

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

April 19, 2023

6:07 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Jamie Allard

**OTHER LEGISLATORS PRESENT**

Representative Dan Saddler

**COMMITTEE CALENDAR**

HOUSE BILL NO. 38

"An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; and providing for an effective date."

- MOVED CSHB 38(W&M) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 2

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

- MOVED CSHJR 2(W&M) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 38

SHORT TITLE: APPROPRIATION LIMIT; GOV BUDGET

SPONSOR(S): REPRESENTATIVE(S) STAPP

01/19/23	(H)	READ THE FIRST TIME - REFERRALS
01/19/23	(H)	JUD, W&M, FIN
01/27/23	(H)	JUD AT 1:00 PM GRUENBERG 120
01/27/23	(H)	Heard & Held

01/27/23 (H) MINUTE (JUD)  
 02/15/23 (H) JUD AT 1:00 PM GRUENBERG 120  
 02/15/23 (H) Heard & Held  
 02/15/23 (H) MINUTE (JUD)  
 02/27/23 (H) JUD AT 1:30 PM GRUENBERG 120  
 02/27/23 (H) Moved CSHB 38 (JUD) Out of Committee  
 02/27/23 (H) MINUTE (JUD)  
 03/01/23 (H) JUD RPT CS (JUD) 3DP 1DNP 1NR 2AM  
 03/01/23 (H) DP: C. JOHNSON, CARPENTER, ALLARD  
 03/01/23 (H) DNP: GROH  
 03/01/23 (H) NR: GRAY  
 03/01/23 (H) AM: EASTMAN, VANCE  
 03/11/23 (H) W&M AT 9:00 AM DAVIS 106  
 03/11/23 (H) <Bill Hearing Canceled>  
 03/13/23 (H) W&M AT 6:00 PM DAVIS 106  
 03/13/23 (H) Heard & Held  
 03/13/23 (H) MINUTE (W&M)  
 04/19/23 (H) W&M AT 6:00 PM DAVIS 106

BILL: HJR 2

SHORT TITLE: CONST. AM: APPROP LIMIT  
 SPONSOR (s): REPRESENTATIVE (s) STAPP

01/23/23 (H) READ THE FIRST TIME - REFERRALS  
 01/23/23 (H) W&M, FIN  
 01/30/23 (H) JUD REFERRAL ADDED BEFORE W&M  
 01/30/23 (H) BILL REPRINTED  
 02/15/23 (H) JUD AT 1:00 PM GRUENBERG 120  
 02/15/23 (H) Heard & Held  
 02/15/23 (H) MINUTE (JUD)  
 02/27/23 (H) JUD AT 1:30 PM GRUENBERG 120  
 02/27/23 (H) Moved CSHJR 2 (JUD) Out of Committee  
 02/27/23 (H) MINUTE (JUD)  
 03/01/23 (H) JUD RPT CS (JUD) 3DP 1DNP 1NR 2AM  
 03/01/23 (H) DP: C. JOHNSON, CARPENTER, ALLARD  
 03/01/23 (H) DNP: GROH  
 03/01/23 (H) NR: GRAY  
 03/01/23 (H) AM: EASTMAN, VANCE  
 03/11/23 (H) W&M AT 9:00 AM DAVIS 106  
 03/11/23 (H) <Bill Hearing Canceled>  
 03/13/23 (H) W&M AT 6:00 PM DAVIS 106  
 03/13/23 (H) Heard & Held  
 03/13/23 (H) MINUTE (W&M)  
 04/19/23 (H) W&M AT 6:00 PM DAVIS 106

**WITNESS REGISTER**

ROB CARPENTER, Deputy Director  
Legislative Finance Division  
Legislative Affairs Agency  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint, titled "Appropriations Limits Modeling Samples" and discussed CSHB 38(JUD) and CSHJR 2(JUD).

REPRESENTATIVE WILL STAPP  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, answered questions on CSHB 38(JUD) and CSHJR 2(JUD).

BERNARD AOTO, Staff  
Representative Will Stapp  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Stapp, prime sponsor, answered questions on CSHB 38(JUD) and CSHJR 2(JUD).

#### **ACTION NARRATIVE**

[6:07:32 PM](#)

**CHAIR BEN CARPENTER** called the House Special Committee on Ways and Means meeting to order at 6:07 p.m. Representatives Tilton, Groh, McKay, McCabe, Gray, and Carpenter were present at the call to order.

