--by what majority? Should a referendum be provided for? If provision is made for exceeding the limit, what should be voted on-single appropriations or multiple ones? If provision is made for exceeding the limit, should there be a special prohibition against voting to exceed the limit on items which had previously been appropriated within the limit?

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 23, 1981

M E M O R A N D U M

TO: Honorable Al Adams
House Finance Committee

FROM: Milt Barker, MB Fiscal Analyst
Legislative Finance Division

SUBJECT: Total General Fund Appropriations (Revised)

Estimated general fund appropriations that will be passed by the Legislature this session are ($ millions):

General Appropriations Act (FCCS HB 50)		$2622.8
Operating	1774.1	
Capital	764.4	
Fiscal Notes (excludes HB 4)	84.3	
Loans		425.8
AHFC mortgages	222.0	
AHFC mobile homes	18.0	
AHFC rural mortgages	20.0	
AHFC rural rental mortgages	5.0	
Non-conforming housing	40.0	
Dept. of C&ED loan funds	46.8	
Agriculture loan fund	14.0	
Medical facilities guarantee	52.0	
AIDA reserve funds	8.0	
Special Appropriations		2926.4
Permanent Fund	1800.0	
$1000 per capita municipal grants	405.3	
Hydro	536.8	
Fish Pack Loans	40.0	
Other	144.3	
Debt Service		128.5
HB 460 Revenue Loss		9.1
Supplementals		238.6
		$6351.2

31-Q1LH

The most recent estimate of the Department of Revenue of the amount of liquid general funds available for appropriation is $5,746.4 million.

Total general fund appropriations exceed liquid funds available by $604.8 million.

Illiquid general funds available for appropriation are $320.9 prior to July 1, 1981 and $380.0 on or after that date due to the lapse of approximately $60 million appropriated in the 1980 session to the fish processing loan guarantee account.

No possibility of revenue loss on petroleum tax legislation is accounted for in this memo.

MBB:pw

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

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 1, 1981

M E M O R A N D U M

TO: Honorable Hugh Malone
House Finance Committee

FROM: Milt Barker, Fiscal Analyst MB
Legislative Finance Division

SUBJECT: General Funds Available for Appropriation

Based on revised petroleum revenue estimates contained in this memo, Legislative Finance estimates the liquid general funds available for appropriation this session to be:

Estimate	Available for Appropriation ($ millions)	Reduction from March 1981 Estimate of $6,061.6 ($ millions)
High	$5,648.5	(413.1)
Medium	5,165.2	(896.4)
Low	4,959.7	(1,109.9)

Generally, these reduced estimates result from Saudi Arabian oil production in excess of world demand. The Saudis are doing so in an effort to force other OPEC producers to unify their prices and adopt an index for future price increases. The Saudis are concerned about the effect of upward spiralling prices on long-term demand.

The failure of the Saudis to achieve their goals at last week's meeting of OPEC means there will be continued overproduction by the Saudis and consequent softness in oil markets for some undetermined period of time. The market softness will be magnified by liquidation of inventories until such time as expectations of price declines are reversed.

There are several indications that some immediate reductions may be anticipated in Alaskan oil prices:

31-01LH

1) the spot market for comparable oil is tumbling as shown in Chart I (attached);

2) posted prices in the U.S. have generally been reduced $2 in May;

3) the first April figure for Alaskan royalty oil sales has been reported by Exxon and shows a decrease of $1.45 from March;

4) Alpetco is rumored to have offered Alaskan royalty oil for sale on the West Coast at $3 under the market;

The informal OPEC plan that seems to have developed is that the OPEC moderates will freeze their prices at their current $36 per barrel minimum price until the Saudis,at $32 per barrel, catch up. How long the Saudis take to do this depends on when current demand for oil firms up and Saudi judgements about whether oil prices are now so high as to radically alter long-term demand.

Assumptions

The difference between the high, medium, and low estimates are attributable to assumptions about three factors:

1) the timing and amount of movement in Saudi oil prices;

2) the spread between Alaskan and Saudi prices (see Chart I);

3) the difference between Gulf Coast and West Coast prices for Alaskan oil. 1/ (see Chart II);

Specifically, the cases assume the following:

1) High estimate

a) Saudi official price for Arabian Light moves from $32 to $34 in July 1981 and to $36 in January 1982;

b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by $2 in May 1981;

1/ In estimating the effect of increasing spreads between Gulf Coast and West Coast prices for Alaskan crude it is assumed that 900,000 barrels per day of North Slope production goes to the West Coast and 600,000 barrels per day to the Gulf Coast. Increasing spreads are assumed to occur through reductions of prices on the West Coast due to re-emergence of the "West Coast oil glut." The difference in tanker costs to these two markets forms a ceiling on potential reductions in West Coast prices.

c) the spread between Gulf Coast and West Coast prices for Alaskan oil increases $1 in May 1981;

2) Medium estimate

a) Saudi official price for Arabian Light moves from $32 to $34 in January 1982;

b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by $2 in May 1981 and is eliminated in July 1981;

c) the spread between Gulf Coast and West Coast prices for Alaskan oil increases by $1 in May 1981 and by another $1 in July 1981;

3) Low Estimate

a) Saudi official price for Arabian Light remains at $32 through FY 82;

b) the spread between the Alaskan delivered price and the official price for Arabian Light narrows by $2 in May 1981 and is eliminated in July 1981; Alaskan crude falls below the official Saudi price by $1 in January 1982;

c) the spread between Gulf Coast and West Coast prices for Alaskan crude increases by $1 in May 1981, by another $1 in July 1981, and by another $1 in January 1982.

All the cases assume that the Saudis are willing and able to reduce their production to the extent necessary to sustain the price of Arabian Light at the assumed levels. In the event that this is not possible due to either Saudi budgetary pressures or falling world oil demand (see attached Wall Street Journal articles "Oil and the Saudi Fairy Tale" and "Oil-Pricing Blunders Now Have Saudis in a Jam"), State revenues could fall far below the amounts estimated in the high, medium and low cases.

