

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

February 1, 2023

6:01 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative Jamie Allard
Representative Tom McKay
Representative Kevin McCabe
Representative Cliff Groh

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Mike Shower
Senator Robert Myers
Senator Scott Kawasaki
Representative Andrew Gray
Representative Dan Ortiz
Senator Shelley Hughes
Representative Cathy Tilton
Senator Jesse Kiehl
Representative David Eastman

COMMITTEE CALENDAR

OVERVIEW: 2021 FISCAL POLICY WORKING GROUP FINAL REPORT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JONATHAN KREISS-TOMKINS
Former Alaska State Representative
Sitka, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

SENATOR MIKE SHOWER

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

SENATOR SCOTT KAWASAKI

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

SENATOR SHELLEY HUGHES

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

SENATOR JESSE KIEHL

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

SENATOR ROBERT MYERS

Alaska State Legislature.
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on the 2021 Fiscal Policy Working Group Final Report.

ACTION NARRATIVE

[6:01:12 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:01 p.m. Representatives Carpenter, Allard, Groh, and McKay were present at the call to order. Representative McCabe arrived as the meeting was in progress.

Overview: 2021 Fiscal Policy Working Group Final Report

[6:02:25 PM](#)

CHAIR CARPENTER announced that the only order of business would be the 2021 Fiscal Policy Working Group Final Report Overview.

CHAIR CARPENTER stated that the Fiscal Policy Working Group was created during the Thirty-Second Alaska State Legislature as a bicameral and bipartisan group to work on a long-term solution for the State of Alaska's fiscal policy. He stated that the group had found the following pieces necessary to a long-term fiscal solution: constitutional certainty for the PFD, a spending cap, a Permanent Fund Dividend (PFD) based on a percentage of market value cap, a healthy capital budget, budget reductions, and new revenues. He said that the findings were a framework without any specific findings. He added that the group found that an "all of the above" approach would be needed to overcome the political challenges the solutions would face.

CHAIR CARPENTER asked former Alaska state representative Jonathan Kreiss-Tomkins if he believes that the findings of the Fiscal Policy Working Group are still relevant.

[6:06:58 PM](#)

JONATHAN KREISS-TOMKINS, Former Alaska State Representative, said that he believes a mixture of the recommendations made by the group would be necessary to gain enough support to pass in both Houses of the legislature. He stated that agreement with the findings made by the group constituted an overall agreement and not necessarily agreement with any particular item, and compromise would be required to resolve any of the findings.

[6:10:04 PM](#)

MR. KREISS-TOMKINS continued that he believes that no fiscal plan will work long term unless it has constitutional certainty, which would require at least one constitutional amendment. He stated that compromise would be required because neither caucus has enough votes on its own to make any constitutional amendments.

CHAIR CARPENTER asked Senator Mike Shower if he believes that the findings of the Fiscal Policy Working Group are still relevant.

[6:12:15 PM](#)

SENATOR MIKE SHOWER, Alaska State Legislature, stated that he believes the findings of the group are both relevant and have to happen in order to solve Alaska's fiscal challenges. He said that businesses would need tax certainty to invest in Alaska and families need to know that there is opportunity for them in

Alaska for them to stay in Alaska. He continued that Alaska currently lacks stability and that without stability there will be less investment in the state. He stated that he believes that solving the fiscal problem has to be done all at once and not one part at a time.

[6:15:55 PM](#)

REPRESENTATIVE MCCABE stated that his position at the time of the Fiscal Policy Working Group starting was for a full permanent fund dividend. He stated that he realized through his conversations with Jonathan Kreiss-Tomkins that he would have to compromise, and he said that Mr. Kreiss-Tomkins helped other members of the group understand that his new position, along with those of Senators Hughes and Shower, was a compromise and not a starting point.

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SENATOR SHOWER stated that while some parts of findings made by the Fiscal Policy Working Group would work if they were statutory, others would work only if they were enshrined in the state constitution. He said that the constitutional changes were necessary for the public to trust that the state government would do what it said it would do.

CHAIR CARPENTER asked Senator Scott Kawasaki if he believes that findings of the Fiscal Policy Working Group are still relevant.

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SENATOR SCOTT KAWASAKI, Alaska State Legislature, stated that the group set its policy differences aside in order to formulate a plan that would move the said forward. He said that yearly debates over the PFD were not working and a permanent solution had to be found. He said that he hopes the House Special Committee on Ways and Means can continue the work done by the group and finish a working fiscal policy plan for Alaska.

CHAIR CARPENTER asked Senator Shelley Hughes if she believes that the findings of the Fiscal Policy Working Group are still relevant.

[6:23:22 PM](#)

SENATOR SHELLEY HUGHES, Alaska State Legislature, stated that she believes that the findings are still relevant. She said

that the mission of the group was to create a plan to give Alaska fiscal stability, including for the PFD, and that the work was not yet complete. She said that the numbers the group were working with came from "highly capable" staff and were not just numbers grabbed by the legislators. She stated that 2023 is the eighth year of the PFD being in dispute, and finding a sustainable fiscal plan has been a concern for around 20 years. She said that the origin of the PFD dispute was the decreasing amount of oil in the Alaska Pipeline.

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SENATOR HUGHES stated that prior to being a member of the Fiscal Policy Working Group, she was a member of the Permanent Fund Working Group in 2019. She said that the findings of that group were limited to "don't overdraw the Permanent Fund." She stated that the numbers opened her mind to having a smaller draw but the 50/50 "Hammond principle" should still be applied. She said that in 2019, using the original statutory PFD formula while respecting the 5 percent draw would have resulted in 80 percent of the draw going to the PFD while leaving 20 percent for the state government, and that some opponents wanted to use only 20 percent of the draw for the PFD and leave 80 percent for the state government. She stated her belief that meeting in the middle and using 50 percent of the draw for the PFD and state government is what needs to be done.