#### **HB 38-APPROPRIATION LIMIT; GOV BUDGET** **HJR 2-CONST. AM: APPROP LIMIT**

[6:08:07 PM](#)

CHAIR CARPENTER announced that the only order of business would be HOUSE BILL NO. 38, "An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; and providing for an effective date." and HOUSE JOINT RESOLUTION NO. 2, Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit. [Before the committee was CSHJR 2 (JUD) and CSHB 38(JUD).]

[6:09:15 PM](#)

ROB CARPENTER, Deputy Director, Legislative Finance Division, Legislative Affairs Agency, presented the PowerPoint, titled "Appropriations Limits Modeling Samples" [hard copy included in the committee packet]. On slide 2, he displayed a graph, which showed the current iteration of the fiscal model in CSHB 38 (JUD) and CSHJR 2 (JUD). He explained that the graph depicts a historical view of how operating and capital appropriations are subject to spending limits. The graph depicts data from the fiscal year 2004 (FY 04) to the present and future projections through FY 33. He mentioned that there are multiple variables affecting the models. The baseline for each model includes a 2 percent rate of inflation, a budget growth of 1.5 percent based on the governor's ten-year plan, and a gross domestic product (GDP) of 1.5 percent. He commented that the committee has seen this model before in a previous meeting.

[6:11:17 PM](#)

MR. CARPENTER, in response to a question from Representative Groh, replied that the current statutory limit is not included because the constitutional limit was "for" a fiscal year rather than "in" a fiscal year, which would lead to confusion when shown with the rest of the data.

[6:12:02 PM](#)

MR. CARPENTER moved to slide 3 and addressed the effects on the model of the suggested changes from the Senate, as these changes would increase rates of both proposed caps.

MR. CARPENTER confirmed Chair Carpenter's statement that the changes on slide 3 are the recent changes made in the Senate to its versions of the proposed legislation. These are not changes made to [CSHJR 2 (JUD) and CSHB 38(JUD)], which are currently in front of the committee. He added that the models in the presentation would be using the versions in front of the committee as the base. The presentation would be displaying how adjusting certain variables would change the model.

[6:13:13 PM](#)

MR. CARPENTER moved to another adjusted model on slide 4. He explained that this shows both caps increased slightly as a point of reference. He stated that the previous models all lead to the data table on slide 5, which shows the dollar values associated with each hypothetical change to the fiscal models. He stated that each full percent added to or deducted from the

spending limit represented \$400 million to \$500 million in "headroom." In response to Chair Carpenter, he answered that "headroom" means additional money the legislature would be able to spend. He stated that if there was a decrease to the percent of the cap, the headroom would also decrease by the same dollar amount. In response to a follow-up question, he stated that the numbers shown on slide 5 represent the data behind the graphs.

[6:14:12 PM](#)

MR. CARPENTER moved to slide 6 to demonstrate what would happen if variables other than the cap rates were changed. The graph showed the rates proposed in the current versions of CSHJR 2 (JUD) and CSHB 38(JUD); however, he explained that it now accounts for a GDP of 2.5 percent. He stated that in this scenario the state would begin to get ahead of budget growth in the out years.

CHAIR CARPENTER requested an explanation of the bars on the graph representing FY 24 and FY 25. He questioned why the blue bar in FY 24 is above the blue dashed line representing the CSHB 38(JUD) cap. He questioned whether this would affect FY 25 as well.

MR. CARPENTER replied that the FY 24 bar looks different because it is based on the firm numbers of the governor's proposed budget; beyond this year the numbers are only projections. He noted that the line representing CSHB 38(JUD) slices through the capital budget in FY 24, and he stated that the provision in CSHJR 2(JUD), where the spending cap could be exceeded for capital projects with a two-thirds vote, would apply in this model's scenario.

CHAIR CARPENTER questioned whether the scenario shown for FY 24 would also apply to FY 25, and he questioned whether the model showed both capital and operational budgets for FY 25.

MR. CARPENTER responded that the years past FY 24 show the projected spending in total without differentiating between capital versus operational spending, because the capital budgets are unknown at this point. He continued that the projected total spending for upcoming years was achieved by adding the 1.5 percent budget growth, and he posited that if the capital spending were to model the amount shown in FY 24, then the CSHB 38(JUD) line would also be piercing this portion of the FY 25 budget.