MBB:pw

Attachments

TABLE I
GENERAL FUNDS AVAILABLE FOR APPROPRIATION
($ Millions)

	Table II Estimates			Dept. of Revenue March 1981	Difference		
	High	Medium	Low	Estimate	High	Medium	Low
FY 81							
Royalty (Net of Permanent Fund)	1128.7	1128.7	1128.7	1085.4	43.3	43.3	43.3
Severance	1179.7	1179.7	1179.7	1169.9	9.8	9.8	9.8
Petroleum Corporate Income Tax	767.6	767.6	767.6	839.3	(71.7)	(71.7)	(71.7)
TOTAL					(18.6)	(18.6)	(18.6)
FY 82							
Royalty (Net of Permanent Fund)	1513.8	1329.0	1236.6	1671.5	(157.7)	(342.5)	(434.9)
Severance	1487.9	1297.5	1202.3	1640.3	(152.4)	(342.8)	(438.0)
Petroleum Corporate Income Tax	1176.1	1068.0	1050.1	1260.5	(84.4)	(192.5)	(210.4)
TOTAL					(394.5)	(877.8)	(1083.3)
TOTAL FY 81 and FY 82					(413.1)	(896.4)	(1101.9)

Amount Available for Appropriation (Liquid General Funds)	High	Medium	Low
March 1981 Dept. of Revenue Estimate	6061.6	6061.6	6061.6
Current Legislative Finance Estimate	5648.5	5165.2	4959.7

TABLE II
PROJECTED PETROLEUM REVENUES
FY 81 and FY 82
($ Millions)

	North Slope			Cook			Field Cost	Royalty	Total		
	High	Medium	Low	Inlet	Kuparuk	TAPS	Settlement	Auction	High	Medium	Low
FY 81											
Royalty	1414.6	1414.6	1414.6	60.4	—	--	30.0	—	1505.0	1505.0	1505.0
Severance	1152.9	1152.9	1152.9	26.8	--	--	--	—	1179.7	1179.7	1179.7
Petroleum Corporate Income Tax	759.3	759.3	759.3	23.3	—	187.2	(2.8)	—	767.6	767.6	767.6
FY 82											
Royalty	1800.9	1554.5	1431.3	113.8	24.0	--	-	79.7	2018.4	1772.0	1648.8
Severance	1425.9	1235.5	1140.3	43.4	18.6	--	--	--	1487.9	1297.5	1202.3
Petroleum Corporate Income Tax	971.8	827.6	803.7	73.2	9.8	191.1	--	--	1176.1	1068.0	1050.1

Sources: 1. North Slope royalty, severance, and income tax figures based on: production, prices, and field costs in Table III; severance tax ELF factors from Table 5 of "Fiscal Analysis of the Proposed Backstop Tax Legislation", May 1981, prepared for Department of Revenue by Gregg Erickson; and income tax deductions other than royalty and severance from "Erickson", Table 9.

2. Cook Inlet, Kuparuk, and TAPS figures from Tables 12, 10 and 11 of "Erickson".

3. Field cost settlement at 42¢ per barrel on 979 million barrels of pre-1980 production and 55¢ per barrel on 277 million barrels of production for first half of calendar 1980 compared to company charges of 64¢ per barrel.

4. Royalty auction of 85,000 barrels per day during FY 82 at an average bonus over prevailing value of $2.57.

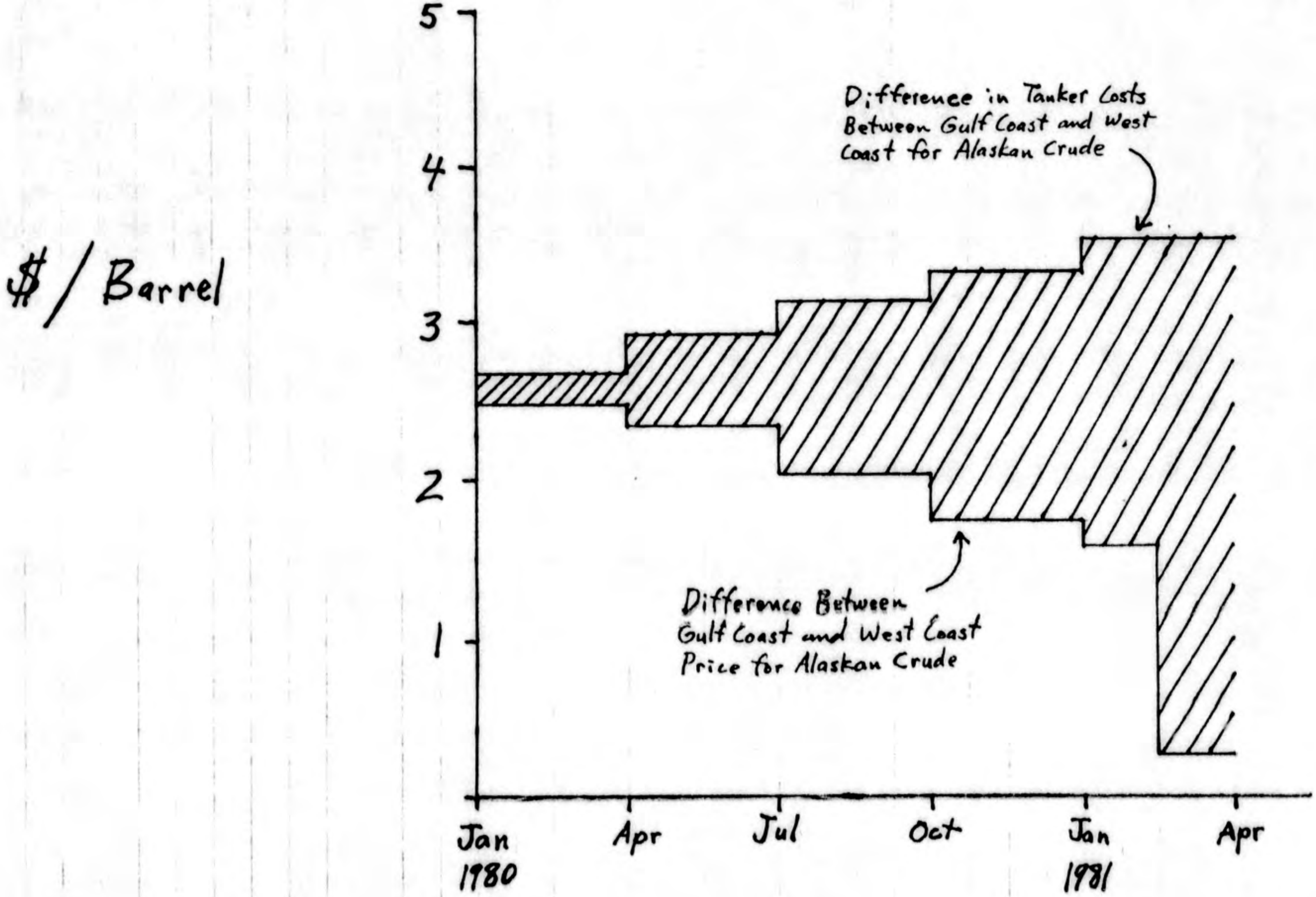
5. Income Tax total is the estimated collections for the fiscal year. For FY 81, the total is estimated at 4/3 the actual collections for the first nine months of the fiscal year. The FY 82 total is 3/4 of the estimated income tax liability for FY 82 plus 1/4 of the estimated income tax liability for FY 81.

