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Senate Passes Cornerstone of Long-Range Plan **Resolutions Propose Change in CBR Vote, Constitutional Spending Limit**

(JUNEAU) – The Senate took dramatic steps to limit state spending and improve the appropriations process with two constitutional amendments it passed to the State House on Friday.

“These two constitutional amendments make necessary changes to how we appropriate and spend money,” said Sen. Dave Donley, (R-Anchorage), chair of the Senate Finance Committee. “They are essential cornerstones of any new long-range fiscal plan.”

Senate Joint Resolution 23, sponsored by Donley, will limit the growth of state government and force the state to reduce non-essential spending by lowering Alaska’s constitutional spending limit.

“This limit has never accomplished what it was designed to do – keep a rein on spending,” said Donley. “I drafted SJR 23 create a lower, reasonable spending limit that will actually prevent future unnecessary spending.”

Currently the limit is over \$6 billion. That is double the state’s current operating and capital expenditures. SJR 23 lowers the current constitutional appropriation limit by about \$3 billion to approximately \$3.1 billion. It also prohibits future Legislatures from exceeding the limit by more than half of the annual increase in population levels and the consumer price index.

The resolution also clarifies what appropriations do not apply to the limit, including appropriations to: the Permanent Fund and Permanent Fund dividends; the Alaska Railroad Corporation; federal funds; or to cover the cost of natural disasters.

“Another flaw the present Constitution is the arbitrary requirement that the Legislature must appropriate one-third of total state spending to the capital budget,” said Donley. “A court decision made this existing provision unenforceable. SJR 23 removes this confusing and useless provision.”

Senate Joint Resolution 24, sponsored by the Senate Finance Committee, contains a Constitutional amendment to help impose fiscal discipline on the state budget process by restating the original intent of how the Constitutional Budget Reserve (CBR) was supposed to function.

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In response to projected declines in state revenues, the Legislature created the CBR in 1990, and funded it with the settlements from several long-standing oil tax disputes. The fund has been used in recent years to help cover the gap between revenues and expenditures in the state’s budget.

“The CBR amendment was intended to allow funds from the CBR to be used by a simple majority vote when the state was not spending more than the previous year,” said Sen. Dave Donley (R-Anchorage), co-chair of the Senate Finance Committee. “The Alaska Supreme Court misinterpreted this provision and decided in *Hickel v. Cowper* that a three-quarters vote of the Legislature was required to appropriate any CBR funds. This created a situation in which a small minority of legislators can hold the budget hostage to force increased spending.”

SJR 24 corrects this situation by allowing CBR funds to be used by a simple majority vote for spending that does not exceed the previous year. Any increased spending would require a three-quarter vote to appropriate funds from the CBR.

“The changes made under SJR 24 would promote fiscal discipline and provide a more efficient budgetary process while continuing to protect the CBR from unnecessary spending,” said Donley.

Both resolutions passed the Senate with a vote of 14 – 6, and are now in the House waiting to be heard in committee. If signed into law, they would place the proposed amendments before voters in state’s next general election.

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