

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

February 20, 2023

6:00 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative Jamie Allard
Representative Tom McKay
Representative Kevin McCabe
Representative Cathy Tilton
Representative Andrew Gray
Representative Cliff Groh

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): HW&M FOUNDATION FOR DISCUSSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DONNA ARDUIN, Staff
Representative Ben Carpenter
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided a presentation outlining the scope of the House Special Committee on Ways and Means.

ACTION NARRATIVE

[6:00:59 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:00 p.m. Representatives Tilton, Allard, McCabe, McKay, Groh, and Carpenter were present at the call to order. Representative Gray arrived as the meeting was in progress.

PRESENTATION(S) : HW&M FOUNDATION FOR DISCUSSION

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CHAIR CARPENTER announced that the only order of business would be the HW&M Foundation for Discussion presentation.

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DONNA ARDUIN, Staff, Representative Ben Carpenter, Alaska State Legislature, began the PowerPoint presentation [hard copy included in the committee packet], on slide 2, and outlined that the presentation would cover the scope of the House Special Committee on Ways and Means and the foundation for a long-term fiscal and economic plan. She emphasized the committee was charged with hearing bills and reviewing processes to protect the economic resources of the state and was open to discussing economic policies from other committees even if the committee did not have the bill in front of it.

MS. ARDUIN moved to slide 3, and stated the House Special Committee on Ways and Means was created under House Resolution 3. She said the committee was established to "consider methods to control state spending, identify ways in which state government programs may be made more efficient, and propose new measures to raise additional state revenue."

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MS. ARDUIN continued to slide 4, "Alaska's fiscal problem has structural factors," which read as follows [original punctuation provided]:

Lack of a long-term fiscal policy

Affordable & sustainable spending policy

Dependable dividend structure

Revenue plan predicated upon private sector growth rather than short-term budget needs

Undersized private economy

Lack of accountability and good governance solutions

MS. ARDUIN added on slide 6, by the same name, that the Fiscal Policy Working Group (FPWG) report unanimously agreed the lack

of long-term fiscal policy was still relevant. She additionally stated that under an affordable and sustainable spending policy the committee needed to add spending limits and increase efficiency in spending.

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MS. ARDUIN moved to slide 8, "Undersized private economy," which read as follows [original punctuation provided]:

When the only tool you have is a hammer, every problem looks like a nail

Governments tend to look for government solutions for economic growth; the truth is that private economies grow when government intrusion is minimized.

Ways and Means is charged with looking at revenues, which will include Economic Growth by reviewing tax and regulatory burdens that may inhibit business investment in Alaska.

One "tax" we will discuss when looking toward economic growth is the tax on Alaskan's dividends when we don't pay what is owed.

MS. ARDUIN continued with slide 9, "Lack of accountability and good governance solutions," which read as follows [original punctuation provided]:

Performance reviews

The Executive Budget Act

Internal auditors

Legislative oversight of regulations

Ronald Reagan said, "Government is not the solution to the problem, government is the problem."

MS. ARDUIN summarized on slide 10, that all bills or review processes the committee would be presented would fall under six major groups, which she listed as: settling the permanent fund dividend (PFD), looking at spending caps, talking about efficient spending policies, promoting economic growth, adding

accountability for good governance, and discussing revenue generation for government.

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MS. ARDUIN explained why Alaska needed to focus on its economy on slide 11, "Alaska Has an Economic Problem," which read as follows [original punctuation provided]:

Unemployment 49th Worst

GSP Growth 50th Worst

Education Quality 48th Worst

Interstate Migration 34st Worst

Reliance on Federal \$\$

[6:10:00 PM](#)

MS. ARDUIN displayed a chart on slide 12 comparing the gross domestic product (GDP) growth of Alaska to the rest of the nation. She emphasized Alaska was ranked last in the country for economic growth, and on the next slide that Alaska was the second worst in the nation for employment.

MS. ARDUIN continued to slides 14 through 15, and showed two charts outlining how populations were moving away from Alaska, and how populations moved around the U.S. She further added that the 15 states with the lowest taxes had gained 2.2 million people over the last two years, and the 15 states with the highest taxes had lost 1.2 million people.

MS. ARDUIN moved to slide 16, which depicted a chart from the Fraser Institute Economic Freedom Index that broke down the U.S. into four quartiles of economic freedom. She stated that the chart showed Alaska as one of the least free states.

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REPRESENTATIVE ALLARD asked for an example of what the "least free" meant.

MS. ARDUIN explained that the criteria for what determines the economic freedom, as per the Fraser Institute, was government spending, taxes, and regulation.

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REPRESENTATIVE MCCABE asked whether people were leaving Alaska because of "tax from the PFD removal" or because of the "total economic freedom idea."

MS. ARDUIN guessed that it was all the above. She added that people were more mobile because of greater job opportunities, and that Alaska could gain more population by improving its issues.

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REPRESENTATIVE GROH asked to go back to slide 16, "Economic Freedom in America," to discuss why [West Virginia] was marked as one of the "least free" and [Virginia] was marked as one of the "most free." He noted that the life expectancy of people living in Virginia was significantly higher than the life expectancy of those living in West Virginia. He wondered if Ms. Arduin considered economic freedom to correlate with the desirability to live in a state as indicated by life expectancy.

