

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

March 21, 2019

1:34 p.m.

**MEMBERS PRESENT**

Senator Mike Shower, Chair  
Senator John Coghill, Vice Chair  
Senator Peter Micciche  
Senator Scott Kawasaki

**MEMBERS ABSENT**

Senator Lora Reinbold

**COMMITTEE CALENDAR**

**SENATE JOINT RESOLUTION NO. 6**

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; relating to the budget reserve fund and establishing the savings reserve fund; and relating to the permanent fund.

- HEARD & HELD

**SENATE BILL NO. 33**

"An Act relating to pretrial release; relating to sentencing; relating to treatment program credit toward service of a sentence of imprisonment; relating to electronic monitoring; amending Rules 38.2 and 45(d), Alaska Rules of Criminal Procedure; and providing for an effective date."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: SJR 6

SHORT TITLE: CONST AM:APPROP. LIMIT; RESERVE FUND

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/30/19	(S)	READ THE FIRST TIME - REFERRALS
01/30/19	(S)	STA, JUD, FIN
03/21/19	(S)	STA AT 1:30 PM BUTROVICH 205

**WITNESS REGISTER**

MIKE BARNHILL, Policy Director  
Office of Management and Budget  
Office of the Governor  
Juneau Alaska

**POSITION STATEMENT:** Participated in the presentation of SJR 6.

ED KING, Chief Economist for the State of Alaska  
Office of Management and Budget  
Office of the Governor  
Juneau Alaska

**POSITION STATEMENT:** Participated in the presentation of SJR 6.

CORI MILLS, Senior Assistant Attorney General  
Civil Division  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Participated in the presentation of SJR 6.

WILLIAM MILKS, Assistant Attorney General  
Civil Division  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Participated in the presentation of SJR 6.

CORI MILLS, Senior Assistant Attorney General  
Civil Division  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Participated in the presentation of SJR 6.

GLENN M PRAX, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

VICKI JO KENNEDY, representing self  
Kodiak Island, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

CHRIS EICHENLAUB, representing self  
Eagle River, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

WILLIAM QUAYLE, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

DEBORAH HOLLAND, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Stated support for SJR 6

DANIEL SADROSA, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** STATED support for Governor Dunleavy and SJR 6.

CHARLES SIMON, representing self  
Hooper Bay, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

MIKE COONS, representing self  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

JIMMY SWISHER, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

SUSAN JORDAN, representing self  
Kenai, Alaska

**POSITION STATEMENT:** Stated full support for Governor Dunleavy and SJR 6.

KIMBERLY CLARK THIRY, representing self  
Anchor Point, Alaska

**POSITION STATEMENT:** Stated that she totally supports SJR 6.

RYAN MCKEE, State Director  
Americans for Prosperity  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

PATRICK MARTIN, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

CARL NORMAN, representing self  
Seward, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6 and Governor Dunleavy.

GREG BARLETT, representing self  
Soldotna, Alaska

**POSITION STATEMENT:** Stated support for SJR 6 to cap government spending and protect the permanent fund dividend.

PORTIA NOBLE, Field Director  
Americans for Prosperity (AFP)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

ELIZABETH DOOLEY, representing self  
Trapper Creek, Alaska

**POSITION STATEMENT:** Stated support for SJR 6 and Governor Dunleavy.

DAVID BOYLE, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Stated support for SJR 6.

GEORGE PIERCE, representing self  
Kasilof, Alaska

**POSITION STATEMENT:** Stated support for SJR 6.

MATHEW SMITH, representing self  
Bethel, Alaska

**POSITION STATEMENT:** Stated support for SJR 6.

CLIFF BROTT, representing self  
Talkeetna, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

THOMAS WILLIAMS, representing self  
Peters Creek, Alaska

**POSITION STATEMENT:** Testified in support of SJR 6.

ROGER BRANSON, representing self  
Eagle River, Alaska

**POSITION STATEMENT:** Testified in opposition of SJR 6.

KELLEY TURENTON, representing self  
North Pole, Alaska

**POSITION STATEMENT:** Said she opposes SJR 6.

IONE ACAERMANN, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Stated support for SJR 6 to cap spending and protect the PFD.

CORBIN ARNO, representing self

Homer, Alaska

**POSITION STATEMENT:** During the hearing on SJR 6 said he supports the Governor's budget and what he is doing.

#### **ACTION NARRATIVE**

[1:34:11 PM](#)

**CHAIR MIKE SHOWER** called the Senate State Affairs Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Coghill, Kawasaki, Micciche, and Chair Shower. Senator Reinbold arrived as the meeting was in progress.

#### **SJR 6-CONST AM:APPROP. LIMIT; RESERVE FUND**

[1:34:46 PM](#)

**CHAIR SHOWER** announced the consideration of SENATE JOINT RESOLUTION NO. 6, Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; relating to the budget reserve fund and establishing the savings reserve fund; and relating to the permanent fund.

He said the resolution was introduced by the Rules Committee at the request of the Governor. The intent today is to hear the introduction, debate the policy, and start taking public testimony at 3:30 pm.

[1:35:30 PM](#)

Mike Barnhill, Ed King, and Cori Mills introduced themselves and Mr. Barnhill noted that Bill Milks was in the audience as a lifeline, should the need arise.

**CHAIR SHOWER** advised that he'd like to take time and have questions answered as they come up.

[1:36:44 PM](#)

**MIKE BARNHILL**, Policy Director, Office of Management and Budget, Office of the Governor, Juneau, thanked the chair for taking the additional time with SJR 6. He said whenever there is a question of amending the constitution, it is important to take extra time to consider all the relevant implications and to take public testimony.

**MR. BARNHILL** explained that SJR 6 proposes to amend the current constitutional spending limit in art. IX, sec. 16, Constitution of the State of Alaska. He advised that he would review the

existing limit and the reason why the administration recommends a change.

MR. BARNHILL recounted that in the early 1980s the state was awash in new oil money and state spending skyrocketed. According to some reports, state spending between 1960 and 1982 climbed over 9,000 percent. Over this same time, the population almost doubled and the changes in inflation a little more than tripled. However, the combined impact was nowhere close to 9,000 percent and there was legitimate concern about the legislature possibly spending all this new money like it did with the initial royalty bonus in the early 1970s. The legislature addressed the concern in 1981 in an amendment to the constitution that was placed on the ballot in 1982.