CHAIR CARPENTER questioned whether the proposed legislation would allow for the addition of a capital budget to the projected FY 25 spending shown in the model.

MR. CARPENTER clarified that the projected numbers for FY 25 would include capital spending, as it is a projection of total spending. He expressed the assumption that there would be capital spending but expressed uncertainty of exactly how much of the projected spending would be for capital projects. In response to a follow-up question, he reiterated that the FY 25 bar represents total spending and not operational spending.

CHAIR CARPENTER noted that in FY 25 to FY 27 the projected spending was intersected by the line which models the proposed cap in CSHB 38(JUD); however, for the years beyond this the spending falls below the line. He suggested that this means there would be additional spending, and he questioned the existence of the gap.

MR. CARPENTER explained that in the model shown on slide 6 the 2.5 percent GDP would eventually cause the appropriation limit to exceed the budget growth projection and provide "headroom" in the state's finances. He then displayed a similar model on slide 7, which shows projections if the GDP were at 3.5 percent.

[6:20:02 PM](#)

MR. CARPENTER pointed out that one of Chair Carpenter's [upcoming] amendments is modeled on slide 8. This model returns to the 1.5 percent GDP but changes the CSHJR 2(JUD) and CSHB 38(JUD) caps to be 13 and 11 percent, respectively. He noted that the dotted line drops well below the projected budgets, and he estimated the model allows about \$250 million less in spending. He posited that this model puts downward pressure on appropriations, and he expressed the understanding that this is Chair Carpenter's intention with the amendment.

CHAIR CARPENTER highlighted that the Fiscal Policy Working Group's (FPWG's) report to create a bipartisan and bicameral plan had acknowledged the need for reductions in state spending. He recalled that this included a \$100 million to \$200 million reduction. He suggested that this would be achieved [by the amendment] by lowering the rates in the proposed legislation.

[6:22:04 PM](#)

MR. CARPENTER reviewed the models on slide 9 and slide 10, which showed scenarios where the 11 and 13 percent caps from Chair Carpenter's amendment were adopted but the GDP was higher. He used a 2.5 and 3.5 percent GDP to illustrate the multiple possible effects the lower caps could have, depending on the many variables at play.

CHAIR CARPENTER expressed the opinion that these models underline that Alaska needs to consider inflation and GDP when reorganizing the state's spending and taxation. He shared his belief that taking a disciplined approach to solving the state's financial issues over the next few years will create more economic growth and stability, and this will allow for more spending later. He suggested that the models support staying under a spending limit to allow economic growth to support the state.

[6:23:44 PM](#)

REPRESENTATIVE GRAY, in regard to the most recent budget passed by the House of Representatives, questioned how far over the proposed 11 percent cap would the budget go.

MR. CARPENTER replied that the governor's original budget is used in the model. In comparison, because of the built-in education funding, the version passed by the House has an additional amount of about \$175 million, which he said would look higher than what is represented.

REPRESENTATIVE GRAY asked whether the House's budget would touch the red line representing the CSHJR 2(JUD) cap on the model.

MR. CARPENTER posited that it would not; however, he would follow up with the committee on the question. He pointed out on the model on slide 8 that the FY 24 budget is at \$5.5 billion, and he posited that an additional \$200 million would not cause the current budget to reach the 13 percent budget cap.

REPRESENTATIVE GRAY questioned whether it is the education funding which puts the FY 24 budget over the proposed limit. He referenced the idea that state spending needs to be cut by "hundreds of millions of dollars" and asked for a specific figure of how much over the spending cap the education funding would be.

MR. CARPENTER restated that he does not have the data available yet for the amendment which would change the proposed

legislation's spending cap to 11 percent. He estimated from the model that the limit with the 11 percent cap for FY 24 would be \$5.5 billion. He expressed the belief that the addition of \$175 million for education would not put the budget over the proposed spending cap. He mentioned Chair Carpenter's point that there was the capability to go beyond the capital spending caps by way of a two-thirds vote.

REPRESENTATIVE GRAY posited that the red line in the model may take years to reach, but the blue line was easily eclipsed by the projected budgets.

[6:26:47 PM](#)

CHAIR CARPENTER answered that the red line could be reached through more revenue rather than more time.

