

# Sponsor Statement HCS CS SJR 24 (Jud)

## Amend Constitutional Budget Reserve Fund

### “Proposing amendments to the Constitution of the State of Alaska relating to the budget reserve fund”

House Committee Substitute for Committee Substitute for [Senate Joint Resolution 24](#) (Jud) would amend [Article IX, Section 17](#) of the Alaska Constitution to promote fiscal discipline and provide a more efficient budgetary process. It also restores the original intent of the existing provision as approved by the voters in 1990.

This resolution changes the conditions under which withdrawals from the Constitutional Budget Reserve (CBR) may be made by specifying that when appropriations for a fiscal year are greater than the revenues for that same fiscal year, a limited withdrawal from the CBR may be made with a simple majority vote. The existing trigger comparing revenues in a current year to appropriations in a prior year has little to do with determining whether a fiscal gap exists and how large it may be. The revised trigger, based on revenues and appropriations for the same year provides a more valid indicator of a fiscal gap.

Second, this resolution limits the amount that may be withdrawn with a simple majority vote. A CBR withdrawal may not be more than the difference between the current year’s revenues and the prior year’s appropriations and may only be used for appropriations from the unrestricted general fund. **Amounts withdrawn in excess of that limitation or for any other purpose still requires a  $\frac{3}{4}$  vote.**

These changes restore the original intent of the existing constitutional provision that the CBR cannot be used for any more than the level of the prior year’s appropriation without a  $\frac{3}{4}$  vote. This is the intent the voters approved in 1990 as evidenced by **both** the Lt. Governor’s and Legislative Affairs Agency’s explanation of the constitutional amendment and **both** the statement in support of and opposition to the ballot proposition creating the current constitutional provision published in the 1990 Election Pamphlet.

Definitions of the terms “amount available for appropriation” and “amount appropriated” are the root of problems with interpreting the existing CBR provision. The Alaska Supreme Court in [Hickel v Cowper](#) (1994) determined that “amount available for appropriation” was improperly defined in statute. This interpretation directly conflicts with the legislative and public intent of the  $\frac{3}{4}$  vote requirement. The Court interpretation now effectively requires a  $\frac{3}{4}$  vote to access the CBR for any amount no matter what revenues are. This has allowed a small number of legislators to “blackmail” the rest into increased spending each year. The revised language in SJR 24, in addition to the court decision, makes it clear that federal receipts, Permanent Fund Earnings (PFDs, inflation proofing and excess earnings) and the CBR balance are excluded from **both** definitions.

Third, the “sweep provision” contained in Section 17(d) of Article IX is repealed by SJR 24. Every year the legislature must reverse the existing language requiring funds to be swept into the CBR to avoid emptying state accounts. This reverse requires a  $\frac{3}{4}$  vote. Without passage of SJR 24, **even if the CBR were drained, the sweep provision would remain and have to be addressed every year.**