

HOUSE FINANCE COMMITTEE  
FOURTH SPECIAL SESSION  
June 14, 2016  
8:38 a.m.

8:38:28 AM

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 8:38 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair  
Representative Steve Thompson, Co-Chair  
Representative Dan Saddler, Vice-Chair  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lynn Gattis  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Cathy Munoz  
Representative Lance Pruitt  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Craig Richards, Attorney General, Department of Law; Angela Rodell, Executive Director, Alaska Permanent Fund Corporation; David Teal, Director, Legislative Finance Division; Randall Hoffbeck, Commissioner, Department of Revenue; Representative Paul Seaton; Representative Andy Josephson; Representative Craig Johnson; Representative Adam Wool; Representative Bob Herron; Representative Louise Stutes, Representative Liz Vasquez; Representative Sam Kito III; Representative Lora Reinbold; Representative Ivy Spohnholz.

SUMMARY

HB 245 PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

HB 245 was SCHEDULED but not HEARD.

SB 128 PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

SB 128 was HEARD and HELD in committee for further consideration.

#SB138

CS FOR SENATE BILL NO. 128(FIN)

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to management of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska Permanent Fund Corporation; relating to procurement by the Alaska Permanent Fund Corporation; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; relating to unrestricted state revenue available for appropriation; and providing for an effective date."

8:39:13 AM

RANDALL HOFFBECK, COMMISSIONER, DEPARTMENT OF REVENUE, stated that he would be providing a brief overview of the bill. He remarked that there were many misunderstandings related to the components of the legislation. He remarked that the state had lost approximately three-quarters of its revenue. He relayed that the Permanent Fund Earnings were examined as a potential source of future revenue. He did not feel that there was a temporary decline in revenue; rather there was a structural shift in the price of oil, which was fostered by changes in technology. He felt that oil prices would remain between \$35 and \$65 per barrel. He stressed that there was not enough oil and gas tax and royalty revenue to support government spending. He stressed that the state needed to examine alternative sources of revenue. He pointed out that the Permanent Fund earnings was the largest source of available revenue. He remarked that other sources could provide nearly \$100 million; but the Permanent Fund earnings could provide \$1 billion or more to solve the deficit problem. He pointed out that there was an approximately \$3.7 billion deficit. The legislature had cut nearly \$1.2 billion over two years, but

there remained a substantial deficit. He stressed that there needed to be immediate action. He remarked that there were two major economic drivers within the state: the oil and gas industry; and government spending. He stressed that there was not much that could be done related to oil and gas prices. He furthered that the state could stabilize the government spending, and in doing so provide some stability for the economy. He stated that the private industry was unwilling and/or unable to make large scale investments with the uncertainty of the Alaska economy. He felt that the legislation provided a level of security. He stressed that there was no other available action option. He noted that the current year was the last year that the constitutional budget reserve (CBR) could be used to cover the state deficit. He noted that Standard and Poors (S&P) had mad strong statements regarding the state's credit rating. He noted that there were many residents that were moving from Alaska to places that were perceived as a more stable economy. He felt that using the earnings in a systematic fashion would stabilize the economy.

Representative Wilson announced that she had some clarifying questions.

Co-Chair Thompson stressed that he would like to hear the entire presentation before addressing specific questions.

[8:46:47 AM](#)

CRAIG RICHARDS, ATTORNEY GENERAL, DEPARTMENT OF LAW, shared that he would address the mechanical provisions of the bill. He stressed that the committee was familiar with the administration's goal to optimally use the sovereign wealth assets. He remarked that the governmental budgets grew when oil prices were high. He remarked that during the early to mid-1980s and the early 2000s showed a time of high oil prices and high oil prices. The governor's original bill looked to address the problem of the "commodities price roller-coaster."

[8:50:12 AM](#)

Co-Chair Thompson recognized Representative Johnson, Representative Josephson, and Representative Seaton.

Attorney General Richards announced that the bill's initial focus was the Percentage of Market Value (POMV). He stated

that the governor's original proposal said to put the oil revenues in the Permanent Fund and withdraw \$3.3 billion. He stated that the bill was not the governor's original proposal, because it did not place additional petroleum revenues into the Permanent Fund. The bill left production taxes and royalties, except for the constitutionally mandated 25 percent to the corpus, in the general fund. He stated that the bill would draw approximately 5 percent out of the Permanent Fund. Therefore, approximately 5 percent of the value of the fund would be withdrawn from the Permanent Fund annually. He explained that 20 percent of that amount would be used for the dividend, and 80 percent would go to the general fund. He stated that the amount would be approximately \$1.9 billion on an ongoing basis. He explained that it would be a fairly consistent amount because the POMV was based on the value on the fund and the average of prior years.

Co-Chair Thompson acknowledged Representative Kito III and Representative Reinbold in the room.

[8:58:01 AM](#)

Commissioner Hoffbeck reported that for the first 3 years the dividend payout would be \$1000, and then would be converted to a formula. He explained that the formula would be 20 percent of POMV and 20 percent of the general fund royalties would establish the dividend. He explained that the governor's original proposal was entirely based on the royalties, but would provide for a volatile dividend stream. He shared that the current legislation created a stable dividend. He stated that 20 percent of the POMV would represent approximately 75 percent of the total value of the dividend.

Co-Chair Neuman thought the commissioner was inaccurate regarding the shock to the economy. He felt that there would be a shock to the state economy.

Commissioner Hoffbeck shared that his comment referred to an interjection of money into the economy that were not otherwise there as related to using the earnings. He stressed that the earnings currently paid the dividend, and the remainder was put in savings. He acknowledged that the dividend size had an effect on the economy.

Co-Chair Thompson acknowledged Representative Wool in the room.

9:02:44 AM

Co-Chair Neuman pointed out that he had been a part of a similar discussion in Fairbanks. He remarked that currently people were moving out of the state and their homes. He stressed that the bill had a significant impact on the economy. He felt that a \$700,000 reduction to the economy would result in the closure of business. He noted that the CBR balance was expected to be approximately \$3 billion at the beginning of the next fiscal year. He remarked that there was still between \$7 billion and \$8 billion in the earnings reserve for a total of \$10 billion to \$11 billion even after the current year's deficit. He stressed that there would be enough money to cover the deficit in the following year.

