

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

April 18, 2005
8:32 a.m.

MEMBERS PRESENT

Representative Bruce Weyhrauch, Chair
Representative Ralph Samuels
Representative Paul Seaton
Representative Peggy Wilson
Representative Max Gruenberg
Representative Carl Moses

MEMBERS ABSENT

Representative Norman Rokeberg

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 3
Proposing amendments to the Constitution of the State of Alaska
relating to appropriations from the budget reserve fund.

- MOVED HJR 3 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HJR 3

SHORT TITLE: CONST AM: BUDGET RESERVE FUND APPROPS.

SPONSOR(S): REPRESENTATIVE(S) ROKEBERG

01/10/05	(H)	PREFILE RELEASED 1/7/05
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	W&M, JUD, FIN
04/18/05	(H)	W&M AT 8:30 AM CAPITOL 106

WITNESS REGISTER

HEATHER NOBREGA, Staff
to Representative Rokeberg
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the sponsor of HJR
3.

ACTION NARRATIVE

CHAIR BRUCE WEYHRAUCH called the House Special Committee on Ways and Means meeting to order at [8:32:42 AM](#). Representatives Weyhrauch, Samuels, Wilson, Seaton, and Moses were present at the call to order. Representative Gruenberg arrived as the meeting was in progress.

HJR 3-CONST AM: BUDGET RESERVE FUND APPROPS.

[Contains discussion of HJR 12]

[8:33:08 AM](#)

CHAIR WEYHRAUCH announced that the only order of business would be HOUSE JOINT RESOLUTION NO. 3, Proposing amendments to the Constitution of the State of Alaska relating to appropriations from the budget reserve fund.

CHAIR WEYHRAUCH explained that HJR 3 is an alternative [proposal] to deal with the constitutional budget reserve (CBR) by deleting Article IX, sections 17(b) and (c) of the Constitution of the State of Alaska, which is essentially the three-quarter vote requirement.

[8:34:28 AM](#)

REPRESENTATIVE SEATON asked if the effect of HJR 3 would be to roll the CBR into the general fund (GF).

[8:34:46 AM](#)

HEATHER NOBREGA, Staff to Representative Rokeberg, Alaska State Legislature, explained that the effect of the resolution is to eliminate the three-quarter vote currently required to access the CBR.

[8:35:24 AM](#)

REPRESENTATIVE SEATON clarified that his question was regarding the "practical effect" of how this resolution will deal with [the CBR] any differently than the GF. He opined that it seems as though money is available for the same usages with the same vote potential. He added that the earnings of the permanent fund are available by a 51 percent vote, although it has "fences around it, political fences if nothing else."

CHAIR WEYHRAUCH related his belief that this resolution creates a budget reserve in the constitution that will appropriate funds to cover budget issues without the requirement of a three-quarter vote. He noted that the budget reserve fund will still be funded from oil and gas litigation settlements, and 51 percent of the vote allows the legislature to draw from it.

[8:36:35 AM](#)

REPRESENTATIVE SAMUELS related that this resolution still requires a "separate vote" to tap into the budget reserve and rolling the funds into the GF would still reflect that [particular draw].

CHAIR WEYHRAUCH opined that the political debate will be over the legislature choosing to spend the reserve fund instead of other options such as cutting spending or raising taxes.

[8:37:13 AM](#)

REPRESENTATIVE WILSON inquired as to the reasoning behind repealing the three-quarter vote.

REPRESENTATIVE SAMUELS highlighted that the job of the legislative majority is to set the agenda and budget. In Alaska, the legislative majority sets the agenda and decides what policy measures to put forward. However, it doesn't set the budget. He recalled that this three-quarter vote requirement was established when the Republicans were in the minority and the party wanted a "lever to keep the budget down." The shift in parties comes with it the "frustration" of the majority, because a small minority of "11" could hold hostage the entire budget process, he said.

MS. NOBREGA characterized the aforementioned statements as the sponsor's intent.