TABLE III
NORTH SLOPE CRUDE
ACTUAL AND PROJECTED PRODUCTION AND PRICES
FY 81 and FY 82

	Actual 1/			Projected				
	Production (Millions of Barrels)	Royalty Price	Field Cost	Production (Millions of Barrels)	Royalty Price High	Royalty Price Medium	Royalty Price Low	Field Costs
FY 81								
July	46.9	$15.43	$ .55					
August	47.0	16.49	.55					
September	45.5	17.19	.55					
October	46.2	16.94	.55					
November	44.0	17.48	.55					
December	46.7	19.57	.55					
January	46.9	21.62	.62					
February	42.8	25.34	.62					
March	47.5	25.91	.62					
Total	413.7							
Weighted Average		$19.53	$ .57					
April - June				133.8	$24.18	$24.18	$24.18	$ .62
Total FY 81				547.5				
FY 81 Weighted Average					20.67	20.67	20.67	.58
FY 82								
July-September				136.9	25.31	21.71	21.71	.62
October-December				136.9	25.31	21.71	21.71	.62
January-March				136.9	27.31	23.71	20.11	.67
April-June				136.9	27.31	23.71	20.11	.67
Total FY 82				547.6				
FY 82 Weighted Average					$26.31	$22.71	$20.91	$ .65

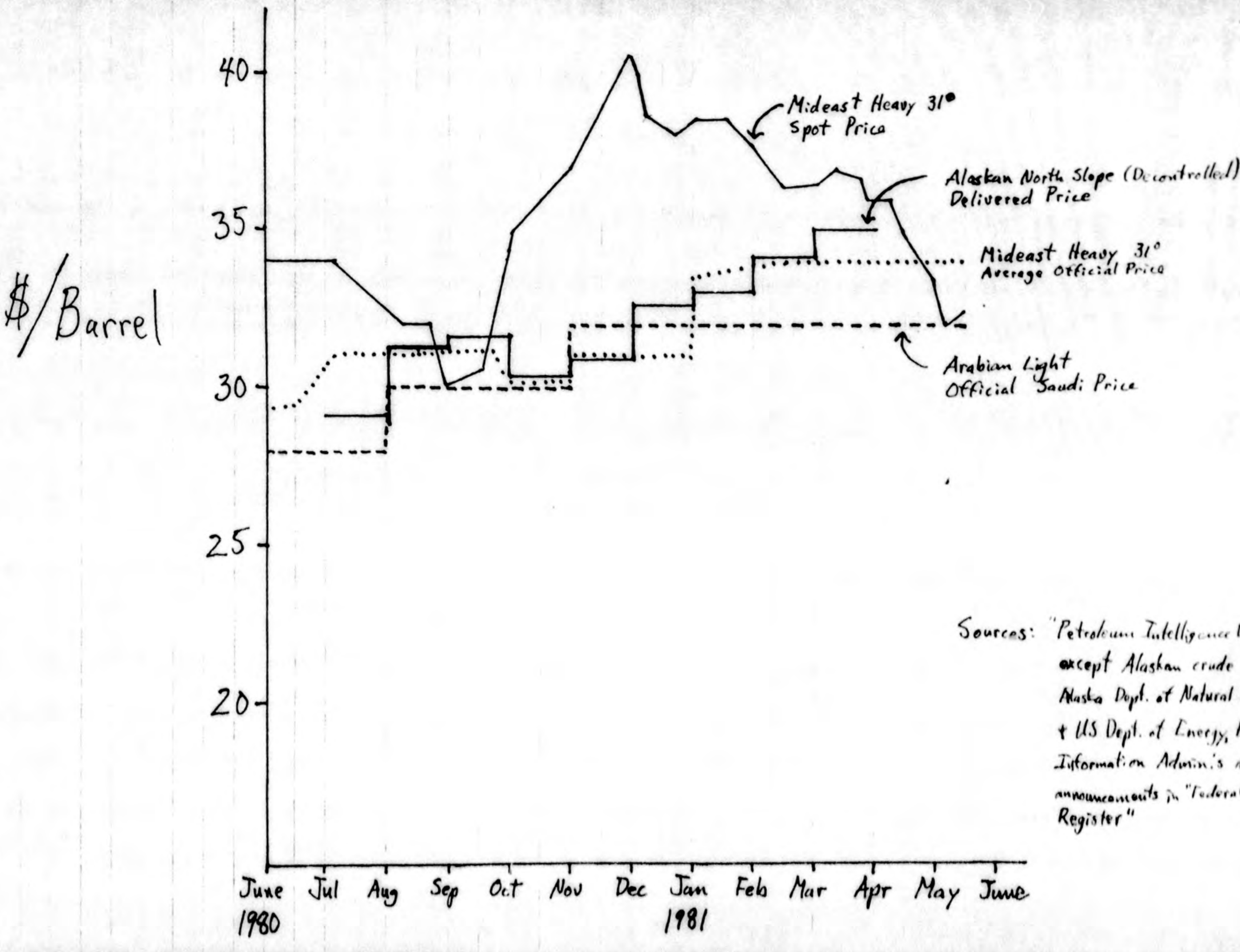
1/ Actual data from Division of Minerals and Energy Management, Alaska Department of Natural Resources

Potential Reduction in West Coast Price for Alaskan Crude Which Would Yield the Same Wellhead Price as Gulf Coast Sales (Shaded Area)



Source: "Petroleum Intelligence Weekly" March 16, 1981

Oil Prices



Sources: "Petroleum Intelligence Weekly except Alaskan crude from Alaska Dept. of Natural Resources + US Dept. of Energy, Energy Information Admin.'s monthly announcements in "Federal Register"

9-22-81

Oil and the Saudi Fairy Tale

By Eliyahu Kanovsky

It is widely believed that Saudi Arabia has been doing the West a favor by sustaining its oil production at a high level of 10.3 million barrels a day, and that by granting this favor the Saudis have created the world's current glut of crude oil. This grateful attitude toward the Saudis derives in great part from the fear that the Saudis will make good on their often-stated threat to use the "oil weapon" by cutting the country's oil production to 5 mbd.

What seems to undergird the persistence of these notions is the apparent belief that Saudi Arabia is a country unlike any other, that it is a sort of fairy tale land in which Arab princes sit in grand palaces amidst bags of gold. One of the nice things about fairy tales is that one never has to look too closely at what is going on in the rest of the kingdom. Perhaps it is time to look clearly at the kingdom of Saudi Arabia.

Saudi Arabia is an underdeveloped country. The Saudi population, well aware of the oil revenue flowing into the country and of their rulers' opulence, have strong expectations of higher living standards. Since under the existing regime there is no prospect of income redistribution from the haves to the have-nots, the Saudi solution has been simply to buy the country's way into the developed world.

Saudi Arabia is a casebook study of a country whose expenditures chase — and push — its revenues. Its recently available budget figures indicate the Saudis' plan to spend $90 billion during their current fiscal year, which began earlier this month. If these Saudi expenditure figures hold, their spending will have increased almost fivefold since fiscal 1976 (during its 1975-80 development plan, Saudi spending actually overshot planned figures by about 50%).

