

Fund Source Report

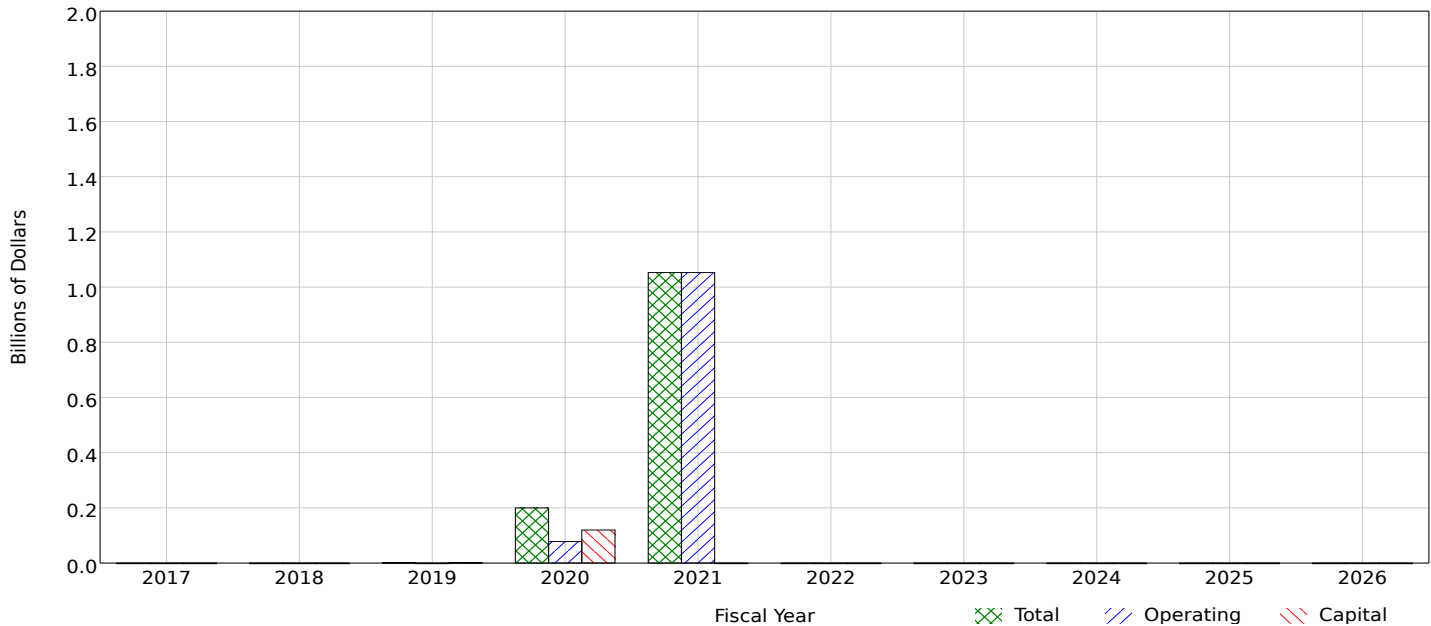
1001

CBR Fund

Constitutional Budget Reserve Fund

Year Authorized 1990 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Unrestricted General

Operating and Capital Appropriations



Legal Authority

Art. IX Sec. 17 of the Alaska Constitution

Source of Revenue

Proceeds (except those dedicated to the Permanent Fund) associated with disputes regarding mineral taxes and other mineral revenue. Income of the fund.

Restrictions on Use

If the amount available for appropriation for a year is less than the amount appropriated in the previous fiscal year, money may be appropriated from the CBRF with a simple majority vote as long as total appropriations do not exceed total appropriations for the prior year. Money may be appropriated for any public purpose with a 3/4 vote of each house.

Description and History

Article IX, section 17 of the Alaska Constitution became effective on January 2, 1991. It
 (1) establishes the constitutional budget reserve as a separate fund in the state treasury,
 (2) provides for the deposit of disputed, undedicated mineral tax and mineral revenue into the fund,
 (3) establishes limitations on the appropriation of moneys from the fund, and
 (4) requires that amounts withdrawn from the fund be repaid from year-end general fund surpluses.

An appropriation from the constitutional budget reserve fund by simple majority is allowed (in limited amounts and under limited circumstances) under section 17(b). The amount projected to be available for appropriation (which includes the Permanent Fund Earnings Reserve Account) in a budget year typically exceeds the amount appropriated in the prior year. This condition precludes access to the CBRF with a simple majority vote. Section 17(b) was applied during the FY04 budget process. Typical access and sweep reversal language was adopted (for FY04) during the FY05 budget process.

A 3/4 vote of each body of the legislature can appropriate money from the CBRF for any purpose under section 17(c). Section (c) allows use of CBRF withdrawals to supplement (or replace) any fund source, but language appropriating CBRF funds (other than for management fees) typically limits withdrawals to "the amount necessary to balance revenue and general fund appropriations."

Money may be borrowed (and repaid) within a fiscal year to meet cash flow requirements of the General Fund (GF). Per DOR policy, withdrawals are in multiples of \$50 million and occur whenever the GF balance is below \$150 million for three consecutive days. Repayments are made when the GF balance is projected to exceed \$300 million for the following four months.

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Money swept into the CBRF under section (d) has historically (except FY04) been returned immediately to the subaccounts from which it was swept. This has been accomplished by "reverse sweep" provisions incorporated into annual appropriation bills. The reverse sweep requires a 3/4 vote. The FY04 reverse sweep occurred late in the fiscal year as part of the FY05 CBRF supermajority vote negotiations. The reverse sweep typically does not apply to the main account of the GF.

Only direct, specific appropriations from the CBR use fund code 1001; withdrawals that fill GF shortages are reported as general fund appropriations.

September 2011

With the full repayment of the GF liability to the CBR in FY10, GF balances will not be swept to the CBRF at year end unless there is additional borrowing from the fund. Management fees now come from the GF to avoid opening up new liability.

The CBRF will now be reported as Other funds instead of being classified in the GF group. It was classified as GF until a section for transfers was added to the fiscal summary because there was no simple way to show money moving between the CBRF and GF. Open-ended appropriations from the CBRF (to fill a fiscal gap) will now show as transfers from other funds to UGF on a line following the annual surplus/deficit. Direct appropriations from the CBRF will be coded to 1001 and appear in the "other funds" column and on page 2 of the fiscal summary as a reduction in savings balances.

June 2014

A \$3 billion appropriation from the CBRF in FY15 went to retirement reserves--\$2 billion to TRS and \$1 billion to PERS. That amount included about \$700m in required contributions.

August 2019

Classifying direct CBRF appropriations as other funds while classifying indirect appropriations as UGF is more confusing than informative and distorts comparisons across fiscal years. For example, using the CBRF (as "other funds") for capital projects in the FY20 budget reduces the size of the FY20 UGF budget and will either encourage continued avoidance of UGF for capital projects or distort comparisons of FY20 and FY21 UGF budgets.

Both direct and indirect appropriations from the CBRF have the same impact on reserve balances and, arguably, should have the same impact on the common sense definition of the deficit. Based on the contention that legislators and the public would better understand budgets in which use of the CBR is treated consistently, the CBRF is now classified as a UGF fund code and appropriations from the CBRF will appear as UGF in all reports.

The fiscal summary will now show an increase in the pre-transfer deficit as a result of direct CBRF appropriations--UGF revenue will be unchanged while UGF appropriations increase. The amount of direct appropriations will also appear as a transfer from savings. The reserve balances portion of the fiscal summary will differentiate direct CBRF appropriations from indirect (backfill of UGF) use of the CBRF.