[8:39:19 AM](#)

REPRESENTATIVE WILSON read the following from the sponsor statement:

While the 3/4 vote enhances the power of the minority, it works most effectively if they want to increase the budget. If those in the minority have the goal of

budget reduction, the 3/4 vote provides them with little or no power.

REPRESENTATIVE WILSON opined that the public will need to be educated on the aforementioned, although she felt that the chances of that happening are slim.

CHAIR WEYHRAUCH opined that the public may not appreciate the nuances associated with the CBR, but they certainly understand a bank account to "pay bills." This resolution is something that will allow easier access to "pay bills" and eliminates the "political game," he added.

[8:41:07 AM](#)

REPRESENTATIVE SEATON agreed with Representative Wilson that [the public] may have a hard time deciphering the objective of this resolution because the legislature continuously draws from the CBR. He related his understanding that the intention is to convert the CBR into a cash flow account. Representative Seaton opined that if HJR 12 and HJR 3 moved forward in tandem, it would seem that the CBR, without the three-quarter vote, could serve as a cash reserve account.

[8:43:45 AM](#)

CHAIR WEYHRAUCH asked if the Department of Revenue could detail the balance of the CBR since its institution and the amount of the annual draws from it. He also asked if the department has estimated the potential litigation revenues to the CBR should the Stranded Gas Act or [drilling in the] Arctic National Wildlife Refuge (ANWR) move forward.

MS. NOBREGA said she would obtain the requested data.

[8:44:36 AM](#)

REPRESENTATIVE SAMUELS commented that this is a simple philosophical question. Currently, the situation is such that seven people could control the entire state budget, which isn't the way democracy works. Democracy is supposed to be such that the majority rules and there are protections for the minority.

CHAIR WEYHRAUCH acknowledged the rebut that there is the tyranny of the majority.

[8:45:48 AM](#)

REPRESENTATIVE GRUENBERG related his belief that the question is the balance of the government. He said that the [three-quarter vote] is one of the "few real checks on the power of the majority in this chamber." This system may sometimes make things more difficult and it wasn't designed to be easy, but rather it was designed to be balanced, he said. Representative Gruenberg then stated that he wouldn't support HJR 3.

[8:47:42 AM](#)

REPRESENTATIVE WILSON recalled that [the 1999 vote regarding the use of the permanent fund] immobilized actions of the legislature due to the lack of public education on the issue. She related her belief that the legislature is obligated to educate the public on issues it places before voters otherwise the [same impact as occurred in 1999] could result.

[8:49:27 AM](#)

REPRESENTATIVE GRUENBERG related his belief that should the public become educated [about HJR 3] they wouldn't like it because they understand the need to have both sides balance the system.

[8:50:50 AM](#)

REPRESENTATIVE SEATON said this is a constitutional amendment so it goes to a vote of the people. He reiterated that this resolution provides a mechanism for the CBR to become a cash balance fund, which was the missing mechanism in HJR 12's proposed conversion of the CBR into a capital construction permanent fund.

[8:51:35 AM](#)

REPRESENTATIVE SAMUELS opined that the three-quarter number is "arbitrary," it could be any given percentage. He posed a situation in which the three-quarter vote was required to pass a bill, and thus seven people would be controlling the agenda as well as the budget. He highlighted that there are statutorily built-in "protections" for the minority, but still the job of a legislative majority is to set the budget, which doesn't occur currently. Furthermore, the CBR wasn't intended to be used as a steady cash flow or revenue source for GF expenditures on a yearly basis.

8:54:26 AM

REPRESENTATIVE WILSON opined that [HJR 3] isn't necessary [to have for] cash flow purposes because the CBR is being used for cash flow purposes now.

CHAIR WEYHRAUCH specified that it's the process related to the cash flow.