MR. BARNHILL explained that the base spending limit in FY1982 was \$2.5 billion and the constitutional amendment allowed that limit to increase by the combined effect of inflation and population growth each year. Exceptions to the limit were "appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds,". He noted that the constitutional amendment reserved one third of spending for capital projects. If the legislature wanted to spend more than that on capital projects, it would require approval by the voters.

The resolution was put before the people in 1982 and passed by a substantial margin. The voters reconfirmed this in 1986 when the question passed by an even larger margin. Mr. Barnhill highlighted that the 1982 election pamphlet statement opposing the resolution supported a spending limit that had fewer exceptions. He stated, "Perhaps somewhat predicting the future, here we are now in 2019 and it does seem as if the statement in opposition in 1982 had some merit to it. There may have been too many holes in this particular spending limit. It didn't really serve to control spending."

[1:41:54 PM](#)

CHAIR SHOWER asked Mr. Barnhill to read the relevant part of [art. IX, sec. 16,] Constitution of the State of Alaska into the record to clarify that the appropriation limit is already in the constitution. The resolution seeks to change the formula.

[1:42:14 PM](#)

MR. BARNHILL read the following:

...appropriations from the treasure made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981.

CHAIR SHOWER reiterated that he wanted it on the record that SJR 6 proposes a change to the existing appropriation limit in the state constitution.

SENATOR COGHILL clarified that Mr. Barnhill was reading from art. 9, sec. 16, Constitution of the State of Alaska.

[1:43:23 PM](#)

EDWARD KING, Chief Economist for the State of Alaska, Office of Management and Budget, Office of the Governor, Juneau, discussed the existing appropriation limit in the constitution and why it isn't as effective as hoped. He requested the committee hold any questions about the mechanics of the proposal until the end of the presentation when that will be discussed.

MR. KING displayed slide 4 and explained that he adjusted the FY75-FY19 UGF spending (reported by legislative finance) for inflation and population. The graph illustrates that before oil started flowing through TAPS [Trans-Alaska Pipeline System], about \$5,000-\$6,000 per person was spent on government services in 2019 dollars. After oil money started flowing to the treasury, the young state radically increased government. When a spending limit was placed in the constitution in 1982, the status quo was about \$2.5 billion. Historically, that is the most the state has ever spent on a per capita basis adjusted for inflation, yet that is the limit in the constitution. He pointed out on slide 5 that the black dot/dash line at the top represents the current spending limit that was pegged to the \$2.5 billion plus inflation and population growth. He highlighted that the line has climbed more than four times the level it was in 1982 even though the government has never grown enough to reach that limit.

He directed attention to the stacked chart on slide 5 that is intended to show how that spending limit has played out over time and how it would have played out under alternate scenarios. He explained that the blue area represents agency operations; the orange area represents statewide items such as debt service

payments, contributions to retirement accounts, and oil tax payments; and the gray area represents capital spending. He highlighted that it is capital spending that is the most reactive to changes in revenue. Capital budgets are large when there's money and they're scaled back when money is scarce. The red dotted line at the bottom of the chart illustrates what would have happened if the 1982 constitutional limit was pegged to the \$1 billion state spending before oil money started to flow. That limit would be equivalent to agency operations today. He said part of the problem with the current spending limit is that it was pegged to the escalated spending rather than to the pre-oil-money spending it intended to control.

CHAIR SHOWER asked how it happened that the red line is roughly equivalent to agency operations today.

MR. KING replied he applied the constitutional amendment on the first data point, which was 1975 rather than 1982 and that's what shows up.

CHAIR SHOWER commented that it's quite a coincidence.

SENATOR COGHILL talked about the necessity of looking forward and backward about a decade to reflect catching up on things like deferred maintenance during lean times and paying forward during better financial times. He said that is different than annual spending and should be noted.

[1:50:10 PM](#)

MR. KING responded that an effective limit would force capital projects to be spread out over time as opposed to the current boom and bust cycles. He said another way to look at that is if debt were issued rather than spending down savings, those debt service payments would spread the payments out over time.

SENATOR COGHILL asked where debt payments appear on the graph.

MR. KING replied debt service payments are exempted under the existing spending limit and would be exempted under this proposal.

CHAIR SHOWER asked if the black dashed line that represents the spending limit if the proposed spending limit was passed in 1982 is about \$2.2 billion.

MR. KING said it's about \$2.5 billion.

CHAIR SHOWER asked if the red line reflects about \$3.5 billion.

MR. KING said it's about \$3.6 billion and the statewide items and capital projects in the FY19 budget would exceed that cap. From \$300 million to \$400 million would need to be cut if the proposed spending limit was in place.

MR. KING said the final point on slide 5 is that the resolution proposes to factor just half the inflation and population growth. The black dotted line in the middle of the graph shows how that would have played out. The dashed black line at the bottom shows what the proposed limit does with the rolling three year average. For example, the proposed spending limit would have prevented the budget growth in 2006 that responded to increased revenues.

[1:53:16 PM](#)

MR. KING reviewed the considerations listed on slide 6:

- Not all government spending needs to grow with population
  - Teachers and troopers, maybe
  - Regulators and auditors, maybe not
- For 20 years [between 1985 and 2005], the State did not need inflation adjustments, even when they were allowed
- A high allowed rate of growth from a record high spending level leads to an ineffective limit

CHAIR SHOWER asked if there was an explanation for the second point that inflation adjustments weren't needed for 20 years.

MR. BARNHILL said when the price of oil bottomed in 1987 and the state was in a deep recession through most of the 1990s, the legislature kept tight control on spending. When oil reemerged in the early to mid-2000s, prices spiked. He said one could argue that in Alaska spending often chases oil prices.

CHAIR SHOWER asked if the population outflow in the late 1980s may have contributed to the flat growth and little need for services.

MR. BARNHILL said he didn't have the data, but he wouldn't be surprised if there was some out migration. He reiterated that the budget likely correlates to the price of oil.

[1:56:33 PM](#)

MR. KING began the second part of the presentation titled, "Why Amending the Limit is Necessary." He directed attention to the graphic on slide 8 that depicts the current path and where it leads. He described it as "the do nothing scenario" in which the PFD disappears, and ad hoc draws deplete the earnings reserve account. At that point, he said, the only choice is to cut the budget or implement a tax. Responding to a question from the chair, he clarified that the chart starts with the FY19 management plan that grows with inflation and population growth.

He directed attention to slide 9, "UGF Spending History," and pointed out that the current spending limit did not prevent government from growing when oil prices spiked in 2006, bringing a lot of money into the treasury. He highlighted that without change, a similar result can be expected if revenues spike again.