Commissioner Hoffbeck felt that there could not be a draw on the CBR the following year, because the state must start using the earnings reserve. He remarked that there would be approximately \$3 billion in the CBR, but money needed to be left in there. The CBR was an emergency fund.

Co-Chair Neuman disagreed that it was not an option to not take action. He felt that there would be enough money to cover the following year's budget. He felt that the assertion that bills could not be made without actions was incorrect and wrong.

9:06:30 AM

Commissioner Hoffbeck replied that he did not mean to imply that the state could not pay its bills.

Co-Chair Neuman argued that the assertion that the state could not pay its bills was not true.

Co-Chair Neuman stressed that the state did not waste money over the past few years. He felt that the communities who received those funds thought those funds were well spent. The money spent reflected the needs of the communities. He remarked that the budget had been reduced significantly, and disagreed with those who thought differently. He expressed concern about a spending limit. He was concerned about the ability of future legislatures. He was attempting

to understand both sides of the conversation, because he was in charge of the operating budget. He stressed that he understood the current deficit. He felt that restricting the legislature was wrong.

Co-Chair Thompson was concerned with a spending limit because of deferred maintenance projects.

[9:11:39 AM](#)

Vice-Chair Saddler asked about where Commissioner Hoffbeck was getting his information about people leaving the state due to the outlook of the economy. He wondered whether people were leaving the state because they were losing their jobs. He understood that there were approximately 2300 jobs lost in the oil patch.

Commissioner Hoffbeck replied that he was referencing news articles that stated that transportation companies had full vans of people moving south.

Vice-Chair Saddler felt that the Permanent Fund should not be considered a "sovereign wealth fund", because the definition of "sovereign wealth fund" was that it was owned by the government. He stated that the Permanent Fund was owned by the people of Alaska. He wondered if there was a conflict between the administration's view of the Permanent Fund as a government pool of money versus the constitution's assertion that the Permanent Fund was the people's money.

Attorney General Richards clarified that it was just vernacular. There was no distinction in his mind between the two terms.

Vice-Chair Saddler felt that there was a conflict in the bill between the Statehood Act and the bill.

Attorney General Richards replied that he did not see any conflict, rather saw policy decisions. He stressed that the legislature had the policy power to use, under the constitution to use mineral royalties or Permanent Fund earnings in a matter that it chooses to incorporate them. He explained that the Permanent Fund earnings were historically saved, issue dividends, or provide other services.

Vice-Chair Saddler wondered if he had considered a potential conflict with the Statehood Act.

Attorney General Richards replied that he had discussions about the issue. He was familiar with Section 6 of the Statehood Act, which set aside the revenues from mineral deeds to the State of Alaska for patrimony. He was confident that the legislature had the discretion to use the earnings in a manner that it saw fit.

Vice-Chair Saddler wondered if there were any limitations for the use of the Permanent Fund.

Attorney General Richards replied in the affirmative. He explained that, under the state constitution, the Permanent Fund corpus could be spent through the earnings on the corpus, and were subject to appropriation by the legislature.

[9:16:23 AM](#)

Representative Wilson felt that "just because the legislature has the discretions, does not necessarily make it the right way to go." She wanted clarification regarding the assertion that using money from the earnings reserve would have less impact. She felt that using the earnings reserve, once the dividend was paid and inflation proofing occurred, may be considered savings. She felt that there would be an impact to the economy, because the money would be taken from the dividend.

Commissioner Hoffbeck replied that there would be an impact to the economy. He explained that the other part of the savings: the interjection of money that would otherwise be put into savings, was the only piece that allowed the opportunity to deal with the deficit without a shock to the economy.

Representative Wilson agreed that the state had previously had \$1000 dividend payouts. She felt that the economy was different at that time, with higher government spending. She stressed that the largest current budget cut was in the capital budget. She asserted that the dividend limit would have a greater impact than it may have in the past.

Commissioner Hoffbeck relayed that there had been other things affecting the payout amount including stock market

crash, and its implications. He agreed that there was a higher oil price, so there was robust government spending, but there were unrelated shocks to the economy.

Representative Wilson wanted more straightforward answers regarding the exact impact of the legislation. She stressed that the bill did not only use earnings reserve. She remarked that the money would be taken from the dividend. She wondered whether the spending limit would limit the actual money the government could spend on operations.

Attorney General Richards replied in the affirmative, if the terms of the limit were met. He was concerned about the lack of clarity around the definitions of the terms related to spending limits. He felt that there would be open questions for when the limit would apply as a practical matter. He felt that providing clarity with those terms may result in limited spending.

Representative Wilson hoped that there would be clarification with those terms before the bill was brought to a vote. She explained that limiting spending to \$3 billion would limit the use of other savings accounts, and actually limit the money that would go into the everyday operating budget.

Attorney General Richards responded that it would limit it to the previous year's unrestricted general fund appropriation.

Representative Wilson wanted to ensure that the legislature could not change that limit at the time of appropriation.

[9:21:40 AM](#)

Representative Gara thought everyone could count votes. Currently, there were not enough votes to pass the bill. He thought the version needed to be changed, as there were not enough votes to pass it in its current form. One of the negatives of the bill - according to Institute of Social and Economic Research (ISER) it would equate to 8000 jobs. He also had a problem in the bill with the constitutionality of the bill. He thought it would be difficult to enforce the bill.

Commissioner Hoffbeck responded that there was only so much money in the system. He shared that more flexibility with

the increase in oil prices required an examination of the sustainable draw. He remarked that there may be a reduction in the underlying baseline draw in order to gain that flexibility when prices increase. He remarked that there may be a trade-off of short-term higher draws for long-term flexibility. He stressed that it was a math equation, because there was limited money in the system. He wanted to ensure that the future generations had the same advantages in the current structure.

Attorney General Richards added that the administration was open to new ideas. He stated that the current proposal was not in its original form. He remarked that the administration had an entirely different method to address the volatility. He remarked that the current proposal was from Senator Stoltze in the Senate State Affairs Committee. He pointed out that the current revenues from petroleum taxes was forecasted at approximately \$600 million, and the limit did not "kick in" until \$1.2 billion. He stressed that there was an additional \$700 million in revenue before the limit would occur. He noted that the projections of the moment the limit was enacted did not show hitting that limit in the ten-year horizon of the DOR oil price projections. He stressed that the limit would only occur at a fundamental change in the oil pricing situation.