Large-Scale Spending

After the Iranian revolution, some observers said the Saudis would realize that such large-scale spending tends to augment destabilizing social forces and that the Saudis would curtail spending. But in an interview with this paper last January the Saudi minister of planning said, "The problems in Iran weren't caused by economic development, but by the lack of it. . . . I don't think our development has been too fast. . . . If I had to do it over again, I would do it the same way."

Saudi Arabia's development began in earnest with the second development plan of 1975-80, which called for total expenditures of $142 billion, an average annual outlay of $28 billion.

What ensued was an influx of foreign contractors and a foreign labor force to build the plan's projects—roads, ports, airports, electric power plants, water desalination, telephones, schools, hospitals and so forth. The bureaucracy mushroomed. There were huge and expensive imports of military equipment and the construction of "military cities." Social welfare programs were expanded.

Various industries have been established, or are in process, and a special government commission was set up with a mandate to develop two major industrial complexes—in Jubail on the east coast and in Yanbo on the west coast. A 1979 U.S. congressional report estimated that the costs of construction in Saudi Arabia were 2.5 to 3 times those in the U.S.

The Saudi authorities were eager to persuade large multinationals to come in as partners in these ventures, to benefit from their managerial, technical and marketing expertise. But before 1979 (the year in which the Saudis offered extremely attractive [illegible] incentives to the companies, this strand of the Saudi strategy was snagged on what has been one of the most difficult and costly drags on the country's development—its labor force.

The Saudi population and its potential labor force are small. Unofficial estimates of the population indicate about four million Saudis. Because women are almost completely excluded from the labor force, the potential force is about one million. And this includes the armed forces, internal security and the huge bureaucracy.

Thus, the authorities have laid the greatest emphasis on the development of capital-intensive industries, which require a high level of technical and managerial skill. Though individual Saudis have acquired education and administrative and managerial competence, they are few in number. In this respect Saudi Arabia is similar to many other developing countries: Its huge oil revenues and the system they have created provide powerful disincentives to acquiring the sort of skills that enhance a country's long-term productive capacity.

Saudi Arabia's many financial 'needs' will do what the record shows they have always done — rise rapidly. And there is only one source for satisfying those needs— oil revenue.

The Saudis have built technical schools in the hope that Saudi youth would pass out of them and into industrial jobs for on-the-job training with foreign technicians, but few Saudis are interested. Far more lucrative alternatives exist for capable Saudis: One can enter government service and use "connections" for private gain, join business ventures with foreigners or act as middlemen for foreigners seeking contracts (Saudi laws require business ventures to have majority Saudi ownership, thus the need for local partners).

Determined to push forward with their development programs, the Saudis are increasingly dependent on a large, growing foreign labor force—unskilled and semiskilled workers from the poor Arab countries, Asia and Africa. According to the director general of the Saudi labor ministry, three-fourths of the labor force was foreign by the end of 1979. Back in 1975 Saudi planners said that by 1980 only 35% of the labor force would be foreign. As with their spending plans, it was an optimistic projection.

Apprehensive about these foreigners, the Saudis from time to time apprehend and expel tens of thousands of Muslims from poor countries, who enter as pilgrims and stay illegally, looking for jobs. The result of such measures is an upsurge in wage rates for laborers, another expense.

At the same time, the reluctance of highly skilled personnel, mainly from the West, to live in Saudi Arabia requires foreign contractors to pay three to four times the going rates in the U.S.

The country's work force difficulties put into serious question the viability of its diversification plans, and the Saudi leadership knows it. "The problem now in Saudi Arabia," the deputy minister of industry has said, "is manpower." Current plans call for a standstill in the size of the foreign labor force, with planned increments coming from the Saudi population, but prospects appear dim. Under the best of circumstances it takes decades or generations to educate and train a modern, industrialized labor force.

All these problems notwithstanding, the Saudis' new five-year plan for 1980-85 is costlier still. Total *planned* expenditures, including military, are $391 billion, a 275% increase over the previous plan. Actual spending for the last plan was about $200 billion, with many projects cut back or dropped. It should come as no surprise if the new plan's actual expenditures again far exceed published estimates.

Lifeblood of the Economy

In short, Saudi Arabia's many financial "needs" will do what the record shows they have always done—rise rapidly. And there is only one source for satisfying those needs—oil revenue, the lifeblood of the Saudi economy. It is this fact of life that lies at the root of Saudi Arabia's relative price moderation.

The Saudi leaders are well aware that the sharp oil-price increases in 1973 and 1974 induced trends in world oil and energy markets adverse to long-run Saudi interests. The far greater price increases of 1979-80 greatly accelerated the trend away from oil and toward conservation and energy substitutes like coal and nuclear power.

The Saudis have been very shrewd in successfully capturing a growing share of what is now clearly seen as a shrinking OPEC market. In sharp contrast with the situation in 1978, when others undersold them, the Saudis since 1979 have pursued a policy of keeping their official prices a few dollars below those of other oil exporters and low enough not to speed up the trend to substitutes.

The Saudis' possession of huge oil reserves and their ongoing, far-from-completed plans to diversify the economy—plans that will require a lot of money for a long time—makes them intent on assuring that the future of the oil market is consonant with their needs. In this light, Saudi Arabia would not gain from uniform oil pricing, which would induce a number of OPEC members to offer discounts, as they did in 1978, and capture part of the Saudi market.

The Saudis' "cushion" of accumulated official foreign assets is indeed much larger than in 1978 (somewhat over a year's public expenditures), but so are their needs. In the absence of any other significant source of income and in view of OPEC's genuinely shrinking market, the Saudis' most prudent option is to enhance oil production and exports, both to increase their current revenues and to moderate oil prices.

Secretary of State Haig and many writers in the American press may persist if they wish in believing that Saudi Arabia is doing the Western world a favor by holding its production at more than 10 mbd. But perhaps one would be paying the Saudis a more straightforward compliment by saying that by keeping production high and prices moderate, they are acting prudently and in the very best interests of a wealthy, underdeveloped country.

Mr. Kanovsky is professor of economics at Bar Ilan University, Israel, and visiting professor at Queens College, New York. This article is adapted from a study to appear in the fall issue of "Middle East Contemporary Survey."

Oil-Pricing Blunders Now Have Saudis in a Jam

By S. Fred Singer

It is now evident from the OPEC meeting just ended in Geneva that Saudi Arabia made a strategic blunder in 1979 by allowing the world oil price to more than double. With this jump, oil priced itself out of a large market.

Nearly two-thirds of the world's oil consumption of 60 million barrels per day (mbd) simply goes to make heat and steam; it can be replaced by cheaper substitutes. In the residential and commercial sectors, conservation has, as well as fuel switching to natural gas and even electricity will now become increasingly important. Even before 1979, with oil at $13 a barrel, coal and nuclear fuel provided a lower-cost boiler fuel for new plants.