CHAIR SHOWER asked why he chose to spotlight the do nothing scenario and if he looked at other iterations.

MR. KING replied this is just one of the scenarios in the 10-year plan that was published this morning. All of the other solutions lead to the same conclusion. You either pay taxes to support a larger government and protect the PFD and savings or you consume all savings and erode the ability to pay the PFD. He stressed that the only way to avoid those outcomes is to reduce the budget.

CHAIR SHOWER observed that the charts would look different with reductions in government spending.

MR. KING responded that a chart showing reductions in government spending appears later in the presentation.

[2:00:47 PM](#)

SENATOR MICCICHE pointed out that the chart shows no midrange solutions for any of the possibilities and that will lead the public to believe that the PFD will run out in 2022. He said it's important for everyone to understand that nobody is talking about doing nothing.

CHAIR SHOWER commented that a salient point is that government spending needs to be part of the equation for an acceptable outcome.

MR. KING agreed and added that the chart represents the most extreme of what could happen, not necessarily what will happen.

He assured members that his team could model any option the legislature decides to put forward.

[2:02:50 PM](#)

SENATOR COGHILL asked what's included in the government spending category on slides 9 and 10 and if the PFD is part of that

MR. KING said the historical data does not consider the dividend payments as unrestricted general fund (UGF) expenditures. Legislative Finance Division started including the dividend in UGF spending about two years ago, but the charts reflect the previous interpretation that dividends are not a UGF expense. He clarified that the transfer from the CBR to the retirement trust is not considered UGF and is not included in the charts. Those items would not be included in either the existing constitutional spending limit or the proposed spending limit.

SENATOR COGHILL said, "It's a point to be made because there was some pretty good-sized chunks there."

[2:04:17 PM](#)

CHAIR SHOWER asked if those expenditures are excluded.

MR. KING answered yes.

MR. KING turned to slide 10 and explained that it's the same graph as the previous one but it's laid out as a timeline to show the key events that occurred between FY75 and FY19. He noted that the constitutional spending limit that passed in 1982 was prompted by the 264 percent increase in UGF spending over the previous five years. Then from about 1982 to 1986 Alaska experienced the deepest recession in its history. Peak oil production occurred in 1988 and from there until about 2004 (other than some extended capital projects in the 1990s) agency operations were essentially flat and spending was held to about \$2.5 billion; education funding didn't increase, the student population was stable, the general population didn't grow very much, and inflation wasn't a large factor. In the 2005-2006 timeframe oil prices rose to an historical high, rising from a low of \$9 per barrel in 1999 to a high of \$147 per barrel in 2008. Over that time period, the value of royalty and taxes exceeded the budget needs by a large margin. Over those 9 years there was a 261 percent increase in spending. This included larger capital budgets, changes in the accounting of budget items, and increases in agency operations primarily for education, the university, health care, and some transportation. When oil prices collapsed in 2014, the legislature reduced the

capital budget practically to zero and looked at how to reduce spending overall. Even with that effort, spending remains \$2 billion higher than it was before the oil spike.

MR. KING said the threefold increase in spending in the early 1980s prompted a discussion about a spending limit, but it's clear that it didn't prevent overspending from happening again. Thus the conversation today about whether that spending limit should be amended.

CHAIR SHOWER highlighted that there was no corresponding 261 percent increase in population over that time period.

MR. KING said that's correct, there was a very minor increase in population.

CHAIR SHOWER offered his understanding that there has been a net outflow in the last few years.

MR. KING replied that's correct, but births exceeded deaths in the first three of those years so there has been an actual population decrease in just the last year.

[2:08:11 PM](#)

SENATOR MICCICHE asked if the charts are in real dollars.

MR. KING clarified that the numbers are in nominal dollars; they are not inflation adjusted.

SENATOR MICCICHE commented that the chart would show a very different picture if the numbers had been adjusted for inflation. He highlighted that the proposed spending limit takes both population and inflation into account so the effect of inflation has to be considered when looking at spending levels. He added, "I'd love to see these in real dollars as well."

MR. KING pointed to slide 4 that shows UGF spending over time that is adjusted for inflation and population. It illustrates that when the spending limit passed in 1982, UGF spending per person was about \$16,000 in 2019 dollars. He added, "You can just basically draw a straight line and show what the per capita spending would have been and how it still exceeds those values." He said he'd be happy to provide a chart that only adjusts for population.

SENATOR MICCICHE said he like that.

CHAIR SHOWER asked him to send it to the committee for distribution.

SENATOR KAWASAKI returned to slide 10 and pointed out that in part the higher spending in FY05 and beyond related to the joint legislative education task force and litigation [Kasayulie and Moore cases] that came from that process. The payback of the underfunded public employee and teacher retirement systems is another part of that \$2 billion increase in spending. He asked if the administration had looked at those factors.

MR. KING turned back to slide 9 and explained that it shows the spending categories he described. The blue category represents agency operations, including costs for Medicaid, education, and the university system. Spending in that category increased \$2 billion from 2004-2013. The orange category represents spending for statewide items, which includes the payments for the underfunded pension liability and oil tax credits that through legislation became budget items rather than revenue items because the state was willing to pay cash for the credits. The gray category represents capital projects. Together those increases total \$5 billion, he said.

SENATOR COGHILL asked if the agency operations category includes the large deposit in 2013.

MR. KING clarified that the chart only looks at expenditures, not revenue.

[2:12:50 PM](#)

SENATOR MICCICHE said he'd like to see this modeled on a more apples-to-apples basis. The information in the slides isn't consistent, which makes it more difficult to mathematically visualize the effect going forward. He said he strongly supports an appropriations limit but "we might be talking about just that lever of what interest should look like and how population adjustments really affect the Alaska economy."

CHAIR SHOWER asked Mr. King to respond to the various requests in one document.

MR. KING clarified that the data from slides 9 and 10 comes from the same data source, which is the Legislative Finance Division unrestricted general fund (UGF) spending history. "They're all representing the same thing so they are apples-to-apples in that context." He asked if the request was to look at just agency operations.

SENATOR MICCICHE said he'd prepare a list of what he wants to see, but there was no particular hurry because he would also have the opportunity to see this bill in the finance committee.

CHAIR SHOWER asked Mr. King to answer the policy questions before the bill leaves this committee.

MR. KING agreed.

SENATOR MICCICHE stated that, as a matter of policy, the current constitutional appropriation limit does not work. It is exorbitant and is not tied to spending. At this point, spending to that constitutional limit would put the state in trouble from which it would not be able to recover, he said.