[9:28:12 AM](#)

Representative Gara had a problem with the limit because with the formula at 80 a barrels would not have any impact under any of the forecasted oil prices. He queried the circumstances that there would be out of savings and circumstances that savings would still be intact at the end of FY 17.

Commissioner Hoffbeck replied that the CBR would be approximately \$3 billion after FY 17. He remarked that examining the FY 16 versus the FY 17 was approximately \$3.8 billion. He stressed that there would not be enough money the following year to do the same actions in the current year. He stated that the problem was compounded by the recognition that there should be money retained in the CBR for the unknown financial problems. He stressed that the legislature was in a position to have the exact discussion the following year, if no action was taken in the current year.

Representative Gara felt that the only way for the spending cap to be enforceable was when the people call each other out on the violation. He stressed that using a spending cap reduced the amount of money available year by year. He stressed that the job of the finance committee was to balance a way to maintain fiscal stability in the state and represent the people of the state. He remarked that people were also leaving the state because their jobs were being cut due to reductions in funding for their jobs.

Commissioner Hoffbeck responded that there were many people that would leave because of the diminishment of the life in Alaska.

Representative Gara remarked that he was willing to come to a compromise to protect the dividend. He did not want to currently address the imbalance to the plan. He felt that he was concerned with the 50 percent of the population of the state who received 20 percent of their total income from the dividend.

Co-Chair Thompson noted Representative Vasquez and Representative Herron in the room.

Vice-Chair Saddler felt that the bill showed a three-year review. He noted the three-year guarantee of permanent fund dividends (PFDs) at \$1000. He wondered whether the three-year guarantee was an element of the governor's original bill.

[9:33:01 AM](#)

Attorney General Richards replied that the governor's original bill had a one-year guarantee, and the current version extended to three years.

Vice-Chair Saddler queried the reason for the guarantee at any rate.

Attorney General Richards replied that there were logical policy reasons for the guaranteed dividend, particularly to monitor the formula over time. He asserted that the dividend formula was stable enough to provide for a \$1000 PFD regardless of change in policy. He felt that there did not even need to be a guarantee, because of the stability of the PFD.

Commissioner Hoffbeck responded that there had been a lot of feedback that one year was not enough time to make the transition a different kind of dividend.

Vice-Chair Saddler remarked that the bill had some elements that included a three-year review. He wondered whether the three-year provision was a temporary provision or a promise for every three years.

Commissioner Hoffbeck replied that the intent was a long-term solution. He stated that the review did not have a sunset, but rather was an instruction to the legislature to ensure that it was working properly.

[9:36:24 AM](#)

Representative Pruitt wondered about the effective date of July 1, 2016. He remarked that the budget was already passed with the Permanent Fund. He wondered whether the governor must veto a portion of the Permanent Fund currently in the operating budget.

Commissioner Hoffbeck replied in the negative. He explained that there was no mandate to spend all the money appropriated into the dividend account. The formula would dictate the amount of the dividend payout, and the appropriation would remain in the fund.

Representative Pruitt queried the consequences of the bill not passing. He wondered if the governor would veto regardless of bill passage.

Commissioner Hoffbeck replied that the governor was waiting to see what landed on his desk to see what received.

Representative Pruitt wondered whether Commissioner Hoffbeck stood behind the FY 17 numbers in the Revenue Sources Book.

Commissioner Hoffbeck replied that there were numbers in the book that were accurately tracked. He stated that the operational cost forecast were almost exactly correct. He stated that the capital costs were slightly higher than forecast. The oil price was higher than the forecast. He shared that FY 16 forecast was exceeded by two or three dollars per barrel. He shared that FY 17 was forecast of in between \$39 per barrel, but the current oil price was

approximately \$10 higher than the forecast. He remarked that there was a historic peak at the current point in the year, followed by a reduction in oil price in the end of the year. He remarked that there was a possibility that the oil price could drop. He felt that the current oil price level would result in approximately \$300 million additional budget for the following year.

Co-Chair Thompson wondered whether the amount of credits was the reason for the increased capital costs.

Commissioner Hoffbeck replied in the affirmative and stated that it was the amount of money spent by the oil industry. He stated that some would impact credits and others were not credit eligible.

Representative Pruitt wondered how the administration viewed the \$1.92 billion available from the legislation. He wondered if it was seen as new money or taken from one of the savings accounts.

Commissioner Hoffbeck answered that it was not new money. He stated that the bill provided a structure for the use of the earnings reserve, to prevent the corpus of the fund. He stressed that using the money from the earnings reserve or CBR was each considered savings.

Representative Pruitt surmised that the core of the discussion was about whether the state would pay a dividend. He stated that it was about the \$700 million. He believed they were deciding who to give the money to - the public or government. He opined that the remainder was merely about guidelines. He remarked that the public was frustrated because it appeared that the state was playing a game.

[9:42:26 AM](#)

Commissioner Hoffbeck answered that the size of the dividend was key; it was \$700 million that would not flow out of the system under the plan. He remarked that the long-term stable plan allowed the ability to draw out the 5.25 percent, because of the longer horizon. He plan allowed for some additional revenue in downturn years. He stressed that the bill did not only relate to the dividend, but allowed for stable structure across all years.

Representative Pruitt remarked on Commissioner Hoffbeck's earlier statement about how if changes were not made there would not be enough to sustain government. He asked if Commissioner Hoffbeck was comfortable with the current government level.

Commissioner Hoffbeck responded that he believed the governor had made it clear that he thought more cuts needed to be made.

Representative Pruitt stressed that it was the peoples' dividends they were talking about. He thought residents were concerned that using money from the fund represented a slow creep of use of the funds. He wanted to show to the public that the legislature would not keep taking the money.

Commissioner Hoffbeck could not answer the question completely - part of it was there would still be a deficit the following year and there would continue to be downward pressure.

Representative Guttenberg observed that he was the oldest member in the room. He recalled that there was a legislative session during Governor Murkowski's term that dealt with POMV. He remarked that there was a basic fundamental bill that did not have major policy decisions of the current bill. He felt the bill may be too dense because of all of the policy requirements. He urged the creation of a stable structure with a stable flow of cash for the state. He wondered what could be removed from the bill to create a stable POMV. He remarked that the bill was asking the people to change their relationship with government by changing the PFD.

