

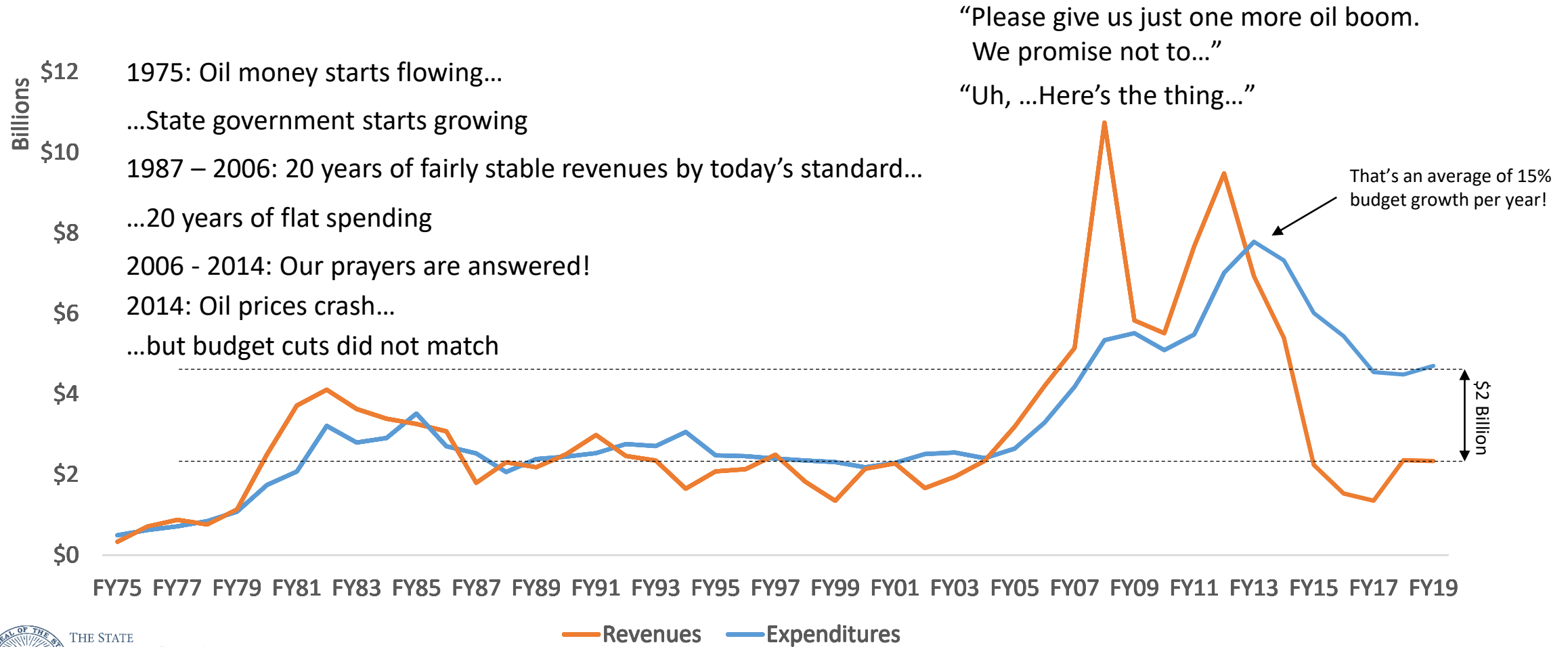
State of Alaska Department of Law

Constitutional Amendments



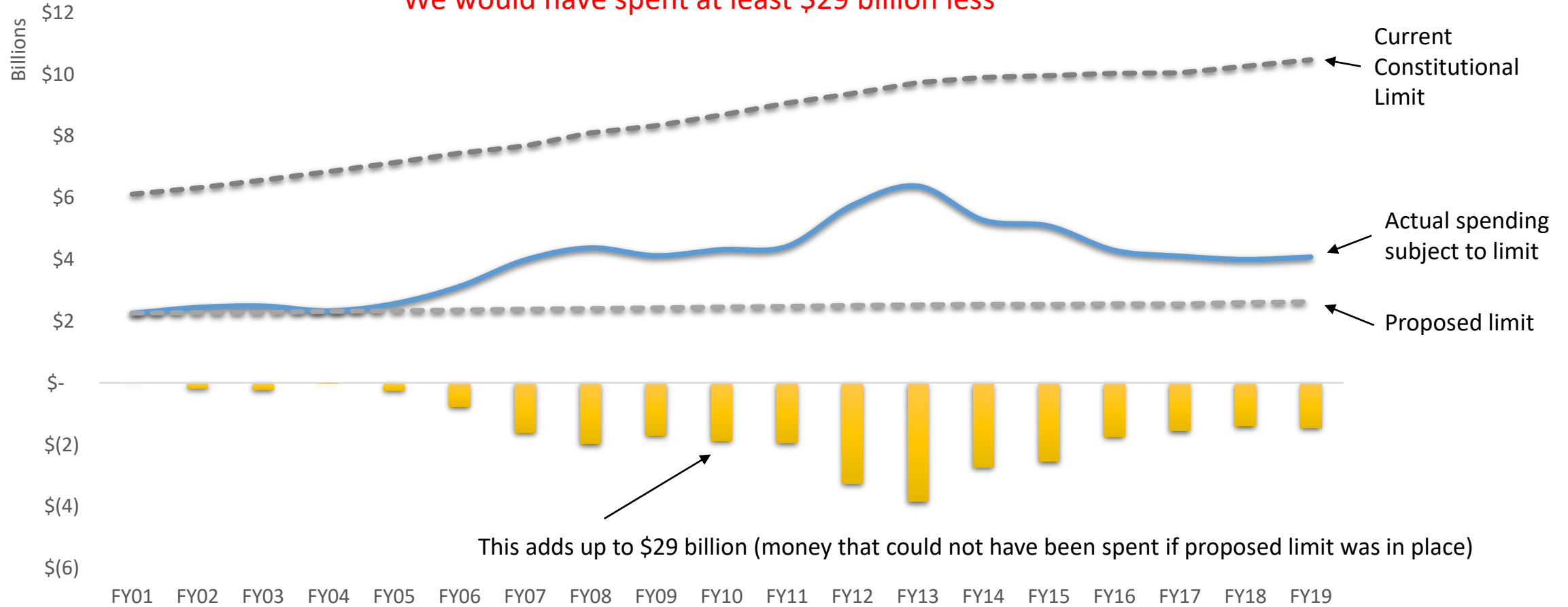
THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Alaska Revenue and Spending History



What if the Proposed Spending Cap Passed 20 Years Ago?

We would have spent at least \$29 billion less



This adds up to \$29 billion (money that could not have been spent if proposed limit was in place)

Appropriation Limit (SJR 6/HJR 7)

- Current appropriation limit is so high the limit is never met
- Constitutional Amendment changes the current appropriation limit to be more meaningful and impactful over time
- Deposits excess revenues annually into savings
- Limits spending from the Constitutional Budget Reserve Fund