2:17:15 PM

MR. KING turned to slide 11 that looks at the hypothetical scenario of the spending cap proposed by SJR 6 having been in place before oil prices spiked. He clarified that the chart only shows agency operations and the capital budget. He shared his reasoning that the statewide items that did occur would have occurred in a different way. For example, "the oil tax credit system probably would not have become a budget item. It would have been restricted to reducing revenues and the payment for unfunded liabilities would probably have become either bond debt or found some other way of meeting those obligations outside of the limit."

He pointed to the gray dashed line at the top of the graph that represents the existing constitutional spending limit. The estimated actual UGF spending, not statewide items, that did occur is the solid blue line. The gray dashed line at the bottom reflects what spending would have been had SJR 6 been in place starting in FY00. He highlighted that had the proposed spending cap been in place before oil prices spiked, spending would have been about \$29 billion lower than it actually has been.

CHAIR SHOWER asked for confirmation that the \$29 billion is only UGF spending, not the unfunded pension obligations that Senator Coghill mentioned.

MR. KING confirmed that is only UGF agency operations and capital budget items.

SENATOR MICCICHE emphasized that people need to understand that that Alaska would be a very different place under this

relatively flat spending scenario. Financial growth would have been more limited, social programs would have been dramatically limited, and the population would be lower. He said it's important for people to understand that many different factors may have affected how Alaska may have been managed. This just illustrates what wouldn't have occurred for spending.

2:21:26 PM

SENATOR KAWASAKI mentioned the \$2 billion in deferred maintenance and the shrinking size of the capital budgets. He asked if any thought had been given to how the state will pay for the assets it owns when it is already struggling with \$2 billion in deferred maintenance.

MR. BARNHILL said there is already an effort to balance the huge number of competing demands within the existing revenue. Should the proposed spending limit pass, he said addressing things like deferred maintenance would probably be stretched out over a longer period.

SENATOR KAWASAKI noted that the legislature allocated \$5 million to deferred maintenance for the university when the backlog was about \$1 billion. He said whatever appropriations limit is put in place, it should take into account the things that are not being paid for right now. In addition to deferred maintenance, he specifically mentioned the unmet needs for law enforcement in rural Alaska, the constitutional obligation for education, health and social services, and public health and welfare.

MR. BARNHILL said the administration understands that. He added that Ms. Mills will discuss ways of doing capital projects within the proposed spending limit.

SENATOR COGHILL said it would be instructive to see what the yellow bars [slide 11] would look like if the capital budget was excluded. [The bars represent the money that could not have been spent if the proposed spending limit had been in place.] He also highlighted the consent decrees such as Molly Hootch that the state has had to live under at great cost.

CHAIR SHOWER said he was adding that to the list of requests for updated slides.

SENATOR MICCICHE related that when he became mayor of Soldotna, he cut the budget 12 percent and kept it flat for five years. Spending was so constricted that it didn't keep up with inflation and costs popped for the next mayor. He opined that

the legislature needs to decide on a realistic trend line that accurately accounts for inflation and demand and meets constitutional obligations going forward. He wondered how much of the flat spending in the 1990s blossomed into unavoidable expenditures in the mid-2000s.

[2:27:43 PM](#)

MR. BARNHILL said he recalls a catchup mentality in the early 2000s, but he doesn't believe it accounted for all the increased spending. He posited that there is a distinct correlation between increases in the price of oil and increases in the budget. He said Alaskans spend more because they have more to spend.

[2:29:34 PM](#)

SENATOR MICCICHE clarified that his earlier comment about increased spending in the mid-2000s referred to catchup spending from 2005-2008. He didn't believe there was any justification for the increased spending in 2011-2013. "That slope is unsustainable by any metrics."

CHAIR SHOWER commented that changes to the existing constitutional spending limit should not limit growth in the future.

SENATOR COGHILL said increases in the health and social services budget and rising healthcare costs have hit the state hard. A question that has to be answered is whether that downward pressure be sustained if society wants increased coverage on the public and private level,

CHAIR SHOWER said part of the conversation is about setting a baseline.

MR. BARNHILL said we're all here trying to strike the right balance.

MR. KING summarized that the graph on slide 11 represents the financial cost of decisions that were made about funding agency operations and what it would have meant if different decisions had been made.

[2:34:58 PM](#)

MR. KING turned to slide 12. He explained that the graph on the left illustrates what would have happened to the size of the permanent fund if the proposed spending cap been in place before oil prices spiked and agency operations were forced to be \$29

billion lower. The graph on the right shows what happened to that \$29 billion under the existing spending limit. He pointed out that leaving the money in the permanent fund and allowing it to grow leads to a very different situation than where the fund is today. The financial cost of that \$29 billion spread over nearly 20 years didn't seem like a lot as it was happening but looking back at what would have happened if that limit had been in place clearly illustrates that the conversation today would be very different. The permanent fund would have about \$130 billion, POMV draws could be very large, the budget would not have grown to the point that cuts would be needed, and there would be enough money in the bank for full PFDs.

MR. KING said he agrees with Senator Micciche that Alaska would be very different today if the proposed spending limit had been in place the last 20 years, but the point of the slide is to illustrate the financial implications of those decisions over time.

CHAIR SHOWER commented that the point is well taken that if the money was saved rather than appropriated there would be a larger balance in the permanent fund.

SENATOR MICCICHE said the system doesn't work exactly as described but he does agree that savings invested wisely over that time frame would have had a significant benefit. The dream is that the saving level would eventually be sustainable so a POMV type payout would pay for the cost of government in perpetuity without taxes and with a healthy dividend.

[2:38:07 PM](#)

CORI MILLS, Senior Assistant Attorney General, Civil Division, Department of Law, Juneau, clarified that, as proposed, excess revenues would be deposited into the permanent fund. She described it as similar to the CBR sweep.

SENATOR MICCICHE responded that he understands that but the point is that the chart illustrates something that has not occurred. "I want to make sure that people aren't confused about the difference between the last 20 years and the next [20 years]."

CHAIR SHOWER said he agrees that the chart is theoretical but it illustrates that savings matter in the quest for sustainability.

MR. KING clarified that the assumptions in the chart were that SJR 6 was enacted in 2000. This is not how things played out or

how would have played out if the legislature made different decisions, he said.

