

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

February 15, 2018

3:31 p.m.

**MEMBERS PRESENT**

Senator Kevin Meyer, Chair  
Senator David Wilson  
Senator Cathy Giessel  
Senator John Coghill  
Senator Dennis Egan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE JOINT RESOLUTION NO. 2

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

- MOVED CSSJR 2(STA) OUT OF COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 5

Proclaiming March 2, 2018, as Alaska Reads Day.

- MOVED SCR 5 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SJR 2

SHORT TITLE: CONST AM: APPROPRIATION LIMIT

SPONSOR(S): STATE AFFAIRS

01/27/17	(S)	READ THE FIRST TIME - REFERRALS
01/27/17	(S)	STA, JUD, FIN
02/14/17	(S)	STA AT 3:30 PM BUTROVICH 205
02/14/17	(S)	Heard & Held
02/14/17	(S)	MINUTE(STA)
03/02/17	(S)	STA AT 3:30 PM BUTROVICH 205
03/02/17	(S)	Heard & Held
03/02/17	(S)	MINUTE(STA)
03/30/17	(S)	STA AT 3:30 PM BUTROVICH 205

03/30/17 (S) Heard & Held  
03/30/17 (S) MINUTE(STA)  
02/15/18 (S) STA AT 3:30 PM BUTROVICH 205

BILL: SCR 5

SHORT TITLE: ALASKA READS DAY

SPONSOR(s): GARDNER

02/24/17 (S) READ THE FIRST TIME - REFERRALS  
02/24/17 (S) EDC, STA  
04/03/17 (S) EDC AT 8:00 AM BUTROVICH 205  
04/03/17 (S) Heard & Held  
04/03/17 (S) MINUTE(EDC)  
04/12/17 (S) EDC RPT 3DP  
04/12/17 (S) DP: HUGHES, BEGICH, COGHILL  
04/12/17 (S) EDC AT 8:00 AM BUTROVICH 205  
04/12/17 (S) Moved SCR 5 Out of Committee  
04/12/17 (S) MINUTE(EDC)  
02/06/18 (S) STA AT 3:30 PM BUTROVICH 205  
02/06/18 (S) Heard & Held  
02/06/18 (S) MINUTE(STA)  
02/15/18 (S) STA AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

CHRISTINE MARASIGAN, Staff  
Senator Meyer  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an updated overview of SJR 2.

**ACTION NARRATIVE**

3:31:24 PM

**CHAIR KEVIN MEYER** called the Senate State Affairs Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Giessel, Egan, Coghill, Wilson, and Chair Meyer.

**SJR 2-CONST AM: APPROPRIATION LIMIT**

3:32:16 PM

CHAIR MEYER announced the consideration of SJR 2.

3:33:11 PM

CHRISTINE MARASIGAN, Staff, Alaska State Legislature, Juneau, Alaska, summarized that Senate Joint Resolution 2 (SJR 2) proposes amendments to the Alaska Constitution that would reset a budget appropriation limit with certain exceptions. She noted that the version of SJR 2 before the committee sets the appropriation limit at \$4.3 billion.

MS. MARASIGAN said that SJR 2 was introduced on January 27, 2017 and the Senate State Affairs Committee heard in 3 times. The five main people who provided invited testimony included:

- Jeremy Price, State Director for Americans for Prosperity.
- Bob Williams, representative for State Budget Solutions.
- Penn Pfiffner, Chairman for the Taxpayer's Bill of Rights (TABOR) Committee and former Colorado state representative.
- Barry Poulson, Emeritus Professor of Economics at the University of Colorado.
- Matthew Mitchell, Senior Research Fellow at the Mercatus Center at George Mason University.

She noted that public testimony was left open.