REPRESENTATIVE GRAY shared his understanding that the red line represents a spending cap and, regardless of how much revenue there is, any funds above the cap would be invested into the Permanent Fund. He referred to a previous meeting regarding changing the percent of market value (POMV) draws to increase spending amounts. He questioned the reasoning behind finding ways to increase revenue while also adding a spending cap to direct extra revenue into the Permanent Fund, when doing so would require cutting the budget.

CHAIR CARPENTER asked Representative Gray to reword his line of questioning for clarity.

REPRESENTATIVE GRAY expressed the understanding that there is a revenue cap and a spending cap, and since the blue line represents a spending cap it would not change regardless of how much revenue the state had.

CHAIR CARPENTER replied that he had misunderstood the original question and thought Representative Gray was referring to the blue bar rather than the blue line.

[6:29:15 PM](#)

The committee took a brief at-ease.

[6:29:40 PM](#)

REPRESENTATIVE MCCABE moved to adopt Amendment 1 to CSHB 38(JUD), labeled 33-LS0295\B.2, Wallace/Marx, 4/13/23, which read as follows:

Page 2, lines 4 - 5:

Delete "federal bureau responsible for economic analysis according to federal"

Insert "state government as prescribed by"

Page 3, lines 9 - 10:

Delete "federal bureau responsible for economic analysis according to federal"

Insert "state government as prescribed by"

REPRESENTATIVE GRAY objected.

[6:29:49 PM](#)

CHAIR CARPENTER explained that the amendment removes references to the federal agency which reports GDP numbers, and this reference would be changed to the state agency instead. He mentioned that this change was in keeping with changes the House Judiciary Standing Committee made to CSHJR 2(JUD), and the amendment would give both bills the same language.

REPRESENTATIVE GRAY removed his objection. There being no further objection, Amendment 1 was adopted.

[6:31:18 PM](#)

REPRESENTATIVE MCCABE moved to adopt Amendment 2 to CSHB 38(JUD), as amended, labeled 33-LS0295\B.3, Marx, 4/18/23, which read as follows:

Page 2, line 3:

Delete "11.5"

Insert "11"

REPRESENTATIVE GRAY objected.

[6:31:53 PM](#)

CHAIR CARPENTER explained that the amendment would change the spending limit percentage in the proposed legislation from 11.5 to 11 percent.

[6:32:08 PM](#)

CHAIR CARPENTER, in response to a question from Representative Gray, stated that in putting forward the committee's fiscal plan which addresses the four components from the FPWG's report, one component has yet to be addressed, and this is the recommendation for lowering spending. He explained that lowering the percentage to 11 percent would force the idea in front of the legislature of reducing spending by hundreds of millions of dollars. He expressed the intention of preserving the integrity of the FPWG's report.

REPRESENTATIVE GRAY referred to discussions in previous meetings about changing the POMV cap, implementing various taxes, and other ways to increase state revenue. He posited that having a spending cap would disincentivize building new revenue in favor of making hundreds of millions of dollars in budget cuts to meet the spending restriction. He questioned how a spending limit would fit into the proposed revenue-growing measures.

CHAIR CARPENTER replied that the budget the House sent to the Senate included a deficit of \$500 billion. He inferred that the solution to this would either be to draw from the state's savings or have a conversation about reducing the current budget. He advised that the fiscal-plan conversation surrounds the current budget, but it also needs to look to budgets in the future years to increase the plans smoothness and stability. He stated that choosing between reducing spending or spending from savings has been the focus of the fiscal conversation for this year; therefore, the conversation for future budgets should include how much the state will spend in the future, compared to what is being spent now.

REPRESENTATIVE GRAY shared his understanding that the proposed legislation would be focused on Alaska's fiscal future rather than the present. He said that he only used the current fiscal year as a concrete example. He added that if the state ended up with a high GDP in the next fiscal year, the spending limit would also be very high, and he asked how the government can get GDP to rise.

CHAIR CARPENTER, responding, expressed the opinion that it is not the government's function to raise GDP, and he suggested that GDP will rise [over time] instantly with the new fiscal plan.

REPRESENTATIVE GRAY expressed concern over tying the proposed spending limit to GDP. He suggested that this would mean

Alaska's fiscal future would be controlled by something the state has little influence over. He expressed concern that creating a financial dependence on a variable with no government control would cause a disconnect [between the state and its income].