[9:48:40 AM](#)

Commissioner Hoffbeck replied that there was a fundamental disagreement that a straight POMV would stabilize anything. He asserted that a straight POMV would interject more money into the system, and there could be a risk of being accused of growing government by putting the POMV without any other restriction. He stressed that the bill did not ask people to give up their dividend to grow government. Rather, government was shrinking, and the attempt was to maintain a level of government services that people have enjoyed. He

reiterated that the intention was not to inflate the size of government.

Representative Guttenberg remarked that almost all of the projections on the table had been seen by the committee over time. He spoke to being asked to consider a snapshot. He was concerned that the bill was too myopic. He would like to see something past, but he believed the bill was too top heavy.

[9:51:30 AM](#)

Representative Edgmon was on board with the premise behind the legislation. He spoke to plummeting oil revenue. He stated that the political support for the bill was not there. He asked if there was public consent to make the change.

Commissioner Hoffbeck answered that the dividend program had to survive in some way. Typically, after explaining to people that the state had to do something.

Attorney General Richards stated that the administration was pretty flexible.

Representative Edgmon felt that there was a fundamental disconnect within the residents of the state related to the bill. He wondered whether there was another option available.

Commissioner Hoffbeck responded in the negative. He remarked that all of the economists in the state had examined the problem and declared that there was no path to a solution without using the earnings reserve to fund government services.

[9:58:24 AM](#)

Representative Edgmon remarked that the legislature had not come up with a plan, and it was June. He wondered what would occur without the necessary votes.

Commissioner Hoffbeck stated that the governor has said that the legislation was critical. He felt that they may need to revisit the issue.

Representative Edgmon wondered how the CBR would remain a fiscal shock absorber with the management transferred to the Permanent Fund Corporation for investment.

Commissioner Hoffbeck replied that the mandate to move the CBR management from DOR to the Permanent Fund Corporation should require a conversation to work through the process related to cash management and liquidity issues. He remarked that both parties were capable of managing the fund. He stated that the idea that the Permanent Fund Corporation management's ability to provide returns comparable to the other assets was probably not accurate, because they would face the same liquidity issues as DOR. He remarked that the \$3 billion could not be put into private equity and expect the higher returns. He remarked that the money needed to be available for fundamental services.

Co-Chair Thompson remarked that the controversy with the bill was related to the limit of the PFD. He wondered if the \$1000 limit was acceptable to the people.

Attorney General Richards stated that the acceptability of the size of the dividend was up to the legislature. The governor was comfortable with the amount of \$1000 and thought it was acceptable.

Co-Chair Thompson noted the governor appeared on television where he held up a check for the amount of \$1000. He felt that the governor had set the amount, and had created a bill to force the legislature to reach that \$1000. He felt that the people were not yet convinced of the importance of the bill. He wondered what would occur should the legislature fail to approve the legislation.

[10:03:37 AM](#)

Representative Wilson stated that the state would be issuing less than the projected amount without any change in legislation. She had received phone calls and emails that claimed otherwise.

Commissioner Hoffbeck replied that there was feedback from various organizations around that state who had claimed that \$1000 was near the appropriate amount. He remarked that the public opinion was unknown until the amount was released. He stressed that it was a policy call to

determine an appropriate PFD amount. He stressed that DOR was flexible, but noted the importance of the legislation.

Representative Wilson asked how much money was currently in the earnings reserve account.

Commissioner Hoffbeck replied that there was approximately \$7 billion in the earnings reserve. He furthered that there were deposits in the current year from the Permanent Fund Corporation of approximately \$2 billion. He announced that the total was approximately \$9 billion.

Representative Wilson noted that there was between \$7 billion and \$9 billion in the earnings reserve account (ERA). She wondered if the account would maintain \$7 billion with the removal of inflation proofing and dividend payouts.

Commissioner Hoffbeck replied in the affirmative.

Representative Wilson asked how much of the \$7.5 billion would make in the current year.

Commissioner Hoffbeck replied that it would be approximately 7.25 percent, which would be approximately \$500 million.

Representative Wilson felt that the state could use the \$500 million in the budget, and the governor could veto the current budget and request a reduction of \$500 million. She felt that those actions would still result in the same as the legislation.

Commissioner Hoffbeck replied that there would be approximately \$1.9 billion from the earnings reserve required for flow.

Representative Wilson asked how much money would be used in the GF with the use of the ERA if the bill was passes.

Attorney General Richards replied that \$1.9 billion would be required.

Commissioner Hoffbeck furthered that \$1.9 billion would be used from the ERA to supply the money required from the CBR. The change in the actual number spent would be \$700 million reduction in the size of the dividend.

[10:08:48 AM](#)

Representative Wilson remarked that, without the legislation, the state would need to find \$700 million in some other aspect. She queried the job impacts of removing an additional \$500 million from the budget. She remarked that there was already an 8000 job loss projection.

Commissioner Hoffbeck replied that the impact of cutting government jobs or government spending was greater than the impact of reducing the size of the impact.

Representative Wilson felt that there were too many provisions in the legislation. She felt it was already difficult to understand all the aspects of the legislation.

[10:11:25 AM](#)

Representative Gara claimed that there were a number of reasons why the bill would not pass. He posed the question whether it was fair. He personally thought it was intolerable spending money on oil taxes and asking while asking people for their dividend. He stated that if the legislature waited to negotiate and wait until November, there would be great impacts to the state. He wondered if the state would have \$3.5 billion less in savings at that point.

Commissioner Hoffbeck replied that the full dividend would be paid at that point, and then half of the spending would be spent at that point.

Representative Gara queried the disadvantages about returning to further discuss the concept.

Commissioner Hoffbeck replied that nothing would be different in November. He remarked that there was no purpose in waiting.

Representative Gara asked about the estimated costs of deferred maintenance.

Co-Chair Thompson confirmed the money Representative Gara talked about.

[10:16:09 AM](#)

Vice-Chair Saddler remarked that the projections would only cover approximately one-half of the deficit, and the administration had claimed to fill the gap with income tax or other types of taxes. He remarked that the governor did not consider the budget situation a fiscal crisis, but rather a cash flow problem. He asserted that a cash flow problem had two major dynamics: the out flow of expenses and the income. He felt that the attention was too greatly focused on the income. He stressed that there was not sufficient attention placed on the expense portion of the cash flow. He remarked that the governor had promised a 16 percent budget reduction, but was too focused on the revenue. He stressed that the administration was a significant opponent to the legislature's efforts to cut the budget. He noted the three years of increased education funding, by \$250 million in the foundation formula. He noted the automatic pay raises for state employees retained through the contracts. He stressed that there was an attempt to cut the budget by approximately 16 percent. He wondered what would be recommended to the governor to cut to address the problem on the expenditure side of the cash flow.