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She addressed what occurred in previous hearings on SJR 2 as follows:

- February 14, 2017:
  - 14-slide presentation by the sponsor that reviewed the term "appropriation limit" as it is used in the constitution, how many states have appropriation limits, and background history on why the state needs SJR 2.
  - Presentation explained how SJR 2 would work, spending exemptions, and how a built-in formula works.
  - Document showed a side-by-side language comparison from what is currently in the constitution and what is in SJR 2, versions: N and M.
  - Jeremy Price testified in support of SJR 2:
    - Explained the need for limits to keep government from growing excessively.
    - Pointed out that the challenge was to keep spending under control when times are good.
  - Bob Williams testified in support of SJR 2:

- Served five terms in the Washington State Legislature where he worked on tax and spending limits.
- Matthew Mitchell, who studies state fiscal policies at the Mercatus Center at George Mason University, submitted a 77-page report for consideration in support of SJR 2.
- Dave Harbor, author of Northern Gas Pipelines, testified in support of SJR 2.
- National Federation of Independent Business Owners submitted a letter of support for SJR 2.

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MS. MARASIGAN addressed the second hearing on SJR 2 as follows:

- March 2, 2017:
  - Penn Pfiffner, Chairman for the Taxpayer's Bill of Rights (TABOR) Committee testified in support of SJR 2:
    - Explained the differences between TABOR that passed in Colorado and SJR 2.
  - Barry Poulson, Emeritus Professor of Economics at the University of Colorado, testified in support of SJR 2.

She addressed the third hearing on SJR 2 as follows:

- March 30, 2017:
  - SJR 2, version: M was moved by Senator Giessel.
  - Five changes were presented in the committee substitute for version: N.
  - High-level-calculation worksheet presented which showed how the base number for the appropriation limit was calculated.
  - Announced that a forth coming poll conducted by Dittman Research, commissioned by the Alaska Chamber of Commerce, would show wide-spread public support for putting limits on spending by using a cap that works.
  - Public testimony was left open.

SENATOR COGHILL asked her to clarify that SJR 2, version: N was the old version and SJR 2, version: M was the proposed version.

MS. MARASIGAN answered yes.

CHAIR MEYER asked Ms. Marasigan to review the sponsor's presentation of SJR 2 from February 14, 2017.

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MS. MARASIGAN explained that the presentation first went through the following term definitions used in Article IX, Section 16 of the Alaska Constitution:

- An annual cap on appropriations can be enacted which grows yearly by the increase in population and inflation and held binding by the constitution.
- Some categories of appropriations are exempted.
- According to Alaska's Office of Management and Budget (OMB), "appropriation" is defined as: statutory authorization to spend a specific amount of money for a stated purpose. Appropriations are often subdivided into allocations in the appropriations bill. Funds may not be spent without an appropriation made by law.

She noted that the presentation showed how many state have limits:

- Appropriation limits are part of a broader category of Tax and Expenditure Limits (TELS).
- According to NCSL, as of 2010:
  - 30 states operate under a tax or expenditure limit:
    - Spending limit: 23 states;
    - Tax limits: 3 states;
    - Both spending and tax limits: 4 states.
  - Roughly half of these limits are constitutional, the other half are statutory.

She disclosed how the presentation explained the state's history in establishing an appropriation limit as follows:

- The Trans-Alaska Pipeline System (TAPS) completed, first oil flowed June 20, 1976.
- Alaska's Permanent Fund established by voters November 2, 1976.

- FY1979 to FY1982, Alaska's total budget tripled from \$1.1 billion to \$3.2 billion, excluding fund transfers.
  - For reference, the FY2006 budget was \$3.3 billion.
- July 15, 1981: Alaska Legislature passed Governor Hammond's SJR 4 in a special session.
- November 2, 1982: Alaska voters enshrined the amendment limiting appropriation increases in the Alaska Constitution, passing Ballot Measure 4 with a 61 percent to 39 percent tally.
- November 4, 1986: Alaska voters reaffirmed the amendment in a planned revisit of the limit, the vote was 71 percent to 29 percent in favor.
- 1986: Statutory Appropriation Limit.
- 1991: Statutory Budget Reserve Fund.
- 1991: Constitutional Budget Reserve Fund.

