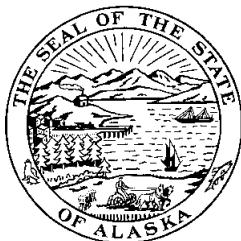


ALASKA STATE LEGISLATURE

Interim – May-December:
1292 Sadler Way Rm.
Fairbanks, AK 99701



Session – January-April:
State Capitol
Juneau, AK 99801
907-465-3004

Representative Will Stapp

Committee Follow-up for HJR 2/HB 38 – HJUD 2/15/23 Hearing
HB 38 - "An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; and providing for an effective date."
HJR 2 – "Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit."

Rep. Vance

Q: What If the federal bureau stopped economic analysis on GDP what would happen to this portion of our constitution?

A: Upon further investigation into the language as proposed we understand the issues that are being addressed with this question. After our discussions with the Legislative Legal Division, we feel an amendment to this section of HJR 2 and HB 38 would ensure that the data can still be provided without being tied to a specific organization or bureau.

Rep. Eastman

Q: If we were to pass this today, and this were to go into effect immediately, it would be looking ahead to whatever situation existed the same time difference between now, and the fiscal year that began in 2020, ahead to that time, whatever changes, inflationary pressure were to take place today and that number of years in the future, we would have to forecast and anticipate, because that data isn't available to that. Is that correct?

A: In a response to this question we had incorrectly stated on the record that "inflation as a metric is not included in the cap proposal", GDP is a holistic measurement of economic drivers, inflation being one, and therefore inflationary difference between years would affect the cap as proposed. However, not as much as it would if inflation was the singular or primary metric.

Q: Since we have such a period of time between our voting to pass something now, and it being put into effect, the calculation taking place and it being effective; doesn't it seem just a little bit reckless to take the spending cap as it is right now, which does index for inflation, remove the inflation adjustment entirely and hope for some time in

the future that we won't have more inflation, which of course would effectively make the spending cap even lower than it already is?

A: Since the calculation of GDP factors in inflation, the spending cap as proposed would not remove the inflation adjustment entirely as stated in the question.

Q: How is it calculated under this cap that's proposed? \$393 million, supplemental request, was the number I saw. But then does that get put on last year's tab so to speak for calculation or does that go on this year's tab or how does that work?

A: Upon further investigation into the language as proposed we understand the issues that are being addressed with this question. After our discussions with the Legislative Finance Division and Legislative Legal Division, we feel an amendment to this section of HB 38 would assist in clarifying the timeline for preparing the budget and we are open to further discussion on how to present that. Such examples would include the amendment of "for a fiscal year" versus "in a fiscal year".

Q: The calculation by which we determine what the domestic amount is, obviously that's going to take some time to collect the data, calculate that amount, at what point will the legislature have a final dollar number based on the calculation that they can then match their current appropriation process against?

A: Upon further investigation into the language as proposed we understand the issues that are being addressed with this question. After our discussions with the Legislative Finance Division and Legislative Legal Division, we feel an amendment to this section of HJR 2 and HB 38 would assist in clarifying the timeline for the collection of data and we are open to further discussion on how to present that. An example would be amending the timeline in which the data is collected from "5 previous fiscal years" to "5 previous calendar years of available data".

Rep. Groh

Q: Does it bother you why you decided to put in this session for capital projects when it's the capital projects that make it easier. It's the operational expenses that a lot of constituents of mine and other legislators are concerned about, for example K-12 spending this year. Does it create a bias for capital spending over our personal spending in the future?

A: We wanted to clarify that capital spending is included under the proposed cap. However, capital projects which include a federal spend or that are funded through a GO bond are exempt from the cap. Therefore any bias towards capital spending not covered under the cap would be among the will of the people and not necessarily of the legislature. Furthermore, we factored in the outcome of a 2020 Alaska Supreme Court case, *Forrer vs. State* which held, in essence, that the legislature's provision of subject-to-appropriations bonds without Alaska voters' authorization was unconstitutional.

Q: There are more exceptions in the proposed statutory limits specifically regarding the mental health trust. I wanted to know more about that.

A Please see below for the explanation of the two differences.

Statutory Exceptions:

- Appropriations made to the mental health trust fund (AS 37.14.031)
 - o The resolution also includes this as an exception through the language “appropriations to a state account or fund that requires subsequent appropriation from that account or fund as prescribed by law”
- Appropriations from the mental health trust settlement income account (AS 37.14.036)
 - o This exception was added as an attempt to settle litigation related to the ‘Weiss v State’ lawsuit. This language is currently the only difference in exceptions to the appropriation limit. At this stage it would be the sponsor’s preference to make the exceptions list for the resolution and the bill the same. However, we have been advised by the Legislative Legal Division that removing these statutory exceptions may violate the settlement agreement set out in Weiss v State and result in additional litigation.