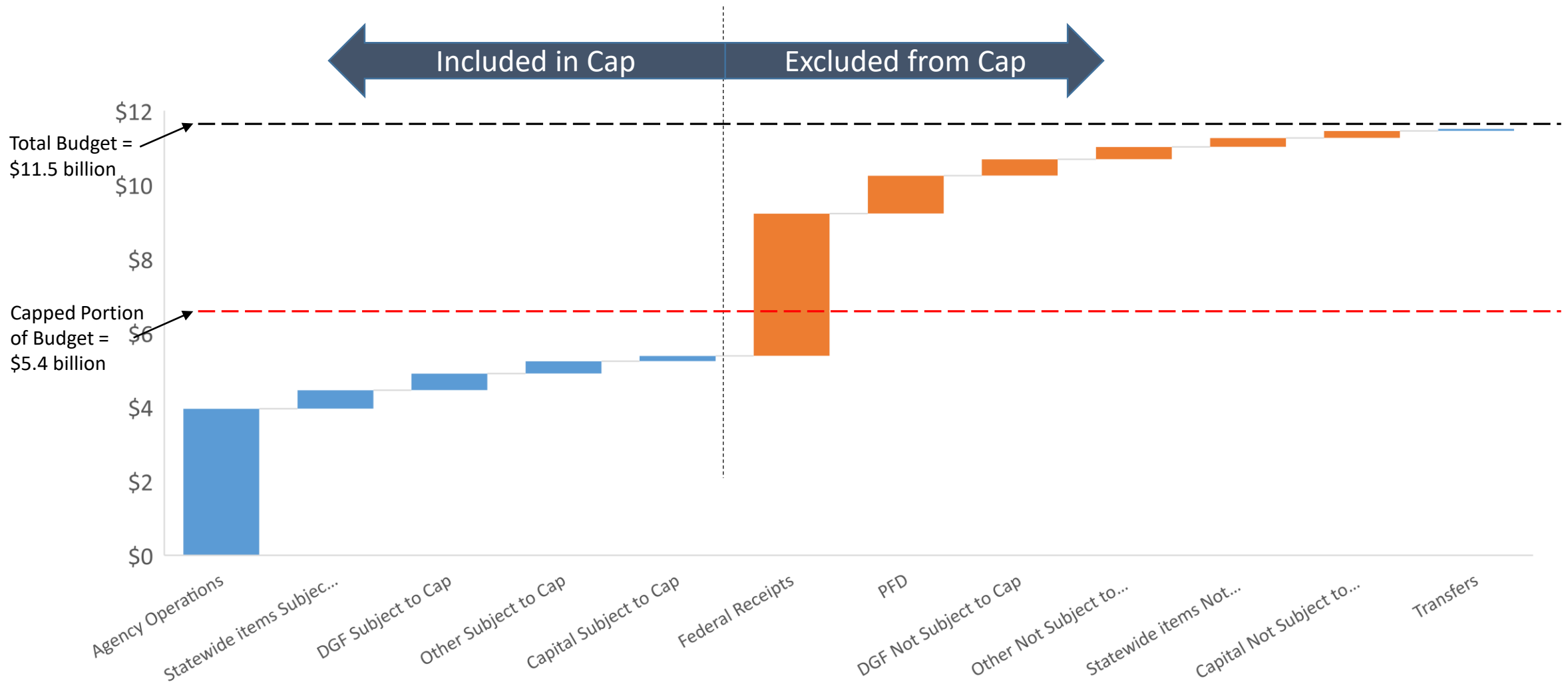
Appropriation Limit: Calculation

- Starting point is the average of the last three years appropriations.
- Growth rate can never exceed 2% (or 50% of population plus inflation, if lower than 2%).

Appropriation Limit: Exceptions Outside the Limit

- Exceptions include: permanent fund dividends, money for disasters, obligations and proceeds from bonds.
- Most substantial change from existing exceptions--capital spending is not an exception and falls within the appropriation limit cap.

Illustration of Total Budget and Appropriation Limit



Appropriation Limit: Excess Revenues Waterfall

Total amount in general fund that is “unexpended, unobligated, and unappropriated” (i.e., excess revenues)

