

**ALASKA STATE LEGISLATURE
HOUSE JUDICIARY STANDING COMMITTEE**

February 13, 2023

1:31 p.m.

MEMBERS PRESENT

Representative Sarah Vance, Chair
Representative Jamie Allard, Vice Chair
Representative Ben Carpenter
Representative Craig Johnson
Representative David Eastman
Representative Andrew Gray
Representative Cliff Groh

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): THE BENEFITS OF GOVERNMENT APPROPRIATION
LIMITS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

VANCE GINN, PhD, Policy Fellow
Alaska Policy Forum
Round Rock, Texas

POSITION STATEMENT: Provided a PowerPoint presentation and
discussion on the benefits of government appropriation limits.

ACTION NARRATIVE

[1:31:11 PM](#)

CHAIR SARAH VANCE called the House Judiciary Standing Committee meeting to order at 1:31 p.m. Representatives C. Johnson, Eastman, Gray, Groh, Allard, and Vance were present at the call to order. Representative Carpenter arrived as the meeting was in progress.

**PRESENTATION(S): The Benefits of Government Appropriation
Limits**

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CHAIR VANCE announced that the only order of business would be a presentation on the benefits of government appropriation limits.

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VANCE GINN, PhD, Policy Fellow, Alaska Policy Forum, led a discussion concerning the PowerPoint Presentation, titled "Tax and Expenditure Limits: A 50-State Comparison" [hard copy included in the committee packet]. He introduced himself and provided background on his professional career. He stated that he has been working with the Alaska Policy Forum for three years.

DR. GINN expressed the importance of tax and expenditure spending limits (TEs) for governments. He expressed the opinion that the "true burden of government is how much it spends;" however, he stated that this is also the constitutional role of governments. He continued that the government's role is to create fiscal stability and solvency, while providing for a thriving economy. He further discussed the importance of considering government spending in a thriving economy.

DR. GINN, referencing Alaska's budget, observed that over the past 20 years state spending has been up by 113 percent, population has grown by about 10.8 percent, and inflation has risen 55 percent. He stated that these are the factors to consider regarding TEL. Concerning the state's spending limit, he expressed the opinion that the most important aspect should be to ensure economic growth, in conjunction with job creation and domestic migration.

DR. GINN addressed figure 5 on slide 7 and stated that it shows a comparison of states with TEL and those without TEL. He pointed the measures used, which includes state gross domestic product (GDP) growth, personal income growth, and population growth. He pointed out that the chart shows that 30 out of the 50 states with TEL have higher measures, suggesting that limiting government spending would create more economic prosperity overall. He pointed out that Alaska's TEL was put in place in 1982, and he explained why this is ineffective now. He noted that the solution in the state would involve addressing

Alaska's GDP, pointing out how the state's GDP, or real private economy, would be determined. He explained that this would include looking at the state's historical GDP, the state's average GDP over the last five years, and the priorities for the state. He discussed the population growth measure, in relation to the example of the state of Colorado, which includes TEL in the state's bill of rights.

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The committee took an at-ease from 1:42 p.m. to 1:43 p.m.

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DR. GINN, in response to Chair Vance, confirmed that he was on slide 7 and continued discussing the measures used on figure 5. He explained the importance of having a broader base for spending limits; otherwise, TEL would be weakened by the funds outside of its range. He reiterated the example of Colorado's system, as funds excluded from TEL has allowed the government's spending to grow too fast. He expressed the opinion that the ideal situation would be to use all funds that are generated in the state, as this would make TEL as broad as possible.

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CHAIR VANCE requested that Dr. Ginn expand on having TEL as a provision in a state constitution, as this has been a consideration in the committee.

DR. GINN stated that having a provision in a state constitution would entail a two-thirds vote by the people, and he suggested that having this would put a barrier in place for governments to grow faster than the spending limit, as opposed to a statutory spending limit. He added that having TEL in the constitution creates a stricter spending limit that would be less likely to change over time. He responded that in regard to benefiting the state's residents, having TEL in the constitution would add stability in government growth, giving residents a "peace of mind" concerning government spending.

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DR. GINN, in response to a question from Representative Gray concerning the average tax burden for an Alaskan resident, stated that the information was not "in front" of him.

REPRESENTATIVE GRAY, in reference to the governor's 2024 proposed budget, expressed the understanding that the budget would not fall under the spending cap. He questioned what the governor should cut from the budget so that it would fall underneath the spending cap.

CHAIR VANCE rerouted the question, explaining that Dr. Ginn is not in the meeting to report on policy.

REPRESENTATIVE GRAY pointed out that \$2.4 billion has been included in the budget, and this has not been included in the spending cap. He questioned whether this should be included under the spending cap.

DR. GINN expressed the opinion that as much as possible should be included under a spending cap, as these would be the dollars flowing out.

CHAIR VANCE clarified that the presentation's purpose is not to address specific policy.