Now, $32 oil has finally made it worthwhile to retrofit existing oil-fired installations. For example, replacing the 10 million barrels of oil used every year by a 1,000 megawatt electric plant with coal-water mixtures would save nearly $150 million a year.

Most countries are now making investments to replace high-priced oil. These changes are less noticeable in the United States, where over 50% of oil is used for transportation. Just the same, U.S. oil consumption is expected to decline in 1981 for the third consecutive year. U.S. oil imports will decline again, too—down to about 6 mbd, 30% below the 1977 peak of 8.8 mbd.

Similar trends in other consuming nations suggest that oil is being backed out at a rapid rate. Even the transportation sector will show a slight decline during the coming years because of more efficient fuel use; world oil use should be cut by a factor of two or more by the next decade.

The conservation of oil OPEC spokesmen so widely advocated—in public at least—has finally come to pass. The result: OPEC oil production has already dropped from a peak of 32 mbd in September 1978 to about 24 mbd by the end of 1980.

As world demand falls to below 30 mbd by the 1990s, and as the already emerging production inside countries around the world increases, the volume of exported oil must decline drastically. If North America produces 10 to 15 mbd (conservatively), and the East Bloc about 10 mbd, this leaves little for the rest of the world, including OPEC. The Geneva OPEC meeting gives us the flavor of their major problem for the future: whether and how to cut production or prices. In either case, OPEC faces a shrinking oil income.

On "Meet the Press" last month, the Saudi oil minister, Sheik Yamani, made light of these matters. He told his interviewers that talk of a drop in oil consumption was just "wishful thinking." But Mr. Yamani knows full well that Saudi Arabia, as the world's largest oil exporter and holder of the largest reserves, has the most to lose if the price becomes too high too soon.

The cause of the 1979 increase was psychological rather than structural (unlike the 1974 price increase), and was based on fear of shortages following the collapse of the Shah's regime. Supply never dropped; there was only an increase in purchases. The fall-off in Iranian exports that began in October 1978 was smoothly taken up by production increases, mainly by Saudi Arabia. Its share of OPEC oil jumped from 31% to over 40%.

According to M.A. Adelman of M.I.T., the Saudis could have prevented the panic that escalated spot prices, but their actions haven't squared with their oft-stated policy of maintaining low oil prices. As Mr. Adelman pointed out in a recent letter to the Journal, the Saudis slashed production in January 1979 and again at the end of March that year. In each instance spot prices leaped upward and, in the ensuing panic, purchasers accumulated larger stockpiles of oil.

Why did the Saudis let the price rise in 1979? The reasons for their miscalculation may be complex. It is likely that the fiscally conservative Saudi family was disturbed by the country's budget deficit in 1978, which followed years of large surpluses. It is also possible that Saudi planners misjudged the extent to which a price run-up would precipitate a drop in demand. If so, they were in tune with most Western economists at the time. James Eyssell, in a recently published paper, points out that adopting a more appropriate econometric analysis of the data gives elasticities twice as large as those published in studies during the past few years.

Whatever the reason for their actions, it is probably too late for the Saudis to correct their error. Any attempt to bring down the price now to discourage fuel switching would also bring down the wrath of their neighbors.

The 1979 doubling of prices in this way now poses three difficult hurdles for Saudi Arabia—short-term, medium-term (one to three years) and long-term (10 to 20 years).

Sometime soon it should become evident that oil prices really are no longer increasing. This will cause holders of excess oil stocks to sell these to reduce their carrying charges and avoid losses. The sell-off, in turn, will weaken prices further and induce a more rapid dumping of the stocks. (The downward spiral of prices corresponds to the upward spiral that was experienced when the stockpiles were laid in. This simple economic conclusion follows, since the 1979 price increase was not due to a permanent, sudden shift in either production or actual consumption.) To keep up the price, pressure will be put on Saudi Arabia to reduce its output by 2 or 3 mbd. The Saudis, however, will be trying to persuade others to make more meaningful cuts from their current production levels. Riyadh apparently still believes that it is possible to institute a "uniform pricing strategy" in which prices can be raised.

The medium-term problem for Saudi Arabia is much more serious. Sometime within the next year or two, Iraq and Iran may decide to stop fighting and concentrate on selling oil. They need money to replace what has been destroyed, and they still want to buy more arms. But for them to re-enter the market, someone else will have to cut production. They are likely to pressure the Saudis.

The Saudis would have to cut production down to 4½ mbd, the "magic" level that they generally quote as allowing them to sustain an acceptable level of income. But with oil demand falling and world supplies rising, the cut may have to be deeper. If the Saudis cut oil income too much, however, they may not be able to contain their domestic tensions.

And finally, if the Saudis should survive the medium-term hurdle, they still face the long-term drop in oil demand. To maintain exports, they will probably want to cut prices, along with other exporters, to compete for a shrinking market. And at that stage the consuming nations may erect barriers, such as import quotas or tariffs, to protect the domestic energy investments they've made in response to high oil prices.

The U.S. will face the political pressure of thousands of small independent oil producers. Perhaps even more daunting is the fact that in Japan and other countries nuclear plants will have been built, representing sunk costs. For oil to regain this expanded nuclear market, it would have to be considerably cheaper than the marginal cost of nuclear power, and the cost of nuclear fuel now corresponds to about $4 oil.

The Saudis have gotten themselves into a difficult dilemma. Their dramatic doubling of oil prices in 1979 is bound to kill the long-term oil market, and in time may be viewed as the proverbial straw that broke the camel's back.

Mr. Singer is a member of the Energy Policy Studies Center of the University of Virginia. He earlier served as deputy assistant secretary of the Interior and has studied oil economics and oil security problems as a consultant to the Energy and Treasury departments and to the energy industry.

WSJ 5-29-81

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

EXPENDITURE LIMITATION CHECKLIST

BASE

A fiscal year

A number Which number?

Only state funds? Federal funds? All?

FORMULA

Private sector growth

CPI plus population

other

COVERAGE

Should coverage by of operating budget only?

Should there be exemptions? and if so, should they be open-ended or enumerated?

Sould general fund and federal funds be covered?

Should these be exemptions or override:

- Disasters - how to identify & who votes? (See Excess below)
- Disaster reserves
- Permanet Fund contributions
- Permanent Fund dividents
- Capital projects
- Loan capitalization - What to do about operational expenses and large maintenance costs?
- GBO repayment funds
- Increases in user fees
- Costs from court orders
- Costs from transfer of federal authority
- One-quarter of income from Permanent Fund
- Money in trust

OVERRIDE

By vote of Legislature 2/3 or 3/4?

By vote of people Should this by limited by type? New operating programs?

OTHER ISSUES

Local government

"Apple pie/pork" trade

Proportion of capital to operating

Unfunded obligations

EXCESS

Where can it go and how can it get there?

Permanent Fund only Allow "earmarking"?

Trust accounts

By whose vote?