MS. MARASIGAN addressed the presentation as to why SJR 2 was brought forward as follows:

- The appropriation limit in Article IX, Section 16 needs repair, it has soared out of reach and failed to impact any spending since its enactment:
  - FY2017 budget was \$5.2 billion, while the limit was \$10.0 billion.
- The limit may never come into play again unless it is "reset."
- The intent of the voters should be respected and there should be a meaningful appropriation limit.
- During the 2016 interim, Senator Dunleavy asked Legislative Finance Division (LFD) to review the existing Statutory and Constitutional Appropriation Limits.
- LFD responded with analysis and provided a look at problems associated with the state's spending limits, loopholes in the limits, and recommendations for ways to assist in developing a workable loophole-proof (as much as possible) spending limit that would:
  1. Suppress the growth of government during revenue surpluses,
  2. Address rapid burning of reserves during revenue shortfalls.
- Staff worked with LFD, Legal Services Division, and individuals involved in the creation of the existing

appropriation limit to craft a revised appropriation limit for Alaska.

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MS. MARASIGAN referenced the explanation of the key elements to revise the constitutional appropriation limit as follows:

- Simplicity in presentation:
  - Voters must be able to clearly understand the limit and must not be so complex that it cannot be easily explained.
  - SJR 2 was designed to simplify the existing limit.
- Sophisticated in function:
  - Borrows from lessons learned following implementation of the 1982 limit.
  - Office of Management and Budget's Division of Strategic Planning wrote a paper in 1986 which characterized the 1982 limit as complex with a design to strike a balance between accomplishing something in a particular way while simultaneously preserving the flexibility to respond to unforeseen events and changing circumstances.

She detailed that basics of SJR 2 as follows:

- Would need to pass during the 30th Legislature, prior to the November 2018 General Election:
  - Constitutional Amendments and Conventions, AS 15.50.030, placing proposition on ballot:
    - The lieutenant governor shall direct the director to place the ballot title and proposition on the ballot for the next statewide general election held after the amendment proposed by the legislature or held 120 days after the amendment proposed by a constitutional convention. If there is insufficient time to permit the proposition to be placed on the regular ballot by the director, the lieutenant governor shall direct the director to prepare a separate ballot for the proposition.
- Effective Date: Under AS 15.50.060, would become effective 30 days after certification.

- o SJR 2 would be effective for the FY2020 budget, contemplated in early 2019.
- Spending exempt ("outside") the limit for appropriations made to:
  1. The Alaska Permanent Fund.
  2. Payment of PFDs.
  3. Meet a state of disaster declared by the governor as prescribed by law, AS 26.23.020.
  4. State general obligation or revenue bond proceeds.
  5. Pay obligations under state general obligation bonds and revenue bonds.
  6. Money received from the federal government.
  7. Re-appropriation of a previous unobligated appropriation.
  8. Money for expenditure by a state agency to provide internal services, or to provide services to another agency, and another state agency has also received an appropriation of the same money.
  9. Money held in trust by the state for a particular purpose.
  10. Money received by the state from a source other than the state or federal government that is restricted to a specific use by the terms of a gift, grant, bequest, or contract.
  11. Revenue of a public enterprise or public corporation that issues revenue bonds.
  12. Money deposited into the CBR, back to the funds and accounts from which the money came (reverse sweep).
  13. State savings account or fund as prescribed by law.
  14. Dedicated funds.

MS. MARASIGAN addressed an appropriation item comparison between the existing limit and the new limit from SJR 2.

She said the last part of SJR 2 addresses the resolution's built-in-growth formula as follows:

- The mechanism which adjusts the appropriation cap annually is a critically important element.
- The existing limit's formula adjusts the spending cap by 100 percent of the cumulative change in population and inflation.

- o This led to a trajectory for the limit which quickly became unattainable.
- If the formula in 1982 had been set at 50 percent of the cumulative change in population and inflation, the limit would have performed as indicated on the graph shown on slide 12.

