

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

February 8, 2024

12:00 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

**OTHER LEGISLATORS PRESENT**

Senator Robert Meyers

**COMMITTEE CALENDAR**

PRESENTATION(S) : UPDATED FISCAL PLAN WORKING GROUP MODEL

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ALEXI PAINTER, Director  
Division of Legislative Finance  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Gave the Updated Fiscal Plan Working Group Model presentation.

**ACTION NARRATIVE**

[12:16:57 PM](#)

**CHAIR BEN CARPENTER** called the House Special Committee on Ways and Means meeting to order at 12:00 p.m. Representatives McKay, McCabe, Groh, Gray, and Carpenter were present at the call to order. Representatives Allard arrived as the meeting was in progress.

**PRESENTATION(S): UPDATED FISCAL PLAN WORKING GROUP MODEL**

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CHAIR CARPENTER announced that the only order of business would be the Updated Fiscal Plan Working Group Model presentation.

[12:18:34 PM](#)

ALEXI PAINTER, Director, Legislative Finance Division (LFD), Legislative Agencies and Offices, began a PowerPoint presentation [hard copy included in the committee packet]. He touched upon the first page of a handout preceding the spreadsheets, which read as follows [original punctuation provided, with a bracketed date correction]:

Data Sources

The revenue figures are from the Department of Revenue's Fall 2023 Revenue Sources Book. For simplicity, this model assumes that the 5% Percent of Market Value (POMV) draw from the Permanent Fund is followed. LFD's full fiscal model can generate scenarios with alternative Permanent Fund draw structures. This model also uses DOR's 2023 Fall Revenue Forecast and does not allow varied oil prices or production. LFD's full fiscal model does allow for variations on these items.

Most revenue estimates in this sheet were provided by the Department of Revenue in [2023] to the House Ways and Means Committee.

Budget data is from the Legislative Finance Division's fiscal summaries of the Governor's budget.

MR. PAINTER noted that the percent of market value (POMV) numbers and statutory dividend numbers in his model differ slightly from what shows in the Revenue Sources Book in the governor's budget. He turned to the first spreadsheet and talked about the revenue tab and budget baseline growing with inflation of 2.5 percent. He showed how to make changes to the figures on the spreadsheet. He pointed to the permanent fund dividend (PFD) appropriation and mentioned that the per person

number for fiscal year 2025 (FY 25) includes an estimate of the energy relief payment funded in 2024. He talked about fund transfers and the deficit coming out of savings balances.

MR. PAINTER noted a difference from last year's model, in that a gap had been left after the constitutional budget reserve (CBR) and statutory budget reserve (SBR) while this year the division added the option to fill the deficit from the earnings reserve account (ERA), which has the effect of reducing future POMV draws. Another new feature is a graph of the realized ERA balance, which includes the following year's POMV draw and everything remaining. He noted that in the basic fall forecast there are no overdrafts; the ERA draws down by FY 33 to "just the amount for the next year's POMV draw." He noted a feature that would show numbers with no inflation-proofing.

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MR. PAINTER moved on to revenue budget appropriation tabs and noted that the spreadsheet allows the user to change the oil price assumption from the \$76 fall forecast and dropping to follow the futures market, but he noted there has been little change in oil prices since the fall forecast. He indicated the user of the spreadsheet could choose anywhere from \$20 to \$150 per barrel. He explained the "flat" numbers are because of carry-forward numbers and making sure the numbers are accurate in the particular scenario. He pointed to numbers related to a sensitivity analysis from the Department of Revenue (DOR). He showed an option for new revenue. He said for income tax there is a percentage for federal tax liability, a flat tax on adjusted gross income or progressive tax, as well as a tax on high earners proposed under HB 156. He indicated that the numbers are from DOR's model of last year and LFD has not seen updated numbers, but he further indicated there have not been massive changes since then. The sales tax model is also the same as last year, and he mentioned "a Wyoming-style" moderate base, a narrower base tax, and the broadest base tax proposed under HB 142. He said the user of the spreadsheet could plug in any tax rate to see the results. There are other tax options; many of the numbers are from legislation session of 2023. He highlighted updates to motor fuel tax and property tax.

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MR. PAINTER, at the request of Chair Carpenter, walked the committee through the use of the "custom" tax category which allows the user to enter their own figures. He gave options for

drop downs, including the governor's budget and an adjusted base, which he reviewed is a clean starting point before getting to the policy initiatives in the governor's budget. He pointed to a K-12 change and versions under SB 140 from the House Rules Standing Committee, SB 52, a bill passed by the Senate Education Standing Committee, or a custom number. He explained there are two ways to change the agency operations, either by changing the number or by changing the growth percentage, and he offered examples. He noted how much difference rates of inflation can make by FY 33; the model is sensitive when looking at the compounding effect of the rate over time. Mr. Painter discussed statewide items including school debt reimbursement. He noted the current program has an expiration date of 2025. He said the division is assuming there will be new debt issued by districts, and that assumptions are based on the historical average of the 10 years before the moratorium, but with the new, lower reimbursement percentages. He explained the default option is to prorate the debt, but other options exist, such as extending the moratorium or changing the reimbursement rates, among others.

MR. PAINTER talked about another big variable related to retirement and mentioned SB 88. He noted the fiscal note is based on the Senate Finance Committee's actuary and "only goes out to roughly 30" thus cannot be used in this model. He explained the use of the item for which the division has a current analysis and reiterated the ability to enter additional options. Regarding community assistance, he noted the statutory payment is the default; however, he noted another amount could be entered from what is in the governor's plan. He pointed to a number for the disaster relief fund and said the governor "has \$5 million," which he called an arbitrary number used as "a placeholder."

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MR. PAINTER moved on to the capital budget and said the spreadsheet user can change that to match last year's spreadsheet by changing the dollar amount, also by changing the growth rate. He said it would compound based on that rate. He talked about the PFD and said the default is the statutory calculation and noted the number is different from what is in the governor's budget because it is based on a different projection. He showed how to change the numbers and results. He stated that there is no option to change fund transfers; however, "if people have particular savings or other goals, we can build in options."

MR. PAINTER moved next to the appropriations limit chart and explained the bars and lines. He noted there currently is a statutory limit but it is not modeled in the chart because, without assigning a high growth rate, this is not impacted. The default here is the current constitutional limit. He said there is another way to calculate the constitutional limit similar to how the City of Anchorage figures its tax cap. He noted other options: HJR 2 and HB 38, and a House Special Committee on Ways and Means amended version of "that same proposal." He stated his willingness to model other proposals.

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MR. PAINTER, in response to Representative Groh, confirmed that when entering in the assumptions in the 10-year plan, with the 1.5 percent growth not from the community assistance, with general funds and no supplementals, it would equal the cumulative gap produced by the Legislative Finance Division of approximately \$1 billion higher than that of the governor. In response to a follow-up question as to whether the cumulative gap gets larger over time, he confirmed that is accurate "under our default assumptions."

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CHAIR CARPENTER anticipated that as policy discussions happen within the legislature during session, it may be necessary to "model out the long-term impact to our budget." He said this tool provided by Mr. Painter helps members see the implications of the policy choices before them. He thanked Mr. Painter for his presentation.

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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 12:41 p.m.