Invest at market rate

PLAN A

Lid	Except	Excess
general fund only	(simple majority) other people's money	automatically into PF at market rates

In Plan A, the tradeoff is tightest in favor of holding the line - e.g. expenditure vs. expansion of new services.

PLAN B

Lid	Except	Override	By Referendum
State general fund only op/cap/etc	(simple majority) GOB PF User Fees Fed/other	2/3 or 3/4 legislative vote specified types very limited	?

MALONE

Lid	Except	Override
General fund & federal dollars op/cap/everything	(simple majority) PF GOB debt service	2/3 legislative majority everything else

GOVERNOR

Lid	Except	Override	By Referendum
General Fund only op/cap/etc	(simple majority w/ veto possible) money in trust PF PF dividents Loan capitalization GOB service disaster fund user fees court ordered dollars fed-state authority transfer 1/4 PF income	2/3 legislative majority disaster dollars	Excess capital projects

B. Costs from Transfer of Federal Authority.

Under SJR 4, costs related to transfer of authority or responsibility to the State from the Federal Government would be exempt from inclusion under the spending limitation. While on the surface it appears logical to exempt new, unforeseen services from the spending limitation, the intent and purpose of the spending limit may dictate otherwise.

First, the terms of the exemption should be well defined. A "transfer" of federal authority may include a range of possible interpretations, from a federal mandate for State action, to a non-mandatory transfer of program authority to the State level. At present, the Federal Government is considering termination of a number of federally administered programs; instead, block grants will be given to states to provide those services. Is this a "transfer" of responsibility from the Federal Government that would be exempt from budgeting under the spending limitation?

A key consideration should be whether the "transfer" of responsibility is voluntary on the part of the State. Again using the current block grant proposals as a case in point, the Federal Government is in effect telling the states that they may assume whatever mix of federal programs they wish to offer. The states may also contribute any state funds they wish to the federal block grants. The question is whether formerly federal services that are adopted by the state, at the state's discretion, should be exempted from the public oversight reflected in a spending limitation.

The danger is that separate accounting systems could develop one for services under the spending limitation and another for services excluded from the spending limitation.

Representatives from the Governor's Office have suggested that only first year costs be exempted from the expenditure limitation.

The problem with this suggestion is analogous to the present difficulty with the RP process. Once programs have been started, employees hired and client groups created, it is extremely hard to "eliminate" those programs. The criticism of the RP process is that formerly Federally funded positions are almost automatically taken over by the State upon termination of federal funds, even though the State has the option of letting those positions drop. A one-year exemption of new State programs from the expenditure limitation could quite easily result in the same pattern. The effect of this "vicious circle" is to constrain the options of future legislatures espeically if the State's initial assumption of powers was funded by the Federal Government, and outside of a direct, conscious, policy determination by the Legislature.

If the approach taken to the spending limitation is to allow exemptions from the limit, I think that "transfer of authority from the Federal Government" should not be a named exemption, especially to the extent that State funds are involved. An exception might be for the costs initially required to respond to a federal statutory mandate. No discretionary "transfers" of program responsibility to the State level should be allowed outside of the expenditure limit.

C. Money Received in Trust for a Specific Purpose.

The meaning of this exemption needs to be clarified. First, appropriation of money to a trust for a specific purpose could be argued as an allowable exemption, to get general funds out of the capital and operating budget stream. However, unless it is specified that those funds are to be invested at market rates of return, this type of exemption could be used to subsidize a loan or investments project.

Second, it should be clear that the return from "trust fund" investments be returned to the General Fund for appropriations under the spending limit. This will prevent the operating expenses of any particular service from being removed from the expenditure ceiling through the creation of a "trust" or "endowment." If the purpose of an expenditure limit is in part to control the growth of government, program costs should not be exempted from limitation simply through the creation of an endowment.

MONEY RECEIVED IN TRUST

The intention of this exception is to allow for the acceptance and expenditure of bequests to the State; for example, support of the University. It seems appropriate to except from the limit other people's money given to the State for specific purposes.

LOAN CAPITALIZATION

This is one of the most difficult problems. On the one hand, the State has created a large constituency for loans. Subsidized loans distribute State benefits unequally. No one is recommending that the subsidy portion be placed outside the limit. However, if the caitalization is portion be placed outside the limit. However, if the capitalization is placed outside, then it is predictable that large sums will flow into those loan programs, whether they are needed or not. Additionally, the argument can be made that placing capitalization outside the limit will make it very difficult to identify the subsidy cost. Most of the return on loan funds go into the General Fund, although some of the "revolving loan" funds keep a level of capitalization (declining balance) within the fund. A strong argument can be made for placing loan capitalization under the limit: loans are but one way of achieving State goals; the Legislature should have the flexibility to determine the best way of achieving such goals. If loan capitalization is excepted, it should be clear that neither the subsidy portion nor the administrative costs are to be removed from the limit. In any event, the structure and control over the loan programs should be thoroughly explored.

INCREASES IN USER FEES

On the one hand, three is a risk of a tax being relabeled a "user fee" and, therefore, any user fees collected by a State agency or the State itself should be subject to the limit. On the other hand, user fee increases could be subject to legislative approval (or disapproval).

It seems poor public policy to deny a government service to those who are willing to pay for it.
Is there anything that would prevent charge of debt service of revenue bonds as a user fee?

PERMANENT FUND CONTRIBUTIONS

If the desire is to keep the Constitutional amendments wording as general as possible, "exemptions" could be handled as follows:

> "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 State spending limit, are exempt from the State spending limit."

DISASTERS

There seems to be agreement that "disasters" should be provided for outside the limitation. Questions, however, occur regarding the tightness of a definition or process that would restrict the use of this exemption to those situations truly qualifing.

If a situation is beyond question a "disaster," then it should be relatively simple to collect a super majority to override the spending limitation.

Restricting the definition to those disasters declared by the Governor and voted on by a super majority would also serve the purpose of preventing abuse.

CAPITAL PROJECTS

"Appropriation" is debt service on State revenue-bonded capital projects is subject to the limit?

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say "no" to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 508
CAPITOL BUILDING
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907-465-3818
907-465-3810

MEMORANDUM

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

FROM: Glen L. Svendsen, Special Assistant
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Local Government Issues related to State Expenditure Limitations

Spending Limitation

Issues related to local government expenditures, and their relation to State expenditure limitations.

1. Property Tax Relief and State Policy on Repayment

    A) may not be related to either inflation or population change, as municipal decisions to take on or upgrade services may be separate from new population growth.

    B) If State does not repay full amount, political pressure may follow to do so, but the Legislature does not have to fully fund local property tax relief under present circumstances. That is, the Legislature has not formally taken on responsibility for local tax relief under municipal assistance or other programs.