[2:41:05 PM](#)

MR. KING said the graph on slide 13 shows what actually did happen between FY11 and FY19. He pointed out that the yellow expenditure line exceeded the gray revenue line starting in FY13. This forced a drawdown in both the CBR and the SBR from \$16 billion to \$2 billion.

SENATOR MICCICHE asked him to point out the value of the approximately \$8 billion in extra deposits that were made to the permanent fund and the power that's had over time.

MR. BARNHILL said he didn't have the specific data but since the 1970s the legislature has made special appropriations of between \$7 billion and \$8 billion to the principal of the permanent fund, in addition to the statutorily required inflation proofing. The result is a \$60 billion permanent fund today versus what would be a considerably smaller fund had policymakers not been forward thinking, he said.

[2:44:06 PM](#)

SENATOR KAWASAKI asked what the balance of the CBR fund should be right now.

MR. BARNHILL replied the payback obligation is greater than \$10 billion and perhaps as high as \$12 billion.

MR. KING offered to follow up with the exact number because there is some debate about what it is.

[2:45:17 PM](#)

MR. BARNHILL reviewed the following three constitutional amendments that are the centerpiece of the Dunleavy policy proposal to provide sustainability, predictability, and affordability for Alaska:

- SJR 6: Sets an annual spending and savings rule to stabilize spending and grow the Permanent Fund.
- SJR 5: Changes to the current PFD formula would require a vote of the people- Alaska is an owner state.
- SJR 4: Requires a vote of the people before the implementation or increase of any tax.

[2:46:59 PM](#)

MR. KING turned to slide 16 that represents the complete picture of Governor Dunleavy's plan over the next 30 years. He said the plan includes a constitutionally protected PFD, budget growth that is limited by SJR 6, and spending that is in line with current revenues - including the allowed draw from the ERA. The Governor's desire to protect savings, protect the PFD, and not require taxes is achievable but it is largely dependent on SJR 6, which prevents the growth of government spending.

CHAIR SHOWER asked for an explanation of the excess savings draws in 2036-2050.

MR. KING explained that it reflects the gap that will be created as production decreases and there is a corresponding decline in revenue. He noted that a future legislature might elect to fill the gap by increasing the POMV draw to 6 percent.

CHAIR SHOWER observed that one assumption is that the corpus of the permanent fund will continue to grow.

MR. KING said that's correct. The graphic reflects the statutory inflation proofing and the growth through royalty deposits. Over time the principal account and the ERA are growing and the combination generates new revenue that could fill that future gap. He added that the gap might not exist if there is future development.

SENATOR MICCICHE pointed out that this is the \$1.6 billion budget reduction that includes the 25 percent cut to education and reallocation of oil and gas property taxes from communities to the state. The first chart illustrated the do nothing scenario and this is the other bookend. He asked if that's correct.

MR. KING confirmed that the graphic represents all the Governor's proposals, which includes the \$1.2 billion reduction to government spending and \$400 million in property taxes diverted to the state.

CHAIR SHOWER said it might be helpful for the finance committee to look at the effect of pulling different levers.

MR. KING said he would be very willing to work with the Legislative Finance Division on different proposals and how they compare to this plan.

CHAIR SHOWER said that kind of information will be important for the next committee.

[2:52:34 PM](#)

MS. MILLS reviewed the following bullet points that explain the appropriation limit proposed by SJR 6:

- Current appropriation limit is so high that the limit is never met
- Constitutional Amendment changes the current appropriation limit to be more meaningful and impactful over time
- Deposits excess revenues annually into savings
- Changes the Constitutional Budget Reserve Fund to the Savings Reserve Fund and limits spending and fund size

MS. MILLS provided the following sectional analysis for SJR 6:

Appropriation Limit: Section 1(a)

Appropriation Limit -- "Appropriations made for a fiscal year shall not exceed the average of the appropriations made in the previous three fiscal years by more than fifty percent of the cumulative change in population and inflation since January 1 of the previous calendar year, derived from federal indices as prescribed by law, or two percent, whichever is less."

She highlighted that this new calculation for the appropriation limit is the new baseline that seeks to keep downward pressure on the growth curve.

- Provides a list of exceptions for spending that falls outside the appropriation limit cap
- Examples: permanent fund dividends and money placed in the fund; money for disasters; obligations and proceeds from GO bonds and revenue bonds
- Most substantial change from existing exceptions--capital spending is not an exception and falls within the appropriation limit cap. The administration's policy choice is GO bonds.

She noted that general obligation (GO) bonds go to the voters for approval.

[2:56:18 PM](#)

SENATOR MICCICHE asked if the savings reserve fund would remain separate from the permanent fund.

MS. MILLS said that's correct. She directed attention to slide 24 that shows how the existing budget reserve fund works and how the proposed savings reserve fund will work. She explained that the proposed savings reserve fund will receive tax and royalty settlements (just as it does now) as well as the new portion of excess revenues based on priorities in the new appropriation limit. This is to ensure that the fund has sufficient revenue for an entire year of government spending. The second major change is that the resolution repeals the 3/4 vote possibility to appropriate the money for any public purpose. Instead, the legislature may, by majority vote, appropriate only the amount to fill the gap between revenues in the general fund and the appropriation limit.

SENATOR MICCICHE stated support for the elimination of the 3/4 vote. He questioned the reason for using 66 percent of average CPI for growth.

MS. MILLS replied it was a policy call by the Administration to keep downward pressure on spending while maintaining a growth curve. This also recognizes the spending exceptions that are available for disasters and things like that.

MR. BARNHILL said he believes that it's 50 percent.

[3:01:08 PM](#)

CHAIR SHOWER recessed the meeting until 3:30.

[3:34:08 PM](#)

CHAIR SHOWER reconvened the meeting and advised that public testimony would be heard following the presentation on SJR 6. All members were present.

[3:35:24 PM](#)

MS. MILLS explained that when the committee recessed the discussion was about the appropriation limit and the exceptions in Section 1, subsection (a) of the resolution. She summarized that capital spending is included in the appropriation limit cap. Capital projects outside the limit would be paid for with the proceeds from GO bonds.

SENATOR KAWASAKI asked if it was a policy call to tie the appropriation limit to the lesser of 2 percent or 50 percent of the cumulative change in population and inflation.

MS. MILLS replied those were policy calls that were intended to keep downward pressure on the spending curve.

SENATOR KAWASAKI, noting that capital spending falls within the appropriation cap, asked how less populated areas of the state will do capital projects because they won't be able to compete for funding by GO bond.

MR. BARNHILL explained that general obligation bonds have historically been used for an array of projects statewide and that won't change.