Commissioner Hoffbeck replied that the discussions about the budgets and the cut recommendations would be best directed at Pat Pitney. He noted that there was still an over \$1 billion deficit. The governor recognized that additional cuts were part of the solution. He stressed that the administration and legislature had been working on cutting the budget.

Co-Chair Thompson would rather use the word, "reductions" than the word, "cuts."

Vice-Chair Saddler wondered whether Commissioner Hoffbeck advised the governor on spending.

Commissioner Hoffbeck replied that he advised the governor, as well as other members of the administration.

Vice-Chair Saddler asked if Commissioner Hoffbeck would tell the governor what cuts to make.

Commissioner Hoffbeck replied in the negative.

Attorney General Richards agreed with Commissioner Hoffbeck. He shared that there was always a dialog in the cabinet regarding the direction of the governor and the state. He announced that he, as the attorney general, did not weigh in on the budgets for other departments.

Vice-Chair Saddler expressed concern about only focusing on the revenue without making cuts to spending.

[10:21:36 AM](#)

Representative Pruitt felt that there was no political will in the House to move forward with the legislation. He was concerned about the prospect of the governor continuing to call the legislature into session. He noted that the sustainable draw would be \$2.4 billion, but maintaining the dividend in its current state would allow another \$1 billion to keep the sustainable draw, but may offset some of the utilization of the CBR-requiring a separate appropriation bill. He wondered whether the earnings reserve could be used with an offset by \$1 billion from the CBR; or was there too much a focus on reducing the deficit that the former was not an option. He expressed concern that people would be more entrenched in their views, and result in a deadlock to not move forward. He queried a way to see a bipartisan solution. He stressed that the Permanent Fund Corporation should have procurement discussions and ensure that the CBR was managed. He wondered whether it was possible to not deal with the PFD. He did not want to continue in the entrenched position, incurring cost to the state and creating larger divisions within Alaskans as the legislature remains in session.

Commissioner Hoffbeck stated that the governor had made it clear that a draw from the Permanent Fund without a structured plan was not acceptable. He shared that the governor was flexible with how the dividend fits into the structure.

Representative Pruitt announced that Commissioner Hoffbeck's answer "did not work." He stressed that there was no plan for the following year on how to spend the money. He wondered how there could be the assertion that there must be structure, with no structure for the following year. He felt that there was a disingenuous disconnect that would force the legislature to be stuck in Juneau. He stressed that the situation was bad for the

state. The longer the legislature remained in session, the angrier people would become. He asked that the governor consider meeting the legislators in the middle, because everyone was dealing with the issue together.

Co-Chair Thompson indicated there would be a break. He stressed that the House of Representatives would not approve the proposal, because of the outcry from their constituents.

[10:27:40 AM](#)

AT EASE

[10:47:00 AM](#)

RECONVENED

Co-Chair Thompson asked for an additional scenario to be discussed. He invited Commissioner Hoffbeck and Ms. Rodell to the table.

[10:47:39 AM](#)

ANGELA RODELL, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, introduced herself.

Co-Chair Thompson asked about the effects on the earnings reserve if the bill was not passed.

Commissioner Hoffbeck explained the calculation of the PFD.

Ms. Rodell stated that, under current statute, the ERA was invested alongside of the corpus of the fund. She stated that there were accounting entries to move the money and allocate it to the ERA, but was continually invested. She remarked that the trustees must reconsider some investments redirected to liquid accounts if the ERA was used as a budget reserve.

Co-Chair Thompson wondered how long it would take to drastically reduce the ERA if no action was taken on the bill.

Commissioner Hoffbeck answered that the ERA would be used in the following year.

[10:51:31 AM](#)

Co-Chair Thompson asked about the possibility of a repeat of 2008.

Ms. Rodell responded that obviously the incident of 2008 the corporation would prefer not to revisit that event.

Co-Chair Thompson asked about down grading by Fitch.

Commissioner Hoffbeck stated that Fitch had just downgraded Alaska to double A plus. The other bond rating agencies would follow.

Co-Chair Neuman wondered if there was a plan for bond sales in the next two years.

Commissioner Hoffbeck replied that there was not a general obligation bond sale scheduled, but DOR had the authority to sell bonds.

Co-Chair Thompson referred to a recent newspaper article that indicated that the Board of Regents and President of the University of Alaska were considering bonding for the engineering building. He wondered if the bond rating would affect the cost of their bond.

Commissioner Hoffbeck replied in the affirmative.

Co-Chair Neuman asked about the costs effects of the bond rating change.

Commissioner Hoffbeck replied that the impact was not known until the market reflected the impact.

[10:55:59 AM](#)

Co-Chair Neuman asked for a value on bonding. He stated that he could not even get a value from the commissioner of revenue.

Commissioner Hoffbeck replied that the spreads vary, so the impact was not known until the market was known. He stated that AIDEA, AHFC, and the municipal bond bank were all tied to the state's bond rating.

Co-Chair Neuman relayed that the state had over \$70 million in assets and he did not understand how the state could use for investments

Commissioner Hoffbeck responded that the state's spending affected the state's bond rating.

Co-Chair Neuman asked why Sections 2 and 3 were in the legislation.

Ms. Rodell stated that the sections did not remove the Alaska Permanent Fund out of the Executive Budget Act. The sections provided an exemption from the State Procurement Code that was already utilized by a number of different agencies, including AHFC and UA. She stated that the reason for the language was because there were circumstances which the State Procurement Code limited the ability to respond quickly to investment opportunities. She stated that she wanted to hire third party consultants, and were not fiduciary to the fund.

[11:01:08 AM](#)

Co-Chair Neuman asked if a new invested officer had been hired.

Ms. Rodell stated that they had just hired an officer which took 6 months.

Co-Chair Neuman asked about the salary of that person.

Ms. Rodell stated that the person was being hired at a salary of \$400 thousand.

Co-Chair Neuman wondered if it was wrong to hire a new person at that salary.

