

The Senate Finance Committee Tackles Alaska's Fiscal Gap

*By Senator Dave Donley
Co-chair, Senate Finance Committee*

Most Alaskans agree that developing a new long-range fiscal plan is one of the greatest challenges facing our state. The [Republican Majority's five-year plan](#), which we completed last year, built an excellent foundation for Alaska's long-term financial health, but more progress is needed. The [Senate Finance Committee](#) has proposed [the essential next steps of a new long-range fiscal plan](#) that ensures continued fiscal discipline.

The basis of government in America is our Constitutions. Any successful new financial plan requires that our State Constitution is functioning properly. Two parts are not: the existing constitutional appropriation limit and the existing constitutional budget reserve provision.

The Senate Finance Committee's new fiscal plan will limit the expansion of government spending through the adoption of [Senate Joint Resolution 23](#), which revises the existing constitutional appropriation limit. This provision currently limits state spending to about \$6 billion; however the state currently only spends about \$3 billion. This enormous appropriation limit occurred because of a built-in escalator clause for inflation and population. To correct this, SJR 23 proposes to base any allowable increases on the previous year's budgets and to limit those increases to only 2 percent.

The [constitutional budget reserve](#) language of the Constitution works well as a fiscal shock absorber, but it is not working as intended to control spending. The original intent of the House Republicans who proposed the CBR was that funds could be withdrawn with a simple majority vote to cover a budget deficit as long as current spending did not exceed the previous year's spending. However, a three-quarters vote of the legislature would be necessary to withdraw any funds *in excess* of the previous year's spending.

In 1994, the [Alaska Supreme Court misinterpreted this provision](#) to require the three-quarters vote to withdraw *any* funds from the CBR. Subsequently, small groups of legislators can "blackmail" the majority and hold the budget hostage. These legislators can trade their votes, which are crucial to withdraw CBR Funds, in exchange for additional spending. *We estimate the cost this year to access the CBR with the three-quarters majority vote to balance the budget was nearly \$150 million.*

[SJR 24](#) corrects this imbalance by proposing a Constitutional Amendment that makes a three-quarter vote unnecessary when spending does not exceed the previous year's. This would encourage fiscal discipline and make it more difficult to increase state spending.

If these resolutions pass, the amendments will be placed on the next state general election ballot in Fall 2002. Both these proposed Constitutional amendments have already passed the Senate

and hearings have begun in the House. The Senate Finance Committee's plan also includes seven other fiscal gap reducing proposals, three of which have already passed the Senate.

The past six years of fiscal discipline and budget reform by the Republican-led majority has established a strong fiscal foundation for Alaska. The next step is to build on that foundation by repairing our state Constitution to reasonably limit state government growth and to restore the original intent of the CBR.

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