

ALASKA STATE LEGISLATURE
SENATE JUDICIARY STANDING COMMITTEE

February 10, 2005

9:09 a.m.

MEMBERS PRESENT

Senator Ralph Seekins, Chair
Senator Huggins, Vice Chair
Senator Gene Therriault
Senator Hollis French

MEMBERS ABSENT

Senator Gretchen Guess

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 1

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit.

MOVED CSSJR 1(JUD) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SJR 1

SHORT TITLE: CONST. AM: APPROPRIATION LIMIT

SPONSOR(S): SENATOR(S) DYSON

01/11/05	(S)	PREFILE RELEASED 12/30/04
01/11/05	(S)	READ THE FIRST TIME - REFERRALS
01/11/05	(S)	JUD, FIN
02/08/05	(S)	JUD AT 8:30 AM BUTROVICH 205
02/08/05	(S)	Heard & Held
02/08/05	(S)	MINUTE(JUD)
02/10/05	(S)	JUD AT 8:30 AM BUTROVICH 205

WITNESS REGISTER

Senator Fred Dyson
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SJR 1.

Mr. Lucky Schulz
Staff to Senator Dyson

Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Commented on SJR 1 for the sponsor.

ACTION NARRATIVE

CHAIR RALPH SEEKINS called the Senate Judiciary Standing Committee meeting to order at [9:09:14 AM](#). Senators Huggins, French, Therriault and Chair Seekins were present.

SJR 1-CONST. AM: APPROPRIATION LIMIT

[9:09:14 AM](#)

CHAIR RALPH SEEKINS announced SJR 1 to be up for consideration.

SENATOR FRED DYSON, sponsor of SJR 1, said he prepared amendments for SJR 1 and they are incorporated in a CS, version F. One amendment on page 1, lines 8-9, says:

except as provided in this section, appropriations made for a current fiscal year shall not exceed the amount appropriated for the fiscal year two years preceding the current fiscal year by more than the product of that prior year's ...

The second change adds a new section on page 5, lines 7-10, as follows:

(m) If the legislature, by law, declares that an extraordinary circumstance exists, upon the affirmative vote of at least two-thirds of the members of each house, the legislature may pass an appropriation that exceeds the appropriation limit under this section to address the extraordinary circumstance.

CHAIR SEEKINS asked if the standard procedure applies by leaving language regarding vetoes and overrides out.

[9:11:21 AM](#)

SENATOR DYSON replied yes.

SENATOR HUGGINS moved to adopt CSSJR 1(JUD), version F.

CHAIR SEEKINS objected for purposes of discussion.

MR. LUCKY SCHULZ, staff to Senator Dyson, explained that language saying "for the current fiscal year" is used consistently throughout the rest of the document.

[9:12:17 AM](#)

CHAIR SEEKINS directed attention to page 4, line 27, and asked if there were questions.

MR. SCHULZ explained that subsection (m) was added to give the Legislature the ability to declare extraordinary circumstances.

[9:14:48 AM](#)

SENATOR FRENCH asked what is required to declare extraordinary circumstances. Does he envision one bill passing through both houses by a two-thirds majority and that bill would contain a declaration that there's an extraordinary circumstance?

SENATOR DYSON indicated yes, that he anticipates that the Legislature calls itself into session or, if it is in session, the bill is introduced. If the bill passes, then there is a declaration of extraordinary circumstances.

[9:15:44 AM](#)

SENATOR FRENCH clarified that it's one legislative vehicle that requires the appropriation.

SENATOR DYSON agreed and said, therefore, it is exempt from the constitutional limit on spending.

[9:16:08 AM](#)

SENATOR HUGGINS asked what, "(4) a plan for recovering the amount of money appropriated under this subsection." on page 5, lines 2-3, means.

MR. SCHULZ answered that the intent to provide for a plan to get back to a normal level of appropriations and expenditures when an extraordinary circumstance exceeds the limit.

For instance, if we're going to build a natural gas line, there's rationale for spending the money if in the future you see a return on the investment to get us back to a better situation. It is essentially saying you're going to have to demonstrate favorable return on the investment for that short-range circumstance.

[9:17:43 AM](#)

SENATOR HUGGINS asked if money was left over after going through the process, was there a process to deal with it.

MR. SCHULZ didn't believe so.