Ms. Rodell thought it was important to note that the corporation would come to the legislature each year with request for appropriation, because the corporation was subject to the Executive Budget Act. She was happy to meet with the legislature any time. She thought a heavy burden was being placed on the fund. She wanted all the tools available to manage the fund.

Co-Chair Neuman thought it would more appropriate to ask the legislature for more procurements. He did not understand the necessity of this in the bill.

Co-Chair Thompson wondered if there were any indications from the bonding agencies that would downgrade the state.

Commissioner Hoffbeck stated that there could be an additional downgrade by S and P as well as by Moody's.

Co-Chair Thompson asked if the state could reverse that effort.

Commissioner Hoffbeck responded affirmatively.

[11:05:49 AM](#)

Representative Wilson wondered why the state would want to take on more debt.

Commissioner Hoffbeck responded that debt can be both a burden and a tool. He explained that borrowing money at lower rates would be a tool for the state's rating.

Representative Wilson queried the benefit for the state to bond for Alaska Industrial Development and Export Authority (AIDEA) and municipalities.

Commissioner Hoffbeck replied that those entities were required to pay that debt, so it did not necessarily effect the state's books. He remarked that it provided a benefit to those entities.

[11:07:51 AM](#)

Representative Wilson remarked that the debt still rose for the state. She asserted that the bond rating would be reduced, so the percentage payback would be increased for those entities that wanted to borrow from the state.

Commissioner Hoffbeck responded in the affirmative.

Representative Wilson stated that further conversation would be necessary.

Vice-Chair Saddler wanted a range of numbers about what the down tick in the bond rating really meant, and the financial impact to the state.

Commissioner Hoffbeck asked to be able to provide something in writing.

Vice-Chair Saddler referred to Sections 2, 3, 4, 5, and 7, related to the management of Permanent Fund Corporation, and did not relate to the POMV plan. He wondered whether a bill with only those sections would see support as a means to reduce the "top heaviness" of SB 128.

Ms. Rodell responded that in terms of reporting certain it would actually lessen some of the responsibilities of the corporation.

Vice-Chair Saddler wondered if Ms. Rodell would support that type of bill.

Ms. Rodell replied that she could support that type of bill.

Vice-Chair Saddler wondered if the Permanent Fund was seen as a sovereign wealth fund or the people's fund.

Ms. Rodell agreed with Attorney General Richards comments, stating that the government's money was the peoples' money.

Vice-Chair Saddler asked if she agreed with Attorney General Richards.

Ms. Rodell replied in the affirmative.

[11:13:04 AM](#)

Co-Chair Neuman stated that the reason why the state was concerned was because the state had money. He asserted that the money could be accessed for less than the money made in the savings account. He wanted to understand the cost dynamic.

Co-Chair Thompson relayed that the commissioner would provide the information.

Commissioner Hoffbeck agreed to provide that information.

Co-Chair Neuman wondered whether the discussion matters.

Representative Gara asserted that some people were concerned with the PFD level in the bill. He wanted to know what would occur, if the legislature returned in November.

He asked how much money would be used from either the ERA or CBR that was irretrievable.

Commissioner Hoffbeck responded that there would be \$1.4 billion from the ERA into the dividend fund, unless that draw was from the CBR. He stated that it would be approximately one-half of the draw.

Representative Gara asked for rough numbers. He wondered if the state would be down \$1.5 billion in savings.

Commissioner Hoffbeck replied in the affirmative.

Representative Gara wondered whether waiting put more pressure later.

Commissioner Hoffbeck responded affirmatively.

[11:18:46 AM](#)

Representative Munoz noted that there was growth potential, because of the tie to the Permanent Fund. She wondered if there might be a conflict between the premises with the POMV draw and the spending limit.

Commissioner Hoffbeck responded affirmatively.

Representative Munoz announced that the provision was a limit on oil and gas revenue in addition to the POMV draw. She surmised that it was not calculated on the POMV draw.

Commissioner Hoffbeck agreed.

Representative Munoz remarked that there had been a lot of discussion about the oil and gas tax credit reform bill. She asked the commissioner to provide feedback.

Commissioner Hoffbeck stated that HB 247 was a compromise. The bill actually went further than the governor's version of the bill.

[11:26:03 AM](#)

Representative Gara stressed that the oil and gas credit bill allowed for the state to pay the oil companies 35 percent of their losses. He stressed that many legislators were coming to terms with that idea. He stressed that he

wanted to reach a principled compromise that protected the dividend.

Vice-Chair Saddler commented that he had heard rhetoric concerning the assertion that the bill would take money from Alaskans and give it to "greedy oil companies." He wondered if that was true.

Commissioner Hoffbeck stated there was no direct connection between the two bills.

Representative Pruitt asked about the provisions that allowed the PFC to manage the funds.

[11:28:51 AM](#)

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[11:29:41 AM](#)

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Ms. Rodell stated that it was currently in statute that the commissioner of DOR could ask the Permanent Fund Corporation to manage the assets of the CBR. She noted that the insertion of Section 4 was the corollary of the insertion Section 18, which repealed the statute that "handcuffed" the commissioner of DOR. She remarked that, currently, could transfer management, the Permanent Fund Corporation would be bound by the same limitations without repealing. The commissioner was currently constrained by those limitations.

Representative Pruitt wondered whether the current restrictions allowed for a maintained liquid assets.

Ms. Rodell answered in the affirmative.

Representative Pruitt asked if the individuals would still be needed to manage at APFC.

Commissioner Hoffbeck answered that the same individuals were also investing in Alaska Retirement Management Board (ARMB) funds.

Ms. Rodell agreed; no additional personnel would be needed to manage the CBR.

[11:32:25 AM](#)

Vice-Chair Saddler asked what the effect would be on the sustainability of guaranteeing a \$1500 PFD.

Commissioner Hoffbeck replied that Mr. Teal may have already done some of the modelling. He elaborated that it would take approximately \$350 million with a \$1500 draw; and another \$175 million with a \$1250 draw.

Vice-Chair Saddler asked if the administration had a position on the issue.

Commissioner Hoffbeck answered that the administration was willing to consider options.

Representative Guttenberg spoke to changes in investment strategy. He asked about the impacts of the bill if it passed.

