



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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February 22, 2021

The Honorable Mike Shower
Chair, Senate State Affairs Committee
Alaska State Senate
Alaska State Capitol
Juneau, AK 99801

Dear Senator Shower,

I am writing in response to the Senate State Affairs hearing on February 4, 2021. Below are the questions asked of SJR 5 and SJR 7 and our answers in italics.

Is the CBR payback liability considered by credit rating agencies?

Credit rating agencies are generally aware of the payback obligation to the constitutional budget reserve. But they raise the issue only intermittently. Changes to the CBR payback obligation likely have a less material impact on the State's credit rating than other issues such as the State's inability to address its long-term fiscal gap.

What is the experience in other states with taxpayer approval of tax measures?

Attached is the voter history for Colorado and Missouri. These are just the state level ballot measures. California and Washington have constitutional requirements for local level taxpayer approval. I didn't attempt to track down that history. There is a note on the Washington tax website that 75% of recent "levy lid lifts" have been approved at a local level.

How would SJR 7 affect the existing provision in Art. IX, sec. 1 that "[t]he power of taxation shall never be surrendered?

"This power shall not be suspended or contracted away, except as provided in this article." This existing provision limits the ability to suspend or contract away the state's taxation power. It would not be changed. Instead, SJR 7 addresses a different issue: the process by which a new state tax is enacted. Currently, either the legislature or the voters through an initiative have the authority to enact taxes. Under SJR 7, both the legislature and the voters would have to agree to enact a new state tax.

Sincerely,

Handwritten signature of Mike Barnhill in black ink.

Mike Barnhill

Deputy Commissioner

cc: Miles Baker, Legislative Director, Office of Governor Mike Dunleavy