[6:37:50 PM](#)

REPRESENTATIVE WILL STAPP, Alaska State Legislature, as prime sponsor, reminded the committee that CSHB 38(JUD) and CSHJR 2(JUD) include conditional language, and one cannot be passed without the other. In regard to the current spending limit, he said that the budget was passed unfunded and would require a vote to draw from the constitutional budget reserve (CBR), and he suggested that because of voting thresholds it would pass. Addressing the question about POMV, as it relates to oil revenue, he reiterated that, depending on returns and accounting for inflation, the POMV draw changes year to year. He shared that the Permanent Fund is projecting a 7 percent return for the next fiscal year; however, he expressed the opinion that the actual return will be considerably lower. He added that the state's other existing source of revenue is based on the [fluctuating] price of oil, so actual returns may not be as high as projected.

[6:39:43 PM](#)

BERNARD AOTO, Staff, Representative Will Stapp, Alaska State Legislature, on behalf of Representative Stapp, prime sponsor, spoke to the proposed legislation. He added that in a scenario where revenue is above the proposed cap, the legislature would have to decide how to appropriate the extra funds.

REPRESENTATIVE STAPP, speaking to Representative Gray's question concerning raising GDP, expressed the belief that the government could play a role in raising GDP by making strong capital investments. He used the proposed Bradley Lake Project to exemplify how this would work, in that reducing the cost of energy for residents of the Interior would allow more money to be put into the local economy, and this would drive up GDP.

[6:41:01 PM](#)

CHAIR CARPENTER emphasized that the proposed legislation would not take effect until FY 26.

MR. AOTO confirmed that the legislation would go into effect in 2026, if it passed a public vote.

[6:41:26 PM](#)

REPRESENTATIVE MCCABE stated that the POMV draw was not an effective total spending cap because permanent fund dividend (PFD) earnings were not the state's only source of revenue. He suggested that, if oil prices continue to be high and the state generates a mass amount of revenue, the legislature would be inclined to overspend; therefore, he argued that a cap on spending is "absolutely" necessary.

[6:42:38 PM](#)

REPRESENTATIVE STAPP referred to the POMV cap as a revenue cap and not a spending cap, and he expressed agreement that other types of revenue would not be subject to the POMV cap.

[6:43:01 PM](#)

REPRESENTATIVE GROH expressed support for spending limits. He questioned how the amendments to CSHB 38(JUD) would affect these limits. He questioned the amount the current budget would be over the spending limit [with the proposed amendments].

CHAIR CARPENTER reiterated that the exact data is not available, and relayed Mr. Carpenter's suggestion that it would be about \$100 million more.

REPRESENTATIVE GROH posited that with Chair Carpenter's proposed increase of half a point, the current budget would be over the cap by about \$250 million.

CHAIR CARPENTER stated that the proposed caps would not affect this year's budget, and the conversation is about FY 26.

[6:44:48 PM](#)

MR AOTO reminded the committee that the projections in the presentation use the governor's unamended budget. He explained that between the \$500 million reduction the House made to the budget and the \$500 million remaining deficit, the amount zeroes out and the budget becomes below the spending cap projections in the graph.

[6:45:35 PM](#)

REPRESENTATIVE GRAY maintained his objection.

A roll call vote was taken. Representatives McCabe, Tilton, McKay, and Carpenter voted in favor of Amendment 2 to HB 38, as amended. Representatives Gray and Groh voted against it. Therefore, Amendment 2 was adopted by a vote of 4-2.

[6:47:13 PM](#)

REPRESENTATIVE MCCABE thanked Representative Stapp for his work on the proposed legislation.

[6:47:45 PM](#)

REPRESENTATIVE GROH questioned the structure of the proposed legislation, which limits spending in some areas over others. He referred to previous comments about the risk of increased spending caused by windfalls such as high oil prices, and he questioned which categories of spending increased the fastest in previous high-revenue years.

REPRESENTATIVE STAPP responded that in past high-revenue years there had been higher operating budgets, but the biggest increases happened in capital spending. He added that not all capital spending would have the same return on investment.

REPRESENTATIVE GROH noted that capital spending has been treated more favorably, even though it accounts for the largest spikes in spending.