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DR. GINN, in response to Representative Eastman, acknowledged that there is not a clear definition of "[government] spending." He expressed the understanding that the definition concerns the dollars flowing out of government and what is being appropriated; however, questions remain whether dividends or tax relief, for example, would be considered government spending. He explained this further, allowing that the definition could be subjective; however, he expressed the understanding that anything the government is spending money on would be "government spending."

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REPRESENTATIVE GROH questioned whether Dr. Ginn was aware that enforcing TEL in Alaska could make local taxes go up. He stated that this is because the government in Alaska spends more on education than other states.

CHAIR VANCE reiterated that the presentation does not concern the line items in the state's budget, rather the broader benefits of spending caps on states.

REPRESENTATIVE GROH argued that it would be useful to note the differences in Alaska. He questioned whether Dr. Ginn would be

willing to work with the Institute of Social and Economic Research (ISER), University of Alaska Anchorage.

DR. GINN expressed interest in understanding how limiting TEL along with increasing more resources in the private sector would effect economic growth.

CHAIR VANCE expressed the understanding that a constitutional limit would be a framework, while a statute would create a more detailed limit. She questioned a general guideline concerning having an appropriation limit in the constitution.

DR. GINN recommended that the state provide as much of a base in the constitution as possible; however, each state is different, and he advised that this needs to be considered and best practices should be used.

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DR. GINN, in response to Representative Allard, stated that a constitutional cap is better than a statutory cap because it would allow for clarity and a higher hurdle for [legislative changes]; thus, creating security for the residents, while adding more stability and consistency to the economy.

DR. GINN, in response to Representative Gray, expressed the opinion that government spending would not necessarily hurt the private sector, but resources would have to come out of the private sector to fund government, so there are tradeoffs. In response to a follow-up question concerning Alaska's economy not being based on taxpayers, but rather resources, he stated that government spending overall comes from taxes. He noted that this could be taxes on resources. He continued that government spending is not "free," and every dollar is coming out of the private sector. He reiterated that there would be tradeoffs, no matter the state, and he advised that spending needs to remain under control, while providing more economic growth. He pointed out that it is concerning for Alaska how much contraction has happened in its economy.

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DR. GINN, in response to Representative Eastman, said he had not considered whether states with counties are different than states without counties, and how this would make a difference in the state's economy.

REPRESENTATIVE GROH questioned the impacts of heavy snow on educational funding. He asked whether a poorly designed TEL could lead to worse roads, worse schools, and worse public spending.

DR. GINN responded that he has not worked on singling out factors specifically. He stated that the Alaska Policy Forum has recommended government spending stay under control as far as growth is concerned. He discussed the variabilities in the specifics of the budget, explaining that this is why the forum takes a "hands off approach." He stated that the "top line number" is more important than the specifics of education or roads, for example.

DR. GINN, in response to Representative Allard, stated that he had not considered borough and property taxes in his study; however, he suggested that this would need to be investigated.

DR. GINN, in response to Chair Vance, noted that there is important information in the slides; however, he expressed the opinion that the committee discussion and questions are just as important. He continued by discussing the importance of federal funds. He stated that TEL would focus on a state's general revenue, but he noted that there would be a cost to receiving federal funds. He explained that federal funds are not important for TEL, but these funds are important in the overall budgeting for the state.

DR. GINN stated that this is the third iteration of the analysis, and he suggested that the measures of population growth, the state's GDP, the private sector's GDP, and the real inflation amount should all be considered. He further discussed the consideration of these measures.

CHAIR VANCE thanked Dr. Ginn and asked him to expound on the variability of federal funding.

DR. GINN responded that no states have included federal funds in their TEL as of yet. He pointed out that since 2020 more federal funds have been going out to the states; however, these funds are a one-time source and should be kept separate. He provided an example of how Texas has avoided a "fiscal cliff" with federal pandemic relief funding. He highlighted concerns about federal funding becoming too much of an overall part in states' budgets. He advised that the state keep track of where the federal funds are flowing, and which funds are one-time

only. He expressed the opinion that federal funds need to be reined in, or the federal government would have budget problems.

DR. GINN, in response to a follow-up question on the capital budget, reiterated that the funds going out in the economy need to be tracked. He argued that an effective spending cap would allow for greater transparency and accountability of this funding. With TEL, he suggested starting over with a look at zero-based spending to help determine where the funding would be flowing. He gave examples of this, highlighting the importance of micro-level restraints in order to get "the best bang for the buck" for where the dollars are going. He suggested that, for example, this would create more jobs and have long term effects. In response to a follow-up question, he expressed the understanding that states with constitutional appropriation limits have stronger economies.

CHAIR VANCE noted that the cap of Alaska's constitutional limit is high, and the state has not come close to it. She inquired about the effective key markers of constitutional TELs in other states.

DR. GINN reiterated that TEL should have a broad base for the spending limit, a restrictive or effective growth rate, and a supermajority vote to change it.

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REPRESENTATIVE GROH asked whether an improperly designed TEL could shrink the economy and lead to outmigration in the state. He clarified that he is asking whether too much of a limit on government spending could contract the economy.