8:54:49 AM

REPRESENTATIVE GRUENBERG acknowledged that the minority isn't always right. He agreed with Representative Samuels that the CBR wasn't originally intended to be used on a yearly basis to balance the budget. Therefore, when the "minority says go slow" that is [the use for which] the framers of the [three-quarter vote] amendment intended. He further acknowledged that the three-quarter-vote designation was an arbitrary number, but said he viewed it as reasonable because it requires an "overwhelming" but not unreachable amount of votes. Representative Gruenberg said that he does take exception with the sponsor statement's accusation that the minority [with the use of the three-quarter vote] sought to increase the budget, rather he viewed it as the minority wanting to reallocate the budget "slightly." He opined that the minority wouldn't have objected to reducing other areas of the budget so that [there could be increases] in funding of areas such as education and living assistance.

8:58:03 AM

REPRESENTATIVE SEATON, returning to Representative Wilson's comments, acknowledged that the current CBR does function as a cash flow account. However, HJR 12 would eliminate the CBR by rolling its funds into a capital construction permanent fund, and therefore the state wouldn't have a cash flow account, which is necessary with or without the three-quarter vote.

REPRESENTATIVE WILSON commented that the CBR isn't the only possibility for a cash flow account because the legislature could establish its own account for [funding the budget]. She further commented that such would be wise because when [a fund is established in the constitution] it's locked up and the public wants to make the decisions, although they may not have all the information.

REPRESENTATIVE SEATON offered that the purpose of having a separate account from the GF is so that there's something set

aside as a cash flow mechanism because GF expenditures and revenues come in at different times.

9:00:56 AM

REPRESENTATIVE GRUENBERG recalled that HJR 12 would have also eliminated the three-quarter vote in addition to eliminating the CBR. In response to Representative Wilson, he said HJR 3 is encompassed within HJR 12, which does what HJR 3 proposes and more.

REPRESENTATIVE SAMUELS commented that this resolution is irrelevant if the CBR is eliminated.

CHAIR WEYHRAUCH explained that this is a parallel notion because HJR 3 maintains the CBR and HJR 12 eliminates it and creates a capital construction permanent fund.

REPRESENTATIVE SEATON disagreed that the resolutions are diametrically opposed because there needs to be a cash flow account, which HJR 12 doesn't address. He related his belief that HJR 12 needs to "meld" with something like HJR 3 because it establishes a cash flow account which is [crucial in order for the] state to function.

9:03:39 AM

REPRESENTATIVE GRUENBERG related, in regards to HJR 12, that he cannot support anything that eliminates the rights of the minority. He agreed that there are two different issues with these resolutions: "The question is do you want to limit it solely to capital or do you want it to be a cash flow available ... for options."

REPRESENTATIVE GRUENBERG said he would like HJR 3, like HJR 12, to be referred to the House State Affairs Standing Committee before its House Judiciary Standing Committee referral.

REPRESENTATIVE SAMUELS reviewed the committee referrals for HJR 3 and the fact that there are only 20 days left in this session, and commented that the resolution isn't on a fast track.

REPRESENTATIVE GRUENBERG highlighted that HJR 3 is a two-year resolution and thus can't pass this year anyway.

REPRESENTATIVE SAMUELS opined that the resolution has "plenty of eyes on it."

9:06:39 AM

REPRESENTATIVE SAMUELS moved to report HJR 3 out of committee with individual recommendations and the accompanying fiscal note.

REPRESENTATIVE GRUENBERG objected.

A roll call vote was taken. Representatives Samuels, Seaton, Wilson, and Weyhrauch voted in favor of HJR 3. Representatives Gruenberg and Moses voted against it. Therefore, HJR 3 was reported out of the House Special Committee on Ways and Means by a vote of 4-2.

9:08:10 AM

REPRESENTATIVE GRUENBERG made a motion that the committee recommend that prior to the referral to the House Judiciary Standing Committee that HJR 3 be referred to the House State Affairs Standing Committee.

9:08:37 AM

REPRESENTATIVE GRUENBERG withdrew his motion and requested that his recommendation for a referral to the House State Affairs Standing Committee be discussed with the sponsor.

ADJOURNMENT

9:08:49 AM

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 9:08 a.m.