REPRESENTATIVE STAPP opined that having a cap which is based on economic performance would incentivize the legislature to be more thoughtful about which capital projects it funds. He agreed with Representative Groh's point that spikes in capital spending have been an issue in past high-revenue years. He stated that CSHB 38(JUD), [as amended], and the corresponding constitutional amendment in CSHJR 2(JUD) would force "correct behavior" in capital spending.

REPRESENTATIVE GROH sought to confirm that PFDs were exempt.

REPRESENTATIVE STAPP replied that Representative Groh was correct.

REPRESENTATIVE GROH questioned whether PFD's have also been a category of spending which have spiked in the past since the "delinking" in 2016.

REPRESENTATIVE STAPP responded that the answer depends on how one defines "go up" in regard to "PFD spending." He stated that the dollar amount had increased, but the percent according to the statutory formula has not.

REPRESENTATIVE GROH spoke on the governor's ability to veto appropriations and posited that this veto right could be considered another form of a spending cap which already exists.

REPRESENTATIVE STAPP argued that structuring the state's fiscal plan on the expectation that the governor will use the veto to "spending down" would be a "violation of your fiduciary responsibility as a member of an elected body."

[6:53:01 PM](#)

CHAIR CARPENTER posited that this topic of conversation was not related directly to the proposed legislation.

REPRESENTATIVE GROH replied that Chair Carpenter has spoken about looking at a broader picture of the state's fiscal future and shared his belief that the structure of powers within the state is a part of this bigger picture.

[6:53:30 PM](#)

REPRESENTATIVE MCCABE referred to Article 9, Section 16, of the Constitution of the State of Alaska, which relates that one-third of the state budget should go towards capital projects. He suggested that the projections in the presentation demonstrate that the state has never done this, and he asked whether the proposed legislation would help promote following the constitution.

REPRESENTATIVE STAPP opined that the mindset of the framer's of the constitution was to ensure part of the revenue of the state goes to the needs of future Alaskans [with capital projects], and he stated that the intent of CSHB 38(JUD) was to follow this mindset.

REPRESENTATIVE MCCABE added that the state is facing a multibillion-dollar deficit in infrastructure failures and

projects, and it needs to find a way forward through capital projects.

REPRESENTATIVE STAPP explained that tying the spending cap to economic performance would encourage capital spending, and this would benefit all Alaskans in the long term. He illustrated the point by asking the committee to envision the economic growth which could have been accomplished if the state had built a dam on the Susitna River in the 90s, as this would have provided more Alaskans with cheaper electricity.

CHAIR CARPENTER expressed agreement with Representative Stapp's sentiment that the state needs more economic growth.

[6:56:29 PM](#)

REPRESENTATIVE MCCABE moved to report CSHB 38(JUD), as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GROH objected for the purpose of discussion. He pointed out that the committee is looking at a full fiscal package; however, the committee is passing this bill out without the other aspects of the package, and he suggested it would be beneficial to speak about the plan as a whole.

[6:57:56 PM](#)

The committee took a brief at-ease.

[6:58:10 PM](#)

CHAIR CARPENTER said that he is committed to sending out five pieces of legislation which comprise the fiscal plan for the state. He reported that the legislation before the committee today, CSHB 38(JUD) and CSHJR 2(JUD), would be accompanied by HJR 7, HB 109, and HB 110, of which all will be before the committee in the coming week.

REPRESENTATIVE GROH removed his objection. There being no further objection, CSHB 38(W&M) was reported out of the House Special Committee on Ways and Means.

[6:59:56 PM](#)

The committee took an at-ease from 6:59 p.m. to 7:02 p.m.

[7:02:43 PM](#)

CHAIR CARPENTER entertained amendments to CSHJR 2(JUD).

[7:03:00 PM](#)

REPRESENTATIVE MCCABE moved to adopt Amendment 1 to CSHJR 2(JUD), labeled 33-LS0294\B.1, Marx, 4/18/23, which read as follows:

Page 2, line 3:  
Delete "fourteen"  
Insert "thirteen"

Page 2, line 7:  
Delete "fourteen"  
Insert "thirteen"

REPRESENTATIVE GRAY objected.

[7:03:30 PM](#)

REPRESENTATIVE GRAY noticed that there was a half of a percentage change in the bill just moved out of committee - CSHB 38(JUD) - while the change to CSHJR 2(JUD) would be a full percent. He questioned this reasoning.