    C) If State, through other legislation, restricts the ability of local governments to raise revenue (i.e., repeal rules taxes, reduce mill levy limitation or changes in levies) the State has, in effect, voluntarily taken on the responsibility of funding local governments. This may, in turn, have impacts on the State budget that have nothing to do with the formula for adjustments to the base year's expenditures, as local resident demands for improved services are translated into legislative budget requests.

D) Relation to resolutions before the Committee: Under HJR 57, increase appropriations for local tax relief that would be above the level otherwise allowed by expenditure limitation, but could be approved by a 2/3 majority vote of both houses. Under SJR 4, appropriations for property tax relief must fall under the limitation. Under the Governor proposed sponsor substitute for SJR 4, some form of "trust" could conceivably be established for property tax relief, and money directed to that trust could be exempt from inclusion in the expenditure formula. (P.S. - The ability to account for "trust funds" separately under the Governor's substitute encourages the creation of such trusts, which raises separate policy questions.)

2. Municipal Bonded Debt

A) There is a good deal of interest in the Legislature's role toward municipal debt. A bill now in process would provide an appropriation to help subsidize municipal bonds by paying the difference between current market rates and the eight percent maximum rate of interest at which those municipal bonds would be sold. In addition, the Municipal Bond Bank purchases municipal bonds for resale; State funds are then used in sales, guarantees and to cover potential defaults by communities.

B) If the State's policy is to continue support for municipal bonding, the spending limitation could create a problem in meeting the costs of increased levels of bonding. There is a major backlog of significant capital project needs in most Alaskan communities. It is conceivable that these projects could result in growth in State costs in excess of the growth allowed under either version of the spending limitation.

C) The problem arises in fitting the State's subsidy of local bonds into the list of exempted expenditures. HJR 57 would allow a special appropriation upon 2/3 majority vote of both houses. The Senate version, SJR 4, would not allow such an exemption, although there may be some evidence of intent to do so. State bonds and capital construction funds approved by the voters would be exempt from the budget limitations; however, the State could not have the same budgetary freedom in regard to <u>local</u> projects that are approved by local voters. As noted above, the Governor's sponsor substitutes to SJR 4 would allow appropriations subsidizing local bond projects to exceed expenditure limitations if some sort of trust and dedication system were established.

D) Local capital projects may result in higher local operating budgets, just as at the State level. What this means is a need for additional local revenue. Local citizen dissatisfaction with local tax rates, coupled with State level budget surpluses, will be translated into more pressure on the Legislature to fund local governments. This will add operating costs to the State through local capital expenditures that might not originally be predicted in State expenditure forecasts.

3. Shifting of services from the State to the local level.

A) One means of holding down State budget growth is to shift various program (and budget) responsibilities to the local level. This, obviously, increases the cost of local government while reducing the budget liabilities of State government. Without increased appropriations to local government, the shifting of responsibility to the local level would require an increase in revenue derived from local sources. Coming on the heels of a period of local tax reductions and demands for complete elimination of local taxation, such an increase in local tax rates would create strong pressures on the Legislature to increase funding of communities and curtail their ability to raise revenues. In effect, the State may not actually (i.e., politically) be able to shift major fiscal burdens to local governments.

B) Shifting program responsibilities to local government and restricting the ability of local governments to raise revenue are mutually contradictory actions. The Legislature has, in effect, forced itself to choose between increased appropriations to local governments, or curtailment of the services it has shifted to the local level. (Curtailment of some services transferred to local control may be an option. It all depends upon whether the service is nonessential, or whether the State requires provision of a service after responsibility is transferred - such as requirements that locals adopt a permit system, etc.)

4. Local government expenditures in general.

A) Implicit in the argument linking expenditure limitations to population growth and the rates of inflation is the assumption that the existing levels of service are adequate, or that there are enough "frills" in government expenditures that an adequate level of services can be provided if the budget is "properly" appropriated. This basic assumption, however, may not be true, especially for local governmental expenditures, for it is at the local level that the existence and quality of public services varies so markedly from what might be considered to be desired by most people. This means that there is a built-in capacity for local governments to use - and demand - more money than would be allowed under an expenditure limitation, if revenues were otherwise available.

B) I think that the existence of large sums of money in the State treasury will lead to expectations for service improvements at the local level, as well as public resistance to paying higher local taxes. This will lead to pressures for the State to pick up not only State budget increases, but local government costs as well. The Legislature needs to have a clear policy toward local taxation from the outset. Presently, the Legislature seems to be accepting arguments that the State should pick up a portion of the local tax effort (i.e., full funding of revenue sharing and municipal assistance, local debt service subsidy, etc.). If the State adopts an expenditure limitation, it should reevaluate whether the State should pick up local tax effort (i.e., which result from expenditure decisions controlled at the local level.)

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 508
CAPITOL BUILDING
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JUNEAU, ALASKA 99811

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MEMORANDUM

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

FROM: Glen L. Svendsen, Special Assistant GLS
Legislative Budget and Audit Committee

DATE: June 5, 1981

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Senator Arliss Sturgulewski
June 10, 1981

CS SJR 4 (FINANCE)

SUMMARY

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at $2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;

- Permanent Fund deposits;

- money for General Obligation Bonds;

- loan capitalization funds, if a subsidy is contained under the limitation;

- money for disasters;

- and a limited sum for capital appropriations ($1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

Distributed by Sen. Arliss Sturgulewski
6/11/81

CS SJR 4 (Fin)
CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.

2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.

3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.

4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT
EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at $2.7 billion.

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- and a limited sum for capital appropriations ($1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature <u>to save</u> rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

REASONS FOR THE FORMULA CHOSEN

<u>Section 16</u>

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the flexibility which we built into the limit, (as have almost all other advocates of a constitutional limit) was to allow for inflation. Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

The second element of flexibility was to allow for a dampened amount of swing in government spending levels to accompany swings in the economy. During times of economic expansion, the constitutional limit is allowed to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistence and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

It is important to note that the limit on spending refers to the previous year's appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

SCOPE OF THE CONSTITUTIONAL LIMIT

Section 17

The approach we follow 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) Extraordinary items

2) Provisions to take care of excess State income during boom periods, through the Permanent Fund and other investments.

3) Allowing for a controlled response to the State's development needs through loans and capital improvements.

Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

Permanent Fund

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that depos[illegible] to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

Capital Improvements

The limitation figure includes money for capital construction. The sum of $1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The $1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

> Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs; or
>
> War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster 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. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

CS SJR 4 (Finance) By SENATE FINANCE

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

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

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

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article 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 renumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of $2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated to capitalize loan funds, but only if the money to subsidize these loans at below market interest rates is appropriated separately under the limitations; money appropriated by the affirmative vote of two-thirds of the membership of each house, whether of bond proceeds or otherwise, to construct capital improvements, not to exceed $1,500 per capita; or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

* Sec. 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.

Exemptions

[redacted]ers.