DR. GINN responded that given the data this has not been the case. Referencing figure 5 from slide 7, he pointed out that within the 10 years shown, the only outmigration occurred in states without TELs. He explained that when there is incentivized growth in the private sector, there would be an in migration to these areas.

REPRESENTATIVE GROH suggested that an improperly designed spending limit would create low quality roads and a poor education system, which would encourage people to leave the state.

DR. GINN responded that the argument is theoretical; therefore, he has not seen this to be the case. He reiterated that

spending limits would help states prioritize dollars. He argued that additional spending would not necessarily lead to better outcomes.

REPRESENTATIVE GROH pointed out that Dr. Ginn's study on Alaska's economy has used 2004 as the base year, which was the historically lowest government spending year in Alaska since the beginning of the oil boom. He pointed out that because it was thought the spending was too low, the legislature raised the budget.

CHAIR VANCE reiterated that Dr. Ginn is not presenting on Alaska's policies.

REPRESENTATIVE GROH asked whether Dr. Ginn was aware that 2004 was the lowest spending year for Alaska since the oil boom.

DR. GINN responded that the data he looked at went back to 2001.

REPRESENTATIVE GROH stated that he is looking at real capital in unrestricted funds.

DR. GINN expressed uncertainty concerning this data.

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REPRESENTATIVE EASTMAN asked about spending caps that would create a limit without accounting for government revenue in the formula.

DR. GINN acknowledged that the conversation has been more about spending limits and not the revenue side. He expressed the importance of state revenue, remarking that for a balanced budget, this would give the upper boundary of what could be spent. He argued that the spending portion is more important because this is the ultimate cost of government. He discussed the roll that income tax plays in considering this, and he suggested that there should be the least burdensome form of taxation on the residents. He reiterated that to do this would be to make sure government spending does not go out of control. In response to a follow-up question, he expressed the opinion that the state's GDP could stand in for revenue.

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DR. GINN, in response to a question from Representative Allard, expressed the importance of looking at how government dollars

are being spent, such as for education. He suggested that there should be a broad range of school choice, and funding the students as opposed to funding the system would allow for more economic growth. He noted that this would come down to priorities set by the legislature. He further discussed how less burdensome taxation could bring forth more opportunities.

DR. GINN, in response to a follow-up question, expounded on his educational background and work experience. He discussed his career and recounted his work at the White House from June 2019 to May 2020. He said that his goal would be to help people prosper. In doing this, he stated that he relies on research.

DR. GINN, in response to a question from Chair Vance, expressed the opinion that Alaska's inefficiencies come down to the constitutional spending limit, which is higher than the funds covered under the limit; therefore, a limitation is not being provided. He stated that the revenue is the limit, suggesting that an effective spending limit should go along with this. Additionally, he suggested reconfiguring the spending limit to reflect Alaska's current economy, as this would allow for private sector growth and job creation.

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REPRESENTATIVE C. JOHNSON sought to clarify whether matching federal and state funds should be inside or outside TEL.

DR. GINN responded that this would be outside of the cap.

REPRESENTATIVE C. JOHNSON questioned the reliability using the state's GDP, especially considering the low population of the state.

DR. GINN expressed the importance of looking at the output of the private sector GDP, as this is where jobs are provided. He expressed the opinion that the size is important; however, looking at the total amounts considering government spending, the size would not matter.

REPRESENTATIVE C. JOHNSON gave a scenario where the state contracted a private sector entity to build a road. He asked how this would affect the state's GDP. He also questioned whether the spending would be included under the tax cap.

DR. GINN responded that this would still count as government spending with general funds; however, GDP would cover most of

this and government spending would be negated. He suggested that this could lead to private sector growth, but he cautioned that double accounting should be avoided. He further discussed the accounting aspect. He expressed the understanding that since this would be government spending, it would fall under this. He continued that under TEL, this would be excluded.

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REPRESENTATIVE GRAY redirected after Chair Vance recommended that a question concerning Dr. Ginn's social media account did not fall under the subject of the presentation. He pointed out the 2021 presidential budget process which proposed a trillion-dollar cut to Medicaid. He asked how Alaska would have been impacted if this had been enacted, as the state would have had to pay for Medicaid funding. He questioned any advice to states if this had happened.

DR. GINN responded that he had not specifically worked on this area. He pointed out that the trillion dollars was over a 10-year timeframe. He expressed the understanding that this was about reducing the growth rate of Medicaid over the decade. He expounded, explaining that slowing the growth rates would impact the trajectory of programs, which ultimately, he stated was the goal.

REPRESENTATIVE GRAY asked whether any of the other states studies have unique needs like Alaska, such as villages without running water, reliable internet, and high deferred maintenance.

DR. GINN expressed uncertainty.

CHAIR VANCE reiterated that the conversation concerns TEL; however, she acknowledged how different factors could effect this.

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DR. GINN thanked the committee and welcomed any follow-up discussion.

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ADJOURNMENT

There being no further business before the committee, the House Judiciary Standing Committee meeting was adjourned at 2:51 p.m.