

Sponsor Statement for HCS CS SJR 23 (Jud) Constitutional Amendment: Appropriations and Spending Limits

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit and a spending limit.

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The Senate Finance Committee believes adoption of an effective, reasonable constitutional spending limit to be an essential first step to developing any new long-range fiscal plan for the state.

House Committee Substitute to Committee Substitute for Senate Joint Resolution 23 (Jud) would amend Article IX, sec 16 of Alaska's Constitution by lowering the existing appropriation limit to better reflect Alaska's current revenue picture. Passage of HCS CS SJR 23 (Jud) would ensure a limit on the growth of state government and force the state to further reasonably reduce non-essential state spending.

The existing constitutional appropriation limit, adopted by voters in 1981, has not worked as anticipated and has never been effective in restraining state spending. A main reason for its failure is that the starting amount of \$2.5 billion was too high and its escalator factor based on population and inflation was too liberal. In fact, 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. That is about \$3 billion more than general fund spending in Fiscal Year 2002. This resolution would more accurately reflect today's spending by amending the existing appropriation limit.

The appropriation limit proposed by HCS CS SJR 23 (Jud) is based on a non-cumulative amount appropriated from two years prior and would allow for up to a 2% increase per year (4% total) upon a simple majority vote. An additional 2% may be appropriated bringing the total to 6%. This additional 2% would require a two-thirds vote of both houses. Yet another 2% may be appropriated bringing the total allowable increase to 8%. This last 2% increase would require a three-fourths vote of both houses. The next year's appropriation limit would be based on the portion of the budget passed with a simple majority vote. If, for example 6% more was appropriated for FY08 than FY 06, the FY08 limit would be based on the original 4% increase that passed with a simple majority, not the full 6%.

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.

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A transitional section in the resolution sets the FY 04 spending limit at \$3,328,000,000 (derived by increasing the rounded FY 02 amount of \$3.2 billion by 4 percent). This amount may be increased by 2% with a 2/3 vote and an additional 2% with a 3/4 vote. The FY 05 spending limit is set at \$3,394,000,000 (derived by increasing the FY 04 limit by 2% and rounding down). Setting specific amounts for the first two years the new spending limit is in effect allows this legislature to consider FY 02 supplementals and the FY 03 upcoming budget requests without debating how they might possibly effect FY 04 and FY 05 budgets.

The existing provision that one-third of the budget be appropriated for capital expenditures is also removed in HCS CS SJR 23(Jud). 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.

House Committee Substitute to Committee Substitute for Senate Joint Resolution 23 (Jud) simplifies and clarifies exactly what spending counts towards the appropriation limit, something that is not clear in the existing constitutional language.

Without a meaningful constitutional amendment in place 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.