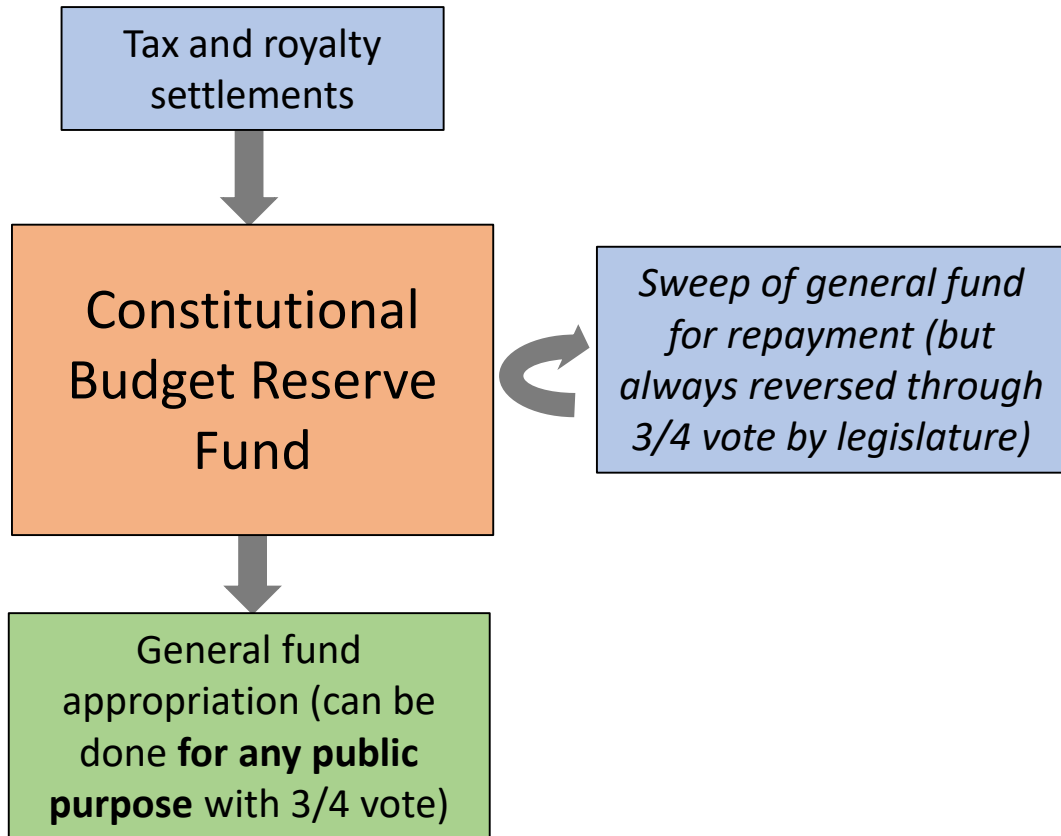
Priority #1: Pay back the permanent fund principal 50% of the income that was deposited into the ERA that fiscal year

Priority #2: *[if money remains after priority #1]* Get CBR balance up to appropriation limit

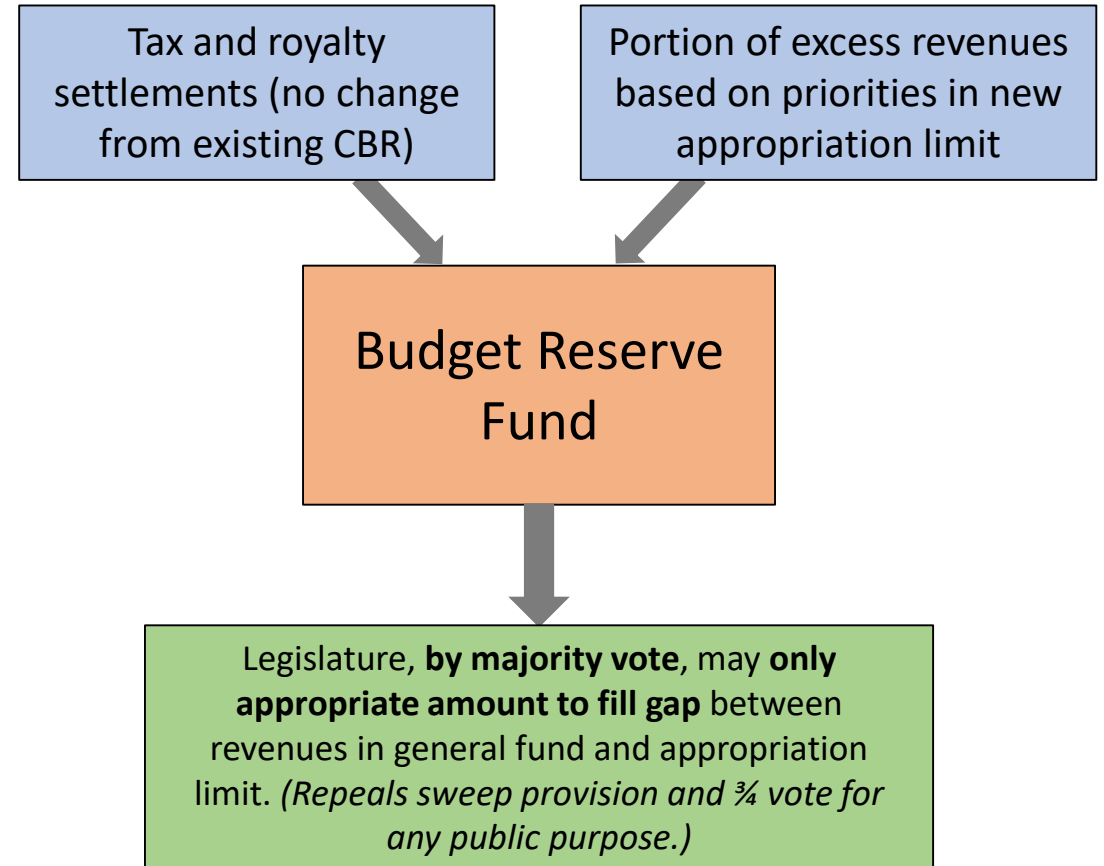
Priority #3: *[if money remains after priority #2]* Put money into permanent fund principal to continue growing the fund