MS. ARDUIN responded by stating that West Virginia was having a resurgence in policies promoting economic freedom which would draw people there.

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CHAIR CARPENTER interjected that he had not ordered his staff to look at life expectancy comparatively between states but would be willing to hold a meeting to address the topic if the committee thought it necessary.

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MS. ARDUIN continued with the presentation and moved to slide 17, "Performance Compared to the Nation," and showed the educational performance of Alaska was significantly lower than the rest of the nation.

MS. ARDUIN outlined the crime rates of Alaska compared to the rest of the nation on slides 18 through 20. She highlighted Alaska's crime rate, number of crimes, and violent crime rate were higher than the national average.

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MS. ARDUIN highlighted Alaska's policy problems on slide 21, "Alaska Has a Policy Problem," which read as follows [original punctuation provided]:

Spending/Capita 50th Highest

Debt/Capita 43rd Highest

Corporate Income Tax Rate 45th Highest

Welfare Dependency 10th most-dependent

Union Control 13th most-control

Education Choice 28 States have more options

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REPRESENTATIVE ALLARD asked Ms. Arduin if she had sourced her information from the Fraser Institute or from other organizations.

MS. ARDUIN clarified her sources came from the Kaiser Family Foundation, The American Legislative Exchange Council (ALEC), the Tax Foundation, state financial statements, and EdChoice.

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MS. ARDUIN continued to slide 22, "Spending per capita," and displayed a table from the Kaiser Family Foundation that Alaska spent the most per capita compared to the rest of the nation.

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REPRESENTATIVE GROH asked if the data was misleading as it had not taken into consideration the county spending, as Alaska managed many of its services on a state level instead of the more common county level management or private sector that other states employed.

MS. ARDUIN responded that the data was not misleading and added that if the table had combined state and local spending, Alaska would still rank very high.

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MS. ARDUIN continued the presentation on slide 23, "Another Way to Compare," which depicted a graph comparing Alaska's GDP to the U.S. GDP through different sectors of the economy. She made note of one of the sectors where Alaska was higher ranked with "State and local government."

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MS. ARDUIN, in response to a question from Representative Allard about why Alaska was on par with the rest of the country with "Educational services, healthcare, and social assistance," as depicted on the graph, explained the data showed the amount of employment compared to the total employment of the state.

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MS. ARDUIN continued with slides 24 through 25, and noted the high spending of Alaska on education, Alaska's lack of school choice options, and that 28 states had more school choice than Alaska. She moved to slide 26, which detailed the different corporate income tax rates between states. She stated Alaska had the fourth highest corporate income tax rate and had a very graduated tax rate. She followed with slides 27 through 29, which depicted Alaska had been the state with the 48th highest debt per capita, the least funded pension liabilities per capita in the country, and less than 70 percent of pension plans had been funded.

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MS. ARDUIN displayed a table on slide 30, which showed Alaska was the 10th worst welfare dependent state in the country. She moved to slide 31, which showed which states were "Right to Work" and which were "Forced Union," and explained union control correlated with economic outcomes. She added Alaska was the 48th highest in government employment.

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CHAIR CARPENTER explained he wanted to see a different approach in the House Special Committee on Ways and Means, one that was able to work through the divided legislature. He expressed that he wanted to see multiple bills in each of the areas listed on slide 10 so the committee could enact change.

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MS. ARDUIN concluded on slides 33 and 34. She spoke about a proposal on the calendar for the next two months that would bring together options for a long-term fiscal and economic plan for the state of Alaska. She added the committee could have Saturday meetings as needed to receive public testimony and amend and vote on bills. She emphasized a goal for the committee to maximize public input and transparency.

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REPRESENTATIVE GROH expressed interest in taking inspiration from the FPWG and suggested having each of the committee members build a budget.

CHAIR CARPENTER indicated having both individuals and the committee draft budgets were options.

REPRESENTATIVE GROH stated that the use of individual budget building [by the FPWG] had decreased the rhetoric and increased on-the-ground engagement. He additionally discussed that adding a constitutional single account structure for the percent of market value system to protect the Permanent Fund was recommended by the FPWG.

CHAIR CARPENTER brought up one downside to the FPWG was that no bills came out of it. He expressed he wanted the House Special Committee on Ways and Means to focus on bills and "action items" for the legislature to act on.

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REPRESENTATIVE MCCABE clarified to Representative Groh that the FPWG hadn't built budgets, since the budget had been set, but had adjusted certain aspects of the budget based on a spreadsheet that Alexei Painter, Director of the Legislative Finance Division, had provided. He expressed interest in playing with the spreadsheet more to be able to visualize the effects certain policies could have.

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CHAIR CARPENTER explained the product that Mr. Painter had presented was an "ideas product," and he stated his hope that the House Special Committee on Ways and Means would focus on concrete outcomes. He concluded with further remarks on the goals of the committee to provide economic growth to the state, provide good job opportunities, create phenomenal education, and

make the budget balance every year. He expressed his understanding it would be challenging, and he said he didn't agree with the idea the legislature was not able to handle the issues at hand.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 6:37 p.m.