[6:30:46 PM](#)

SENATOR HUGHES stated that when the Fiscal Policy Working Group released its original report in August 2021, there was broad support for the findings of the group, but the legislature was unable to move forward with the plan at the time. She said that with there being many new legislators, it is worth bringing the plan up again to gauge support. She noted that in addition to needing broad support within the legislature, the plan needs to have broad support in the public arena. She stated that items such as a constitutional spending cap have a broad amount of support from the public, and the challenge lies with gathering enough support from within the legislature to pass it.

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SENATOR HUGHES stated the time spent figuring out what the PFD should be each year has taken away from the time that could have been used to work on other issues facing the legislature and the state. She said that she witnessed disagreements on the PFD

cause members of the legislature to stop unrelated bills, and that with a high number of new members, it would be important to see which committee chairs would be open to moving forward with the plan created by the Fiscal Policy Working Group.

[6:36:00 PM](#)

CHAIR CARPENTER commented that his two greatest takeaways from Senator Hughes' testimony were the effort it takes to compromise and the cost of allowing other issues to wait while the legislature continues to focus on a single issue.

SENATOR HUGHES stated that the Institute of Social and Economic Research gave testimony in a hearing that stated that Alaska is losing half a billion dollars a year in capital investments because of the uncertainty.

[6:37:50 PM](#)

REPRESENTATIVE MCCABE asked Senator Hughes if the Fiscal Policy Working Group designed a plan that was meant to last a single year or "for the ages."

SENATOR HUGHES answered that the plan was designed to be long-lasting, even if some of the numbers would have to be adjusted.

REPRESENTATIVE MCCABE asked Senator Hughes to provide some explanation on the models and spreadsheets used by the group to make their recommendations.

SENATOR HUGHES answered that the group had to come to an agreement about assumptions being made for revenues and projections. She said that the Legislative Finance Director, Alexi Painter, asked each of the legislators in the group to come up with a list of possible reductions in order to create the formulas that were used.

[6:40:36 PM](#)

REPRESENTATIVE GROH asked Senator Hughes to describe the process of group members creating their own budget ideas.

SENATOR HUGHES answered that the members of the group submitted their ideas to Mr. Painter and he informed them of the possible effectiveness of their ideas.

CHAIR CARPENTER added that he believes that the project would have been "simple for an economist" but required more attention to details for the legislators.

REPRESENTATIVE MCCABE added that it was a "fascinating" look into what would happen when one added or cut certain programs, and he mentioned that he also changed some of the formulas to see what effect it would have on the budget.

[6:42:36 PM](#)

CHAIR CARPENTER asked Senator Jesse Kiehl if he believes that the findings of the Fiscal Policy Working Group are still relevant.

[6:42:55 PM](#)

SENATOR JESSE KIEHL, Alaska State Legislature, answered that he believes that the findings made by the group are still relevant. He stated that the long-term position of the state's budget is insecure due to the ever-changing price of oil. He said that there were parts of the plan that he "hates" but are necessary for the long-term stability of Alaska. He stated that without a new source of revenue, a growing economy and population would be negative for the state budget; he described this as a "perverse incentive."

[6:46:12 PM](#)

SENATOR KIEHL stated that the idea of constitutional spending limits is risky, describing the idea that the current generation knows the "proper" amount of government spending as "hubris". He said that there are ways of mitigating the risk and that Senator James Kaufman has a proposal that he believes is "not insane." He said that it was a difficult process that was necessary to create a plan to give a better future to the state of Alaska.

[6:48:14 PM](#)

MR. KREISS-TOMKINS stated that a significant amount of time was spent agreeing on the set of fiscal assumptions needed to begin the process of group members creating their own idea of a possible budget. He said that it is unusual for the legislature to use the same set of assumptions across the body, because members of the legislature use their own set of assumptions that may make sense to them but may not make sense to other members.

He said that each of the proposals were checked by Mr. Painter to ensure that the numbers made sense and added that he believes it is an exercise that all members of the legislature should undertake.

[6:51:48 PM](#)

SENATOR ROBERT MYERS, Alaska State Legislature, stated that while he was not a member of the Fiscal Policy Working Group, many of the issues raised by the group are why he ran for office. He said that he is concerned about the legislature's focus on a short-term budget that does not account for the long-term effects on the state's economy. He questioned whether it's a good idea to have most of the state's budget come from the permanent fund and said that the state government will pay the most attention to its source of revenue. He said that the result of this was the government paying more attention to its investments rather than the industries and people of Alaska.

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SENATOR MYERS stated that the permanent fund grew at a faster rate than the economy over the course of the twenty years prior to the COVID-19 pandemic. He expressed concern that the "government is growing 50 percent faster than the economy." He stated that he believes that this could result in harm to resource development and small businesses. He said that he believes the legislature needs to give more thought to how the budget will affect Alaska in the future and not just the short-term.

[6:56:32 PM](#)

CHAIR CARPENTER asked Senator Myers if the recommendations made by the Fiscal Policy Working Group alleviated his concerns.

SENATOR MYERS answered that he believes "we will be going down a very dark road in Alaska" if the recommendations were not followed. He added that without following the recommendations or something similar, his family would have to consider leaving the state.

[6:57:37 PM](#)

CHAIR CARPENTER stated that he appreciates the fact that such a candid conversation about the fiscal issues facing Alaska could be had given the political climate of the legislature.

6:58:26 PM

REPRESENTATIVE GROH stated that he wants to work on and build off of the findings made by the Fiscal Policy Working Group.

6:58:59 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at [6:59] p.m.