Appropriation Limit: CBR Changes

Existing Budget Reserve Fund



New Budget Reserve Fund



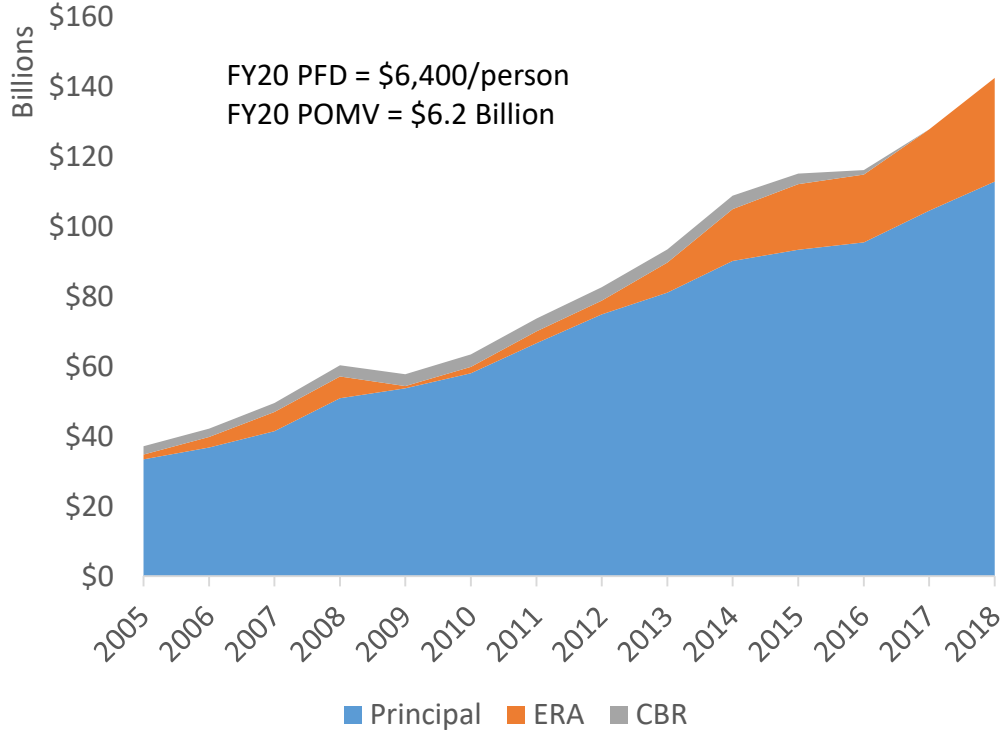
Appropriation Limit – Legislative Changes

- Growth rate has been changed to the five year average of Anchorage Consumer Price Index; eliminated cap of 2%.
- Combined two exceptions into one—ensures that money received in trust (federal receipts, Mental Health Trust Authority receipts, certain revenues by public corporations, etc.) are outside of the limit
- Allows spending on capital improvements outside of the appropriation limit, but cannot exceed 10% of the amount of the limit (*Governor does not support this change*)