Ms. Rodell responded that APFC was not being directed to change any of its investments under the legislation. The question would go to the trustees to determine whether any changes needed to be made to the asset allocation of the fund. She spoke about the fund's level of risk.

[11:37:24 AM](#)

Representative Guttenberg asked what the lower risk would do to the projected rate of return.

Ms. Rodell answered that lower risk meant lower returns.

Co-Chair Thompson asked Mr. Teal to address the fiscal note.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, remarked that the governor's office was preparing a fiscal note. He stated that there were no fiscal notes originally attached to SB 128. He remarked that the special session did not have an appropriation bill. He stressed that there was no appropriation bill necessary to implement SB 128. He furthered that there were fiscal impacts in the bill. He shared that there would be fiscal notes primarily for informational purposes. He felt that addressing the fiscal impacts, even without the physical fiscal notes, was important to the upcoming public testimony. He shared that the largest fiscal impact was the reduction in PFD from

roughly \$2000 per capita to \$1000 per capita; which totaled approximately \$700 million in the ERA. He remarked that the bill did not affect the ERA, because there was an FY 16 appropriation from the ERA to pay the dividends. He stressed that, should the bill pass with the cap on dividends, the governor would likely veto half of the \$1.4 billion appropriation in the operating budget bill-reducing the dividend to \$1000. He remarked that the legislature did not have control over the operating bill, because it was already passed from the legislature. He stated that should the bill not pass and the PFDs were paid in full, there would be \$3 billion remaining in the CBR. He felt that it was a sufficient amount to bring the state through FY 18. He stated the CBR would be expelled by the end of FY 18, at which time the ERA would be used. He remarked that, at that point, the projection was that PFDs would be eliminated in 2023. He stated that, under the Permanent Fund Protection Act and with a \$700 million reduction in PFDs, it was expected that dividends would drop to \$1000 and would continue to be paid for the foreseeable future at roughly \$1000 per year.

[11:42:48 AM](#)

Mr. Teal addressed another provision related to the management of the CBR. He emphasized that the treasury was not investing poorly. There was a law that stated that the money needed in five years must be invested in liquid funds. He remarked that the CBR earned roughly 1.5 percent. He stated that transferring management to the Permanent Fund Corporations and repeal of the handcuffing investment provisions, the earnings for the CBR would be significantly higher-translating to approximately \$300 million per year in additional earnings. The CBR could be spent, but the bill did not close the deficit. He remarked that there was a fiscal note from the Permanent Fund Corporation that showed an approximately \$13 million increase in management fees to manage the CBR. He remarked that the fees would decrease as the balance of the CBR decreased. He remarked that moving the management of the CBR without the remainder of the bill, the management fees and the CBR would be gone by 2023-resulting in no extra money and no extra fees. He looked at the royalty provision which changed the dedication of royalties to the corpus of the Permanent Fund. He stated that it was currently 50 percent on new fields and 25 percent on old fields, which averaged to about a 30 percent deposit to the Permanent Fund. The bill

would reduce that deposit to 25 percent for all fields, yielding an additional \$40 million to \$50 million per year flowing to the general fund. That money would be spendable, and would reduce the deficit. He stated that, with smaller dividends, the PFD felon funds would decline by roughly \$20 million in money that would normally go to convicted felons and incarcerated individuals. He stated that cutting the PFD to half, the PFD felon funds available to the Department of Corrections (DOC) would be reduced from approximately \$20 million to \$10 million. All of the remaining fiscal impacts would be to the revenue. He stated that the DOR fiscal notes did not require an appropriation, so they were only drafted with information.

[11:47:02 AM](#)

Co-Chair Neuman referenced a fiscal note related to the transfer to the CBR and the ability of the management of the CBR's investment limitations. He stressed that DOR had certain restrictions as to how they could invest money, which was different than the Permanent Fund Corporation's restrictions. He wondered whether the Permanent Fund Corporation had better ability to invest with greater interest.

Mr. Teal replied in the affirmative. He furthered that there was also an advantage in management of liquidity, because the CBR must be held in liquid form, should it be the only available reserve. He explained that the liquidity issues would disappear, if the CBR was comingled with the permanent fund itself because the size of the corpus allowed for movement of money from one liquid investments to non-liquid investments.

Co-Chair Thompson noted that there was a portion in the bill that repealed the statutes requiring liquidity, which restricts the types of investments. He wondered whether the statute would still exist related to liquidity if the commissioner of DOR wanted to transfer authority to the Permanent Fund Corporation.

Mr. Teal replied in the affirmative, and explained that Commissioner Hoffbeck explained that the restrictions caused the lower return. He stressed that removing the restrictions allowed the commissioner of DOR to continue to manage the CBR and receive a slightly higher return. He restated the liquidity concerns, and remarked that there

would not be a 7 percent return at the current rate of withdrawal from the CBR.

Co-Chair Neuman spoke to the note that addressed the cost of the management of the reserve funds. He wondered if the cost for management would be absorbed within the fund itself, rather than the general fund.

Mr. Teal responded that CBR management fees were an odd deal, because management were an expenditure. He stated that paying the management fees from the CBR required a supermajority vote by the legislature.

[11:52:51 AM](#)

Representative Gara referred to the first part of the formula that stated that for every dollar in revenue was a lost dollar in pay out, so it remained flat. He queried the reason for the longer state deficit up to \$100 per barrel as opposed to up to \$80 per barrel.

Mr. Teal replied that less revenue would be available from the payout. Therefore, a lower payout at any given level of spending, required a need to fill the gap from the CBR. There was not an opportunity to break even until \$105 per barrel of oil.

Representative Gara wondered whether the fiscal plan showed that the real dollar budget continued to decrease.

Mr. Teal responded that revenue was not always flat. He stated that only oil dollars would be replaced. He explained that the oil companies tended to make more money at increased oil prices, therefore corporate income tax would increase. He stressed that there would be as much as \$200 million available in corporate income tax. He announced that it did not apply to any other revenue sources such as motor fuels income, etc. He stressed that the revenue was not necessarily flat.

[11:56:07 AM](#)

Representative Gara assumed the existing revenues at \$75 barrels of oil would provide about approximately \$4.5 billion. He wondered whether a dollar increase in oil revenue resulted in a loss of a dollar in POMV revenue.

Mr. Teal pointed to the right hand side of the chart, and noted that the revenue did not remain flat; it was rising until \$75, at which point the curve turned downward.