MS. MARASIGAN addressed further policy considerations for SJR 2 as follows:

- Flagged spending items for further examination:
  - o Revenue Bond Debt Service:
    - Specifically, whether this exemption should be limited to bonds that generate sufficient revenue (or anticipated reductions) to cover debt service.
  - o Unrestricted Federal Funds (approximately \$7.4 million in FY2018).
  - o Re-appropriations (and scope changes).
  - o University receipts (Designated General Funds (DGF) or other).
  - o Appropriations to a state savings account, as designated by law:
    - Statutory clarification needed for Constitutional Budget Reserve Fund (CBR), Statutory Budget Reserve Fund (SBR), etc.
  - o Dedicated Funds:
    - Example: Fish and Game Fund currently inside the limit, the introduced bill would place all dedicated funds outside the limit. Note: "Dedicated Funds" are not the same as "Designated Funds."
  - o Capital Budget:
    - An obvious loophole if placed outside the limit.
- Pressure-Relief Valve:
  - o A method to exceed the appropriation limit, whether it be through referral to voters, legislative super-majority, or otherwise.

[3:48:45 PM](#)

CHAIR MEYER referenced "further policy considerations" in slide 13 and opined that the discussion is probably more appropriate for the Senate Finance Committee.

CHAIR MEYER asked Ms. Marasigan to confirm that the last public vote on an appropriation limit occurred on November 4, 1986 and resulted in 71 percent voting in favor of the amendment.

MS. MARASIGAN answered correct. She said the previous chair of the Senate State Affairs Committee referenced a poll by Dittman Research that reported that 53 percent of Alaskans supported a spending cap in 2015 and 66 percent in 2017.

[3:51:24 PM](#)

CHAIR MEYER concurred with Ms. Marasigan that the current appropriation limit needs to be modified because the current limit does not work.

SENATOR GIESSEL recalled that the result of a recent Senate majority poll was that over 70 percent were in favor of a spending cap. She conceded that the poll was unscientific whereas the Dittman Research poll was scientifically conducted.

CHAIR MEYER said he has seen various polls on a government spending cap and remarked that results have shown that the public is overwhelmingly supportive.

SENATOR GIESSEL recalled that the committee had seen three versions of SJR 2 with spending caps that varied from \$4.2 billion to \$4.3 billion. She asked if the committee adopted version: M, a version with a \$4.3 billion spending cap.

[3:53:50 PM](#)

At ease.

[3:54:31 PM](#)

CHAIR MEYER called the committee back to order. He confirmed that version M is before the committee as the working document.

[3:55:55 PM](#)

CHAIR MEYER closed public testimony.

SENATOR COGHILL stated that SJR 2 should move forward because Alaskans have been waiting for the legislation. He opined that getting movement on an appropriation limit will increase Alaskans' interest level.

CHAIR MEYER remarked that Alaskans want a spending cap. He believed that SJR 2 is the right thing to do from a statewide policy standpoint. He said the next committees of assignment, Senate Judiciary and Senate Finance, can workout the matters

pertaining to a constitutional amendment and the spending-cap numbers.

[3:57:41 PM](#)

SENATOR GIESSEL moved to report SJR 2, [CSSJR 2(STA)], version 30-LS0123\M, from committee with individual recommendations and attached zero fiscal note.

[3:57:56 PM](#)

CHAIR MEYER said there being no objection, the motion carried.

[3:58:05 PM](#)

At ease.

### **SCR 5-ALASKA READS DAY**

[4:00:19 PM](#)

CHAIR MEYER called the committee back to order and announced the consideration of Senate Concurrent Resolution 5 (SCR 5). He noted that during the previous hearing, Senator Wilson offered a conceptual amendment.

SENATOR WILSON withdrew the conceptual amendment identified as Amendment 1.

CHAIR MEYER found no objection and conceptual amendment 1 was withdrawn.

[4:01:17 PM](#)

SENATOR GIESSEL moved to report SCR 5, version 30-LS0538\A, from committee with individual recommendations and attached zero fiscal note.

[4:01:38 PM](#)

CHAIR MEYER said there being no objection, the motion carried.

[4:01:46 PM](#)

At ease.

[4:03:46 PM](#)

CHAIR MEYER called the committee back to order.

[4:04:31 PM](#)

There being no further business to come before the committee, Chair Meyer adjourned the Senate State Affairs Standing Committee at 4:04 p.m.