SENATOR KAWASAKI acknowledged the answer.

[3:37:23 PM](#)

MR. KING directed attention to slide 20 that is intended to demonstrate that there is spending that occurs within the budget process that is not subject to the appropriation cap. If the budget is between \$4 billion and \$5 billion, spending from all sources may be between \$11 billion and \$12 billion. He said this graphic is intended to illustrate that the exemptions add up to quite a bit of money.

SENATOR REINBOLD said she believes in a total cap to reel in government. She asked him to talk in more detail about designated general funds (DGF) because it was her understanding that all DGF was subject to the cap.

MS. MILLS pointed to the DGF exceptions listed in Section 1 on page 2 of the resolution. These include:

- money held in trust by the state or received from the federal government for a particular purpose; and
- to pay obligation or spend the proceeds or revenue of State general obligation bonds and revenue bonds;

She summarized that these are revenue bonds and things held in trust by the state for different purposes.

MR. KING added that AHFC issuing bonds and spending that money is an example of designated funds that would fall under the

exemption, but items currently designated through the budget process such as taxes for special purposes would not fall under the exemption.

SENATOR REINBOLD said she doesn't want to motivate any agency to increase costs for the private sector. She then asked if the resolution addresses the PERS/TRS liability.

MR. BARNHILL replied appropriations to pay down the retirement system liabilities aren't explicitly covered in the resolution. He noted that there was some discussion during the recess as to whether a lumpsum payment to PERS/TRS would fall under the cap or not. He offered to follow up with advice from the Department of Law.

SENATOR KAWASAKI asked if the state match for the federal funds received from the 2008 American Recovery and Reinvestment Act would fall inside or outside the cap.

MR. KING replied the state portion would be within the cap but the federal dollars would not.

SENATOR MICCICHE asked what would happen if SJR 6 were to pass and the voters decided they wanted to put DGF into the general fund with the understanding that it would be used to improve the road to the Kenai, even though a dedicated fund isn't allowed. He commented that it seems that this would be a problem.

MS. MILLS clarified that the resolution does not restrict passing a measure to raise revenue; it restricts spending once the revenues come in. In that example the revenue could be spent up to the cap and the excess would go into savings.

SENATOR MICCICHE countered that, as currently written, voters would not have the option of using DGF if they decided they wanted to pay for something outside the cap. He said that's the reason that DGF has traditionally been left out of certain caps.

MR. KING described three ways the provisions in SJR 6 would not prevent increased spending if the people wanted to pay for something outside the cap. One way would be to issue general obligation bonds and use the proceeds to build the road to the Kenai, for example. Another way would be to create a public corporation and issue revenue bonds, the proceeds of which would not be subject to the cap. Third, SJR 6 does not limit local governments from issuing bonds or raising revenues to deal with local issues.

SENATOR MICCICHE said he understands what he's saying but bonding for a project is an extra step that would add cost to the project. The fact remains that including DGF removes the potential for the voters to decide they want something above the cap for a specific purpose. He said this is an aspect that he's identified as potentially problematic.

MR. KING agreed that if the people generally want to spend more on something like education, the provisions in SJR 6 would not allow that to occur.

SENATOR MICCICHE said if the legislature restricts the growth of government substantially, the voters may collectively decide they want something different. "We just may need to think of a way for that to occur if they make that choice in the future," he said.

[3:49:38 PM](#)

MR. KING said that idea of allowing the limit to be increased with a vote of the people is not unprecedented and it could be considered if it was of interest to the committee.

SENATOR REINBOLD questioned the 2 percent provision in Section 1 and restated her commitment for a firm cap with minimal opportunity for loopholes.

CHAIR SHOWER asked Mr. King to continue the presentation.

MR. KING advised that slide 21 is the algebraic annotation for the spending limit that Senator Coghill requested. For example, if spending increased for three years from \$5.4 billion to \$5.5 billion to \$5.6 billion, inflation was 2.25 percent, and population growth was 1 percent this results in a \$5.6 billion limit. He said this is quite limiting with growth effectively 0.8 percent.

SENATOR MICCICHE calculated that a one percent population reduction would result in a limit that was substantially less than the year before.

MR. KING agreed with the calculation.

He turned to slide 22 and explained it's an illustration of how the existing cap versus the proposed cap looks over time. He said it's important to remember that if the resolution were to pass, the limit is based on a three year average of

appropriations. Because the resolution would take effect in FY22, the FY19, FY20, and FY21 budgets would derive what the FY23 budget would be. He noted that the chart assumes the three previous years would start with FY20 so the cap for FY23 would be well below what it's been in recent years. It reflects the 0.8 percent growth.

CHAIR SHOWER asked if this assumption started with Governor Dunleavy's initial [\$3.6] billion reduction.

MR. KING agreed and reminded members that the limit is very responsive to what the legislature does.

[3:54:00 PM](#)

MS. MILLS turned to slide 23 and described the provisions of the appropriation limit in subsections (b) and (c) of Section 1 of the bill. These new subsections prioritize where excess revenues would be deposited.

Priority 1: Pay back the permanent fund principal 50% percent of the income that was deposited into the ERA that fiscal year

Priority 2: [if money remains after priority 1] Get savings reserve fund balance up to appropriation limit (formerly the CBR)

Priority 3: [if money remains after priority 2] Put money into permanent fund principal to continue growing the fund

CHAIR SHOWER mentioned the idea of amending this area to use the excess funds for things other than just paying the money back. He clarified the assumption of not exceeding the limit.

MS. MILLS confirmed that these subsections address where excess revenues will go. She noted that putting excess revenue into the permanent fund principal would make those funds unavailable, but the proposed savings reserve fund "has a valve for spending everything but the income on the permanent fund." She noted there are other options to consider.

CHAIR SHOWER mentioned the potential to negotiate spending more in years of excess to assuage the concerns that this limit could handcuff the legislature's ability to spend more where and when it makes sense, without growing the operating budget.

MR. KING pointed out that the resolution has an exception that debt service payments are outside the cap. He acknowledged that language could be added to make it more explicit that excess revenue could be used to pay off bonds, for example.

CHAIR SHOWER articulated his preference to pay outright as opposed to bonding.

[3:59:27 PM](#)

MR. KING concluded the presentation by reviewing the bullet points on slide 25:

- The current spending limit is ineffective and to change it an amendment to the constitution is required.
- Without an effective limit, government spending will continue to grow.
- Without an effective savings rule, future generations will have less than we have today.
- Growth in government will lead to a depletion in savings, the erosion of the PFD program, or the introduction of broad-based taxes
- Given time, it will require all three

CHAIR SHOWER asked Mr. King to go over the three new slides.

