

# ***SJR 3***

## ***Sponsor Statement***

### **"A Resolution Proposing an Appropriation and Spending Limit"**

*Updated: January 27, 2004*

*Contact: Senator Fred Dyson's office at (907) 465-2199*

The adoption of an effective, reasonable constitutional spending limit is an integral step in the development of any effective long-range fiscal plan for the state. Senate Joint Resolution 3 ([SJR 3](#)) would amend [Article IX, sec 16](#) of Alaska's Constitution by establishing a new formula for limiting appropriations in a manner that more tightly constrains budget growth than does the existing appropriation limit. The new formula is also more closely aligned to Alaska's current revenue picture. Passage of SJR 3 would thus ensure a limit on the growth of state government and force the state to prioritize its needs to ensure that attention is more critically focused.

The existing constitutional appropriation limit, adopted by voters in 1981, has not worked as anticipated and has not been effective in restraining state spending. A primary reason for its failure is that the starting amount of \$2.5 billion was too high. Another is that its escalator factor, based on population and inflation, was too liberal. As a result, given the increases in inflation and population over the last 19 years, the general fund spending limit imposed by Article IX, Section 16 is over \$6 billion. Such "limit" is about \$3 billion more than general fund spending for Fiscal Year 2002. SJR 3 more accurately reflects today's spending by amending the existing appropriation limit.

The resolution proposes a formula for limiting future appropriations. Any increase beyond the amounts calculated via this formula would require a three-fourths vote of both houses. This resolution is also written such that when increases beyond the calculated limit are approved, such increases will not be cumulative. Finally, increases are limited to no more than 2% of the amount appropriated for the fiscal year two years prior. If the amount appropriated exceeds the limit, the governor shall reduce expenditures by the executive branch for its operation and administration in order to bring expenditures back in line with the constitutional limit.

The existing provision that one-third of the budget be appropriated for capital expenditures is also removed in SJR 3. Over the years, several attorney general opinions have been written on the meaning of the constitutional limit; those opinions counter the plain English meaning of the language and have allowed the legislature and the administration to avoid this requirement. The resolution removes this arbitrary and superfluous requirement.

Without a meaningful constitutional amendment in place; one that limits the amount of state general fund expenditures, there is absolutely no guarantee that the state will restrain, let alone reduce, spending. This resolution would limit state spending and is a key component of any new long-range plan to ensure Alaska's long-term fiscal health.