SENATOR THERRIAULT pointed out that operating appropriations couldn't live beyond the fiscal year; a capital appropriation generally has five years and then lapses to the general fund.

[9:19:47 AM](#)

SENATOR HUGGINS asked if this is not applicable to an emergency.

SENATOR DYSON replied that is right.

CHAIR SEEKINS said the plan may be to increase taxes or use funds from the earnings reserve. It doesn't mean that the plan has to be executed at that time.

MR. SCHULZ explained the plan is requirement so that the Legislature has a certain amount of information when it's declared.

[9:20:54 AM](#)

SENATOR HUGGINS said the computation language on page 2, lines 4-10 is simple, but he is concerned that it is a mushy process that would allow two different people to come up with two different solutions.

MR. SCHULZ replied that the data used is procured from various entities on a timely basis. It comes in at the same time as population and inflation data. Some of it comes from a federal agency and some from a state agency.

CHAIR SEEKINS said he thought it came from the Department of Labor and Workforce Development. He explained that the CPI may be a little more inflated because it is based on new construction rather than on the selling price of homes in the marketplace. Relating it to personal income is pegging it to the overall financial experience of the people in the State of Alaska.

SENATOR HUGGINS said his concern is that two different mathematicians could substitute language in their equation and come up with different answers when they should be the same.

CHAIR SEEKINS quipped, "I'm not sure we could ever do that."

[9:24:00 AM](#)

SENATOR DYSON explained that experts would provide that information to the Legislature; it would deliberate and have to agree on what the numbers are.

[9:25:01 AM](#)

SENATOR FRENCH asked for more information on the base number that will be used.

SENATOR DYSON said spirited discussions had taken place on what base number to use. They are moving away from using the rolling five-year average and started this year with the February 10 budget estimate and the PERS/TRS issue.

[9:26:52 AM](#)

SENATOR FRENCH said if this measure passes, it would be on the ballot in 2006. The Legislature would be working on the 2008 budget in the session of 2007 and it would then be using the spending cap. He asked if the theory would be to look back to 2006 as the base number.

MR. SCHULZ answered that an established number would be used for transitional purposes that give them the ability to look at the expected PERS/TRS needs and others like it.

SENATOR FRENCH asked what the number is for a frame of reference.

MR. SCHULZ replied that his crystal ball isn't very effective right now, but he is currently using the governor's number of \$3.282 billion from 2006, because that is the best guess he has.

SENATOR FRENCH referred to the chart indicating a 6.35% annual change and he asked if that is the difference between last year and this year.

MR. SCHULZ replied that that is the difference between FY 05 and FY 06.

SENATOR FRENCH asked if the spending cap had been in place, would that great an increase have been allowed.

MR. SCHULZ replied that he thought so, but the House and Senate argued over that number last year.

[9:30:31 AM](#)

SENATOR FRENCH restated his question.

If you took FY 04 actuals and used the formula that this spending cap envisions...would you have been able to get to a 6.35% increase in government spending this year?

MR. SCHULZ replied, "I don't know, because we used a transitional number and I have not applied it to what the actuals were in FY 04."

[9:31:03 AM](#)

SENATOR DYSON said data indicates that the population is going up 1.5% to 2.0% and inflation has increased 2% or 3%; adding those for two years would be very close. The Governor did something interesting with the budget by spreading spending backwards and forwards, but this proposal would not allow as much of an expansion as the governor is requesting.

SENATOR FRENCH said he saw \$196 of growth in the FY 06 column, which is far greater than any other number he sees in the future. He sensed that his formula wouldn't allow such a big expansion.

SENATOR DYSON explained that the formula is trying to anticipate capital infusion.

[9:33:03 AM](#)

CHAIR SEEKINS said he thought it would lag behind a bump or a decrease in population. He asked if there were further questions. He removed his objection to adopting version F and asked if there were any further objections.

SENATOR HUGGINS moved to pass CSSJR 1(JUD), version F, from committee with attached fiscal note.

SENATOR THERRIAULT said he always reserves the right to look at the financial implications and this may come back to the committee.

CHAIR SEEKINS responded that he told the Senate President that the sponsor and committee would like to reserve the opportunity to request it back to look at the constitutional issues after the Finance Committee was done. He saw no problem with that, whatsoever. There were no further objections and CSSJR 1(JUD) moved from committee. There being no further business to come before the committee, he adjourned the meeting at [9:35:42 AM](#).