MR. KING said one of the slides is a simple inflation adjustment to the total appropriations. The second slide is in response to the request to show capital expenditures as a standalone. The third slide represents inflation adjusted agency operations.

[4:01:37 PM](#)

MR. BARNHILL thanked the committee for taking the time for an extended hearing. He said the team would be happy to return for further discussions in a hearing or individual offices to answer questions.

CHAIR SHOWER said he'd like the team to return on Tuesday for continued discussion.

SENATOR REINBOLD thanked the presenters and related that her "No" votes on the budget the last four years were largely based on the issue of a meaningful appropriation limit.

CHAIR SHOWER agreed that it's about time for an appropriate spending limit. He opined that the public will generally support the resolution. He thanked the presenters.

SENATOR MICCICHE thanked the presenters and expressed appreciation to the administration. He emphasized the need for an appropriation limit accompanied by a cascading savings plan. "Had it happened many years ago we wouldn't be in the situation we're in," he said.

[4:04:00 PM](#)

CHAIR SHOWER opened public testimony on SJR 6.

[4:04:34 PM](#)

At ease

[4:05:22 PM](#)

CHAIR SHOWER reconvened the meeting and laid out the guidelines for public testimony.

[4:06:11 PM](#)

GLENN M PRAX, representing self, Fairbanks, thanked the Governor for introducing SJR 6 and expressed hope that the committee would pass it along so the people would have an opportunity to vote on the constitutional amendment. He opined that Section 2 that changes how the money is spent out of the new savings reserve fund is the most important section. He agreed with Senator Micciche that the 3/4 vote has worked backward from the way it was intended. It allows the minority to hold the majority hostage to increase spending in times when it should be cut. "That is a good reason that we're in the pickle we're in now," he said. He advised the committee to look carefully at the language to ensure it is as explicit as possible about where the money can be spent. He voiced support for using a savings account and stated agreement with Senator Reinbold about focusing on limiting government. He offered his belief that legislators generally hear more from people who want increases in government spending, but that isn't the case when elections are held. Thus, it's very appropriate for this measure to go to the people for a vote, he said.

SENATOR REINBOLD expressed appreciation for his encyclopedic knowledge and excellent testimony.

[4:09:12 PM](#)

VICKI JO KENNEDY, representing self, Kodiak Island, said she's proud of the Governor and she believes SJR 6 is needed. She

mentioned the 30th anniversary of 11 million gallon Exxon Valdez oil spill catastrophe and warned of the potential for a similarly catastrophic financial failure. She urged the committee to take the time to get the proposed constitutional amendment right for the people of Alaska. "We're counting on you," she said

[4:11:31 PM](#)

CHRIS EICHENLAUB, representing self, Eagle River, agreed with Senator Micciche that the constitutional spending limit should have been amended years ago. He related the advice he received years ago to stop digging when you find yourself in a hole, which Governor Dunleavy has done. He described SJR 6 as a great way to get Alaska's fiscal house in order.

[4:13:16 PM](#)

WILLIAM QUAYLE, representing self, Juneau, opined that the state should declare gold and silver as currency and fund the constitutional savings accounts with gold because there is potential for it to increase in value. He also stated support for a state lottery, particularly during tourist season. In conclusion he said he favors the capitalist way of solving Alaska's fiscal problems.

[4:15:06 PM](#)

DEBORAH HOLLAND, representing self, Anchorage, stated support for SJR 6, Governor Dunleavy's stance on the PFD, and the state budget. She emphasized that the money that was withheld from recent PFDs would be very helpful to the people that suffered damages in the last earthquake. She concluded her testimony saying, "I'm for whatever the Governor has put forward in SJR 6 because I trust him and I trust that you will spend the time needed to evaluate this and make the right decision."

[4:16:36 PM](#)

DANIEL SADROSA, representing self, Wasilla, stated support for Governor Dunleavy and SJR 6. He shared that he and his wife live on a VA pension and the PFD would help with the damage they suffered in the earthquake. He opined that money is wasted in forward spending. He concluded restating support for Governor Dunleavy.

[4:17:56 PM](#)

CHARLES SIMON, representing self, Hooper Bay, testified in support of SJR 6. He said he agrees with the Governor about capping state spending so Alaskans can get their PFDs. He continued to say that he'd like the Governor to reconsider the

proposed cuts to education. Noting that the small and rural schools are suffering the most, he voiced concern that kids from these areas wouldn't be able to get into colleges and universities. He pointed out that home schooling and boarding schools cost money. He said he supports funding for education but all other areas should have a cap.

[4:20:03 PM](#)

MIKE COONS, representing self, Palmer, testified in support of SJR 6. He said people like programs that make life easier and produce products like roads, safety, and a good education system. Alaska has the resources that make these things possible, but it is also a debtor state. People tend to use a plastic card in their daily lives and worry about paying the bill later. These same people elect representatives that spend more than existing revenues and worry about paying the bill at a later time. He said the time has come to stop digging and not only fill that hole but also cap it so we can't dig again. He said SJR 6 does that and he looks forward to its passage and the ensuing fight in the House.

[4:21:55 PM](#)

JIMMY SWISHER, representing self, Wasilla, thanked Governor Dunleavy for introducing SJR 6 to cap government spending. He said it will hurt everybody but protecting the PFD will provide an offsetting bit of candy for everyone.

[4:22:51 PM](#)

SUSAN JORDAN, representing self, Kenai, stated full support for Governor Dunleavy and SJR 6. She said it's time to cap government spending, protect the PFD, and get back to reasonable spending. She noted that educators advocate for increased spending for education but she wonders when enough is enough. She urged the committee to stand tough.

[4:24:16 PM](#)

KIMBERLY CLARK THIRY, representing self, Anchor Point, stated that she totally supports SJR 6. She thanked the committee for being so diligent and working to eliminate any loopholes to expand spending. The budget needs to be cut and everyone will feel some of the pain, she said. That is what makes Alaskans band together and help their neighbors. This is a bipartisan issue. She offered her view that the PFD should be protected because it does more for the economy than any other single action. She concluded stating full support for SJR 6 and Governor Dunleavy.