CHAIR CARPENTER replied that the amendment mirrors a change made in the other direction by the other body. In response to a follow-up question, he stated that the other body had raised the cap by one percent.

REPRESENTATIVE GRAY asked whether there was another reason besides mirroring the Senate for lowering the cap by a full percent versus a half percent.

CHAIR CARPENTER responded that lowering the cap a full percent would maintain the integrity of the model. He posited that the cap could have dropped one and a half percent without breaking the upper limit, but it was decided to maintain the one percent.

REPRESENTATIVE GRAY recollected Mr. Aoto's statement made during the previous bill discussion which related that if there is extra revenue, the legislature would be able to decide what to do with it. He asked Mr. Aoto to explain what the legislature could and could not do with this extra revenue, while not violating the constitutional spending limit.

[7:05:41 PM](#)

BERNARD AOTO, Staff, Representative Will Stapp, Alaska State Legislature, on behalf of Representative Stapp, prime sponsor, answered questions on the proposed legislation. He explained that exemptions on the spending cap were presented at an earlier meeting, and it would be up to the legislature to decide which of these exceptions to direct extra revenue toward.

[7:06:01 PM](#)

REPRESENTATIVE STAPP listed several of the exemptions that the legislature could spend the extra revenue on, including larger PFDs and paying back into the constitutional budget reserve (CBR).

REPRESENTATIVE GRAY asked whether the state could use the extra revenue to [pay for services], and he used increasing the base student allocation (BSA) as an example.

REPRESENTATIVE STAPP posited that if the budget hit the constitutional spending limit, it would probably already incorporate a very large BSA. He continued that, in the case the budget did reach the constitutional limit, the legislature would not be able to add any additional operating spending with the extra revenue.

[7:07:32 PM](#)

MR. AOTO explained that there was also an exception for emergency declarations from the governor.

[7:07:47 PM](#)

REPRESENTATIVE MCCABE asked whether the extra revenue in this situation could be given directly to the teachers instead.

REPRESENTATIVE STAPP responded that there are many ways the education system can be restructured, but this would be up to the legislature to determine.

[7:08:40 PM](#)

CHAIR CARPENTER expressed the understanding that in other states there is always an effort to work around spending limits.

[7:09:01 PM](#)

REPRESENTATIVE GRAY expressed the belief that the legislature has a history of making responsible fiscal choices with excess funds. He expressed concern that, with the spending cap, there is still the assumption the state will choose to overspend, even with multiple examples of the state choosing to save or pay down debt. He opined that given the state's history of saving, even when it was not necessary, perhaps the constitutional limit is not necessary, especially given how hard it would be to reach.

[7:09:52 PM](#)

REPRESENTATIVE MCKAY recalled that many of the deposits into savings were from oil tax settlements. He stated that the money from those settlements was required to go into CBR. He opined that the days of savings from oil settlements are gone.

[7:10:45 PM](#)

REPRESENTATIVE GROH commented that Representative Gray was correct that any financial "windfalls" for the state could be used for savings, including all extra income from the Permanent Fund.

[7:11:19 PM](#)

REPRESENTATIVE MCCABE expressed agreement that there is language in statute allowing the legislature to inflation proof the fund with revenues from the Permanent Fund, but he noted that CBR has been used for other purposes in the past, such as paying down the Public Employees Retirement System and the Teachers Retirement System. He stated that the state owes CBR "a ton of money" and argued that this proves the state has been overspending rather than underspending in the past 10 years, contradicting other claims made.

[7:12:42 PM](#)

REPRESENTATIVE GRAY maintained his objection.

[7:13:23 PM](#)

A roll call vote was taken. Representatives McKay, McCabe, Tilton, and Carpenter voted in favor of Amendment 1 to CSHJR 2(JUD). Representatives Gray and Groh voted against it. Therefore, Amendment 1 was adopted by a vote of 4-2.

[7:13:41 PM](#)

REPRESENTATIVE MCCABE moved to report CSHJR 2(JUD), as amended, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, CSHJR 2(W&M) was reported out of the House Special Committee on Ways and Means.

[7:14:19 PM](#)

The committee took an at-ease from 7:14 p.m. to 7:16 p.m.

[7:16:35 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:16 p.m.