The costs of complying with court orders seem, at first blush, limited to legal costs and onetime program costs to "remedy" some problem that may be addressed by the court. However, a court order might have long-term program cost implications. Also, it is not clear that an exemption would apply just to the the budget year in which a court order would initially import, or would exempt permanently program costs that were initially "added" to the budget by court order rather than by legislative action.

The "Molly Hootch" agreement is a case in point. (Technically, this was an agreement approved by the court, but could as easily have been a court directive.) This case resulted in tremendous capital construction for village schools, as well as the attendant operating budget expenditures, maintenance and operation. The construction of Molly Hootch school committed the State to a pattern of educational service delivery that had significant, ongoing capital and oeprating budget implications.

The question is - should these types of expenditure be exempted from State spending limitations? Should the State's education budget be split between "exempt" and "limited" types of expenditures?

The problem is basically a question of ultimate responsibility for expansion of governmental services. A court case may require the State to take on a new service or expand a current service significantly. While it may not be "fair" to have that service counted against the expenditure limitation, it also seems against the whole purpose of the expenditure limitation to allow for the complete exemption (or separate accounting) of services "added" by court order from any comparison with a spending limitation.

The concern is that court decisions may result in services that have a completely separate identity from those originally under a spending limitation. Such services, if exempt from the spending limit could grow, flourish and have life of their own.

While one-time legal costs resulting from a court order might logically be exempted from a spending limitation, any service delivery expenditures resulting for a court mandate should be included in the general mix of State services delivered to the public. A court mandated service becomes a service such as any other demanded by the public.

> (While it is true that including a court mandated service (or any other new service) under the spending limitation places more pressure on that spending limit, this is not a reason to create a "dumping ground" for State services that are added after the adoption of the spending limit. An exemption should not be used simply to delay the time when an expenditure limitation simply becomes too tight.)

Glen 6/6/81

B. [redacted]

Under SJR 4, costs related to transfer of authority or responsibility to the State from the Federal Government would be exempt from inclusion under the spending limitation. While on the surface it appears logical to exempt new, unforeseen services from the spending limitation, the intent and purpose of the spending limit may dictate otherwise.

First, the terms of the exemption should be well defined. A "transfer" of federal authority may include a range of possible interpretations, from a federal mandate for State action, to a non-mandatory transfer of program authority to the State level. At present, the Federal Government is considering termination of a number of federally administered programs; instead, block grants will be given to states to provide those services. Is this a "transfer" of responsibility from the Federal Government that would be exempt from budgeting under the spending limitation?

A key consideration should be whether the "transfer" of responsibility is voluntary on the part of the State. Again using the current block grant proposals as a case in point, the Federal Government is in effect telling the states that they may assume whatever mix of federal programs they wish to offer. The states may also contribute any state funds they wish to the federal block grants. The question is whether formerly federal services that are adopted by the state, at the state's discretion, should be exempted from the public oversight reflected in a spending limitation.

The danger is that separate accounting systems could develop one for services under the spending limitation and another for services excluded from the spending limitation.

Representatives from the Governor's Office have suggested that only first year costs be exempted from the expenditure limitation.

The problem with this suggestion is analogous to the present difficulty with the RP process. Once programs have been started, employees hired and client groups created, it is extremely hard to "eliminate" those programs. The criticism of the RP process is that formerly Federally funded positions are almost automatically taken over by the State upon termination of federal funds, even though the State has the option of letting those positions drop. A one-year exemption of new State programs from the expenditure limitation could quite easily result in the same pattern. The effect of this "vicious circle" is to constrain the options of future legislatures espeically if the State's initial assumption of powers was funded by the Federal Government, and outside of a direct, conscious, policy determination by the Legislature.

If the approach taken to the spending limitation is to allow exemptions from the limit, I think that "transfer of authority from the Federal Government" should not be a named exemption, especially to the extent that State funds are involved. An exception might be for the costs initially required to respond to a federal statutory mandate. No discretionary "transfers" of program responsibility to the State level should be allowed outside of the expenditure limit.

[redacted]

The meaning of this exemption needs to be clarified. First, appropriation of money to a trust for a specific purpose could be argued as an allowable exemption, to get general funds out of the capital and operating budget stream. However, unless it is specified that those funds are to be invested at market rates of return, this type of exemption could be used to subsidize a loan or investments project.

Second, it should be clear that the return from "trust fund" investments be returned to the General Fund for appropriations under the spending limit. This will prevent the operating expenses of any particular service from being removed from the expenditure ceiling through the creation of a "trust" or "endowment." If the purpose of an expenditure limit is in part to control the growth of government, program costs should not be exempted from limitation simply through the creation of an endowment.

SENATE FINANCE

EXPENDITURE LIMITATION ISSUES

WHAT SHOULD BE USED AS THE BASE?

Should we pick a FY budget? What should be exempted from the budget? Should they be the same items exempted from the ceiling or others? If the base is too low, how will agencies handle budget cutbacks? If there are few ceiling exemptions, should the base contain room for innovative new programs (Energy Center, Delta Barley, Etc.)? How will the base account for assistance/revenue sharing for local governments? Should a number be used instead of a base year to allow for adjustments of, for example, income tax refunds, etc. If so, what should the number be?

WHAT FORMULA SHOULD BE USED TO CALCULATE INCREASES?

Should the formula for calculating the increase be a cumulative index applying to a single original base, or should the formula apply as an adjustment to the previous year's actual appropriation?

Should the formula be tied to population growth as well as inflation? Are there alternative indices?

Should the formula have a factor which will reduce the real per-capita spending limit overtime (such as only using .95 of the annual CPI increase)?

WHICH APPROPRIATIONS AND EXPENDITURES SHOULD BE COVERED BY THE LIMITATION?

Should the limit apply to both state and federal funds?

Should increases in user fees be covered? If exempted, what oversight should be available to keep increases reasonable?

Most likely revenue bonds should be excluded, but should General Obligation Bonds? Bond debt service?

Should capital projects be excluded and, if so, how can we manage the operating budget impacts of capital projects?

Should loan capitalization be excluded?

There is agreement that contributions to the Permanent Fund should be excluded, but should Permanent Fund dividends? Should arrangement be made for the possibility of the State losing the law suit, if so of what sort? Should a portion of permanent fund income (or real income) be exempted? Should the Permanent Fund be the only recipient of "surplus" funds, and if so, how can this be insured?

If the base is very inclusive, then the exemptions should be very limited. If the base is restricted, what level of exemptions are reasonable?

Should provision be made for exceeding the limit? If so, should it be by legislative vote--by what majority? Should a referendum be provided for? If provision is made for exceeding the limit, what should be voted on-single appropriations or multiple ones? If provision is made for exceeding the limit, should there be a special prohibition against voting to exceed the limit on items which had previously been appropriated within the limit?

Ed – Q why permanent fund not go to voters.

*** If Gov 2.5 billion for governor – have to resolve difference between operating/capital budget – Proofing language could lower not further limit capitalization or put ratio/

Hugh Malone – all capital + operating in excess go to voters.