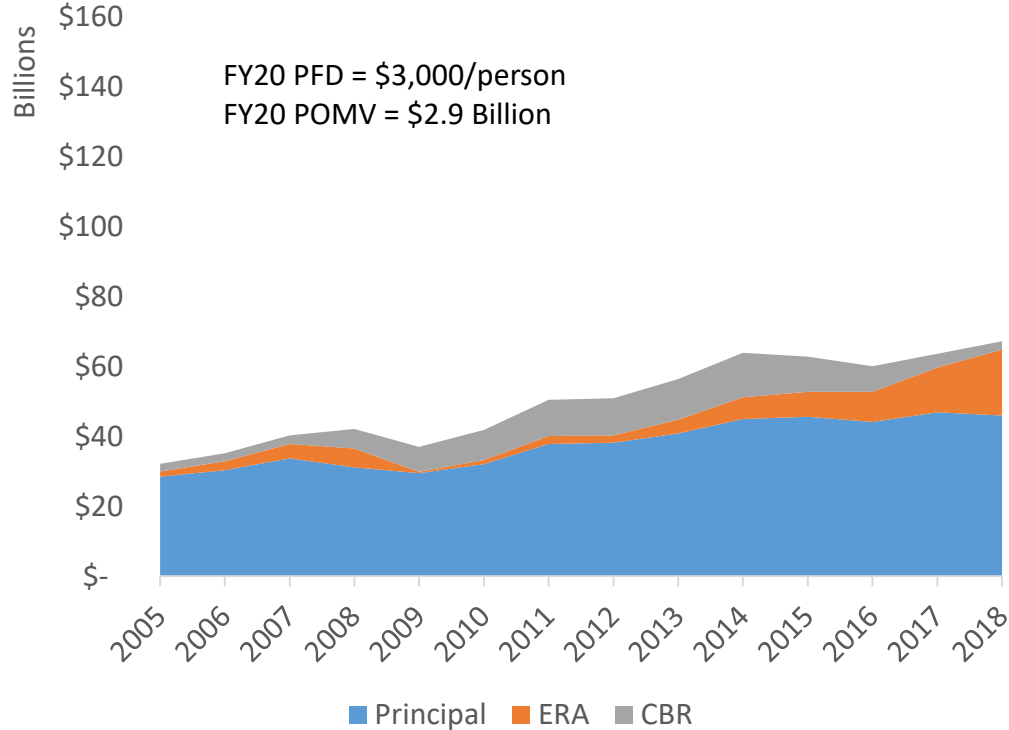
What if the Proposed Spending Cap Passed 20 Years Ago?

We would be having very different conversations

With Proposed Spending Limit*



Current Situation



*The amendment limits the Balance of the CBR to one year's spending



Permanent Fund (SJR 5/HJR 6)

- Alaska's PFD program is unique to the United States and allows Alaskans to share in the State's resource wealth.
- **“Absent another constitutional amendment,** the Permanent Fund dividend program must compete for annual legislative funding just as other state programs.” *Wielechowski v. State*, 403 P.3d 1141, 1152 (Alaska 2017).

Permanent Fund: Require PFD Payment

- Establish in the Constitution the right of Alaskans to receive a PFD
- Mandate the annual payment of a PFD; no appropriation required

Permanent Fund: Change to PFD

- Allows legislature to change the amount and eligibility requirements for PFD, but only if ratified by the people

Permanent Fund: Legislative Change

- Allows legislature to provide for a special effective date upon passage (if concurred in by 2/3 of the members of each house), so long as it is later than the 90 day default effective date

Taxes (SJR 4/HJR 5)

- Currently, taxes can be increased and new taxes can be established by the legislature and the governor with no involvement of the people
- The amendment will make sure the people and the legislature both have a say by **requiring voter and legislature approval** for any new or increased tax

Taxes: Legislature and Voter Approval

- Legislature – No new state tax or increase in the rate of any existing state tax unless approved by the people in the next statewide election
- Initiative – No new state tax or increase in the rate of any existing state tax, unless, after passed by the voters, the legislature approves by adjournment of the next regular session

Taxes: Legislative Changes

- Allows legislature to provide for a special effective date upon passage (if concurred in by 2/3 of the members of each house), so long as it is later than the 90 day default effective date