[4:27:07 PM](#)

RYAN MCKEE, State Director, Americans for Prosperity, Wasilla, said the state is in a budget crisis and both parties bear responsibility. He said the state needs to amend the existing constitutional spending limit because it is unreasonably high. As proposed, SJR 6 would contain the growth of government while still providing essential state services. Voters appear to be very supporting of limiting spending, recognizing that willpower alone is no match for the temptation to overspend. Excess revenues could be returned to savings to rebuild those accounts. He urged support for SJR 6.

[4:28:37 PM](#)

PATRICK MARTIN, representing self, Wasilla, said he voted for Governor Dunleavy and he believes he is trying to do his best. He promised the people he would cut spending and that's what SJR 6 will do. He urged the legislature to cut the budget and "make it happen" because the current path is one of no return.

[4:31:28 PM](#)

CARL NORMAN, representing self, Seward, testified in support of SJR 6 and Governor Dunleavy. He opined that the state is fortunate to have a governor who has fiscal awareness and exhibits tremendous fiduciary ability. It's refreshing after years of exponential spending and growth. For years the state has ignored the business principle that spending more than the revenue stream is unsustainable. He emphasized that state spending should be capped at the level of incoming revenue, not an unrealistically high mythical number.

[4:33:48 PM](#)

GREG BARLETT, representing self, Soldotna, stated that he was calling to put on the record his support for SJR 6 to cap government spending and protect the permanent fund dividend.

[4:34:11 PM](#)

PORTIA NOBLE, Field Director, Americans for Prosperity (AFP), Anchorage, commended Governor Dunleavy for starting the process to curb government spending. She said the current fiscal situation is critical and jeopardizes future generations of Alaskans. By voting in favor of SJR 6, the legislature has the opportunity to reasonably limit growth and state spending. She referenced a February 2019 social media campaign asking Alaskans to sign a petition to support a state spending cap. The campaign reached 1,500 Alaskans and 477 of those signed in support of a spending cap. She said that is evidence of the overwhelming support of grassroots activists and individuals who support

reining in spending. She said AFP has always supported a spending cap. She concluded her comments highlighting a Dittman Research poll that showed that over 60 percent of Alaskans of all political persuasions support a constitutional spending cap. This is evidence that this is a nonpartisan issue supported by most Alaskans, she said.

4:36:18 PM

ELIZABETH DOOLEY, representing self, Trapper Creek, stated support for SJR 6 and Governor Dunleavy. She said protecting the PFD and putting a spending cap on the legislature is a long time coming. She agreed with an earlier comment that paying cash is preferable to relying on credit. She also asked the committee to relay the sentiment that the people don't feel their voice is being heard.

4:37:33 PM

DAVID BOYLE, representing self, Anchorage, stated that he supports SJR 6. He said it is a herculean task for legislators to place a spending cap on the state. It's somewhat similar to politicians voting for term limits. He said it's obvious that the current constitutional spending cap has never worked and he wonders if that might have been the original intent. After years of watching committee meetings he's noticed that budgets are seldom cut and that baseline budgeting grows spending and big government. Evidence of that is that Alaska has the second highest ratio in the nation of state employees to private sector employees. He opined that legislators need help in controlling spending and SJR 6 is the tool that will do that. Please trust the people and let them vote, he said.

4:39:15 PM

GEORGE PIERCE, representing self, Kasilof, stated that he was calling in support of SJR 6. He pointed out that the Governor ran on the platform of returning the PFD and establishing a sustainable budget and that's what he's doing. "I applaud him for that and I expect you to do the same thing," he said. He suggested raising taxes on oil and mining to increase revenue. "Stop the wasteful spending," he said.

4:40:13 PM

MATHEW SMITH, representing self, Bethel, stated support for SJR 6. He said the people wanted the dividend protected and spending capped. He opined that oil wells are coming online in the next year or so that will produce 100,000 barrels a day. That will bring in \$36 million a year for the budget so it's not necessary to take people's dividends, he said. The people in the Delta

rely on it. The governor and a lot of legislators ran on that platform and he doesn't want any flip-flopping.

[4:41:55 PM](#)

CLIFF BROTT, representing self, Talkeetna, testified in support of SJR 6. He offered his belief that the Governor ought to do what he said he would do and that's to rein in spending. He said he and his neighbors depend on the dividend for food, fuel, propane, and wood to get through the winter. "Taking our dividend when there's so many other ways to make money is ridiculous," he said.

[4:43:00 PM](#)

THOMAS WILLIAMS, representing self, Peters Creek, said he was calling in favor of the proposed constitutional amendments. He believes the state definitely needs a spending cap and a savings plan because spending has been out of control. This should be one of the first things the legislature passes because it is important to have the state's fiscal house in order. He said he was speaking as a father of five, home educator, small business owner, and retired veteran. "This is very important to us and please pass these constitutional amendments," he said.

[4:44:32 PM](#)

ROGER BRANSON, representing self, Eagle River, testified in opposition of SJR 6. He said he's made many trips to Juneau to lobby and this year he was struck by the fishbowl effect in the capitol and Juneau itself. He's also been struck by the collection of wisdom and institutional knowledge in the Senate. He wonders how many people will look at the glass as half full as opposed to half empty. Personally, he's come to the conclusion that his best days are ahead; he's prepared for whatever is to come. He referenced slide 5 of the presentation that looks at historical UGF spending compared to the existing constitutional limit. He suggested that when spending exceeded the limit the legislators at the time also thought the best days were ahead. They were investing in projects and infrastructure that would support a better future. He opined that the greatest investment has been in people and those investments should not be wasted. He said he opposes SJR 6 as written and asked the committee to think about whether Alaska's best days are ahead or already past.

[4:47:22 PM](#)

KELLEY TURENTON, representing self, North Pole, said the government should honor and respect the people of Alaska and let them have their full PFD. Find cuts elsewhere, she said.

Responding to a question from the chair about whether she supports or opposes SJR 6, she said "oppose."

[4:48:42 PM](#)

IONE ACAERMANN, representing self, Juneau, stated support for SJR 6 to cap spending and protect the PFD.

[4:49:07 PM](#)

CORBIN ARNO, representing self, Homer, during the hearing on SJR 6 said he supports the Governor's budget and what he is doing.

[4:50:00 PM](#)

CHAIR SHOWER held public testimony open on SJR 6 and encouraged written testimony at [senate.state.affairs@akleg.gov](mailto:senate.state.affairs@akleg.gov). He held SJR 6 in committee.

[4:50:57 PM](#)

There being no further business to come before the committee, Chair Shower adjourned the Senate State Affairs Standing Committee meeting at 4:50 p.m.