Representative Gara wondered whether the top line remained flat.

Mr. Teal relayed that the line was flat because of the assumed level of expenditures. He explained that it was a line extended from current expenditure levels. He stressed that the actual expenditure levels were unknown, because those were determined by the legislature. The graph only showed FY 17, and was not a time series. He stressed that the graph stated that in FY 17 the budget was approximately \$5.1 billion without dividends; and approximately \$4.5 billion excluding dividends. He stressed that it could not extend to 2018 or any other year.

Representative Gara wondered whether the \$4.5 billion was combined capital and operating budget.

Mr. Teal responded in the affirmative.

Representative Gara wondered whether the number combined designated and undesignated general funds.

Mr. Teal responded that it did not combine the two. He stated that the number was only unrestricted general funds.

Representative Gara asked whether spending more money would exhaust the CBR.

Mr. Teal responded in the affirmative. He remarked that there were discussions related to a spending limit. He remarked that it should not be considered a "spending limit." He explained that the provision did not limit the spending. He asserted that the provision would limit the amount of revenue received in the POMV payout. He stressed that it did not limit revenue from other sources. He noted that it could be converted to be seen as a revenue limit actually limiting spending. He remarked that revenue and spending were related, but were not the same. He stressed that there was other, unlimited revenue. He remarked that the reserves were not limited. He stated that the revenue limit would limit the draw from the ERA, but did not limit spending. He explained that the savings rule occurred in a surplus situation. He announced that a savings rule was

also not a spending limit. He explained that a savings rule stated that at the point of surplus, half of the surplus would be put in the CBR and half of the surplus would be put in the corpus. He stressed that savings did not allow for spending. He felt that calling those actions "spending limits" confused the issue, because it made people believe that money could not be spent beyond a fixed amount. He stressed that the savings rule was very weak, because it allowed for the legislature to spend in the supplemental budget, and end up with no surplus.

Representative Gara agreed that he also would not use the term, "spending limit." He remarked that, in order to "keep up" with the actual costs, the CBR would need to be used or come up with new revenue.

Mr. Teal stated that Representative Gara was correct. He stated that there were many people who wanted to make more cuts, and the governor agreed with those people. He stated that the remaining appropriations after cuts, may be able to keep up with inflation. He could not predict how much the legislature would spend in 2022. He stressed that there were many factors that affect spending: oil, economic impacts, and the legislature at the time. He stressed that rules would be set up for a future legislature to follow. He felt that guidelines for future legislators could be broken

Representative Gara did not feel that the legislature should adopt rules that were made to be broken.

Vice-Chair Saddler asked if the bill would require that the CBR be paid back in full, and queried that amount of money.

Mr. Teal responded that the amount would be the highest balance of the CBR. He stated that, at one point, the CBR was approximately \$12 billion. The CBR was now at \$7 billion, because there were a couple of \$3 billion withdrawals. He stressed that all of the money needed to be repaid. He stated that there would be an annual sweep of GF to the CBR, and required a supermajority vote to reverse that action.

Vice-Chair Saddler noted that the highest balance of the CBR was approximately \$12 billion, and must be repaid at some point.

Mr. Teal agreed.

Vice-Chair Saddler noted that the bill eliminated the need to repay the CBR. He wondered whether there was money to begin to fill that obligation. He asked if the repayment of the CBR had any functional effect on the fiscal plan.

Mr. Teal stated that until the price of oil reached \$110, the CBR had to be swept every year. He remarked that, under the current price projections, the state would not reach \$110 per barrel of oil. He remarked that the savings rule would not be enacted, and furthered that there was no projection of \$75 per barrel of oil for the revenue limit. He explained that the issue of the revenue limit and savings rule would not occur within the next five years. He remarked that they state may see the rule and limit, but stressed that the \$75 limit only applied to FY 17. He stated that, as oil production fell and production costs increased, the price kept moving further out. He felt that the limit would not occur, unless there was another spike in oil prices. He could not say how long or if they would pay back the CBR.

[12:07:52 PM](#)

Vice-Chair Saddler wondered whether the calculation of the 5.25 percent draw on POMV was actually closer to 4 percent, because it was calculated on the most recent 5 of the last 6 years. He wondered whether other endowment plans used a similar management target.

Mr. Teal stated that the 5.25 nominal payout was based on the average balance of the past six years. He explained that it was based on the average of three years prior. He remarked that paying 5.25 percent on a three year balance was roughly the same as paying 4.8 percent on the current balance. He remarked that endowments had different payouts, with 5 percent being on the high side, however not "outlandishly high." He stated that the Permanent Fund investments were expected to be able to cover that 5 percent, with approximately 2 percent remaining that would not be paid out. The 2 percent could be considered inflation proofing, but stressed that it was not an endowment with extra earnings into the corpus. The earnings beyond the payout remained in the ERA, and were the "buffer" to ensure that the ERA was not emptied in bad investment years.

[12:10:36 PM](#)

Vice-Chair Saddler noted that the bill proposed that dividends would be paid through royalties. He wondered if there was a possibility for royalties from minerals such as gold, silver, or lead to reach equal or approach the value of the royalties from oil.

Mr. Teal responded in the negative.

Representative Wilson thanked Mr. Teal for clarifying that there was not actually a spending cap. She noted that the savings rule only related to the oil and gas revenue, and did not come from other revenue. She remarked that the bill did not cap how much the legislature was able to spend.

Mr. Teal agreed. He explained that there was downward pressure on the budget, but was not necessarily because of the bill. He stressed that the bill did not solve the state's fiscal problems. The bill shifted the deficit by half. He stressed that \$1.6 billion was a significant deficit. He remarked that the current revenue covered less than one-third of the expenditures. He stated that the bill would cover half the deficit, but there was still a one-third deficit, forcing a downward pressure to balance the budget. He felt that there was probably a time to create taxes and reduce expenditures.

Representative Wilson wondered whether a spending limit could be put into the bill in order to help the pressure for future legislatures.

Mr. Teal replied that there were several versions of the bill that had an actual spending limit. He explained that many saw that as impractical and unenforceable. He remarked that the constitutional spending limit was in place, that some people consider unenforceable. He stressed that future legislatures could break the rule.

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ADJOURNMENT

[12:17:59 PM](#)

The meeting was adjourned at 12:17 p.m.