

SB

196

<TARGET><BILL>SB 196</BILL><SUBJECT>SB
196</SUBJECT><COMM>SSTA30</COMM></TARGET>

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/28/18

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/7/18

State Affairs Committee considered SENATE BILL NO. 196

SB 196-APPROP LIMIT; PERM FUND DISTRIB. LIMIT

"An Act relating to an appropriation limit; and providing for an effective date."

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
gov			✓	1

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Biessel	✓			
	Wilson	✓			
	Coghill			✓	
	Egan		✓		
CHAIR: MEYER	MEYER	✓			

SENATE BILL NO. 196

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 2/19/18

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to an appropriation limit; and providing for an effective date."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 37.05.540(a) is amended to read:

4 (a) There is established as a separate fund in the state treasury the budget
5 reserve fund. The budget reserve fund consists of appropriations to the fund.
6 [MONEY RECEIVED BY THE STATE THAT IS SUBJECT TO THE
7 APPROPRIATION LIMIT UNDER (b) OF THIS SECTION AND THAT EXCEEDS
8 THAT LIMIT, MAY BE APPROPRIATED TO THE BUDGET RESERVE FUND.]

9 * **Sec. 2.** AS 37.05 is amended by adding a new section to read:

10 **Sec. 37.05.545. Appropriation limit.** (a) Unrestricted general fund
11 appropriations made for a fiscal year may not exceed \$4,100,000,000 by more than the
12 cumulative change in inflation since July 1, 2017, derived from federal indices. The
13 determination of the change in inflation for purposes of this subsection shall be based
14 on the Consumer Price Index for all urban consumers for Anchorage prepared by the
15 United States Bureau of Labor Statistics.

1 (b) The appropriation limit in (a) of this section does not apply to an
2 appropriation

- 3 (1) to the Alaska permanent fund;
- 4 (2) for payment of permanent fund dividends;
- 5 (3) required to pay debt obligations of the state; or
- 6 (4) for a capital project.

7 (c) In this section,

- 8 (1) "capital project" has the meaning given in AS 37.06.090;
- 9 (2) "program receipts" has the meaning given in AS 37.05.146;
- 10 (3) "unrestricted general fund" means money deposited in the state

11 treasury that has not been dedicated or designated for use by the Constitution of the
12 State of Alaska or by law; "unrestricted general fund" does not include program
13 receipts or reappropriations. ✓

14 * **Sec. 3.** ^{OK} AS 37.05.540(b), 37.05.540(c), and 37.05.540(e) are repealed.

15 * **Sec. 4.** This Act takes effect July 1, 2018.

disaster declaration

ALASKA STATE LEGISLATURE
SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
Juneau, Alaska 99801-1182
Phone: (907) 465-3777
Sen. Anna.MacKinnon@akleg.gov



Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, Alaska 99801-1182
Phone: (907) 465-4453
Sen. Lyman.Hoffman@akleg.gov

Sponsor Statement
Senate Bill 196

An Act relating to an appropriation limit; and providing for an effective date

The State of Alaska relies on a single commodity to fund more than 85% of our government services. Today, with declining production and lower prices, Alaska continues to face a significant budget deficit. The Legislature has cut the operating and capital budgets by over \$3 billion in the last four fiscal years but has continued to draw from our savings accounts to fill the gap between revenue and expenditures.

Senate Bill 196 sets a \$4.1 billion statutory limit on how much the legislature can appropriate every year with regard to agency operating budget expenses. The limit would be adjusted annually for inflation. The appropriation limit does not apply to appropriations for the payment of permanent fund dividends, capital projects, state debt obligations, and receipt supported services such as receipts of the Alaska Marine Highway System.

Alaska must control its spending in order to refill our savings accounts and sustain the programs Alaskans rely on in their everyday lives. Senate Bill 196 is the needed framework to help guide the Governor and the Legislature through the budget making process.

Now is the time to pass an effective statutory appropriation limit.

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**Sectional Analysis
Senate Bill 196**

An Act relating to an appropriation limit; and providing for an effective date

*Section 1: Removes the reference to the current statutory appropriation limit

*Section 2: Statutory Appropriation limit:

- Unrestricted General Fund appropriations may not exceed \$4.1 billion
- Adjusts for inflation using known inflation data
- Inflation adjustment is based on the Consumer Price Index for Anchorage prepared by the United States Bureau of Labor Statistics

Appropriation Limit excludes appropriations:

- To the Alaska Permanent Fund;
- For Permanent Fund Dividend payments;
- For payment of Debt obligations of the state (e.g. - General Obligation Bonds and Certificates of Participation); and
- Capital projects

Defines:

- Capital project;
- Program Receipts; and
- Unrestricted general fund

*Section 3: Repeals current statutory appropriation limit language

*Section 4: Effective date of July 1, 2018

Alaska State Senate



Chairman: Senator Kevin Meyer
Senator John Coghill
Senator Cathy Giessel
Senator David Wilson
Senator Dennis Egan

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945 Phone
Senator.Kevin.Meyer@akleg.gov
Senate.State.Affairs@akleg.gov

SENATE STATE AFFAIRS

Tuesday, March 6, 2018
AGENDA NOTES

- I. CALL THE MEETING TO ORDER
 - a. I call the Senate State Affairs meeting to order. Today is Tuesday, March 6, 2018, and the time now is 3:_.

- II. MEMBERS PRESENT
 - a. Roll Call: Senator Giessel, Senator Coghill, Senator Wilson, and Senator Egan.
 - b. Committee Staff Christine Marasigan, Senate Records Christopher Dickrell, and LIO moderator MAX.

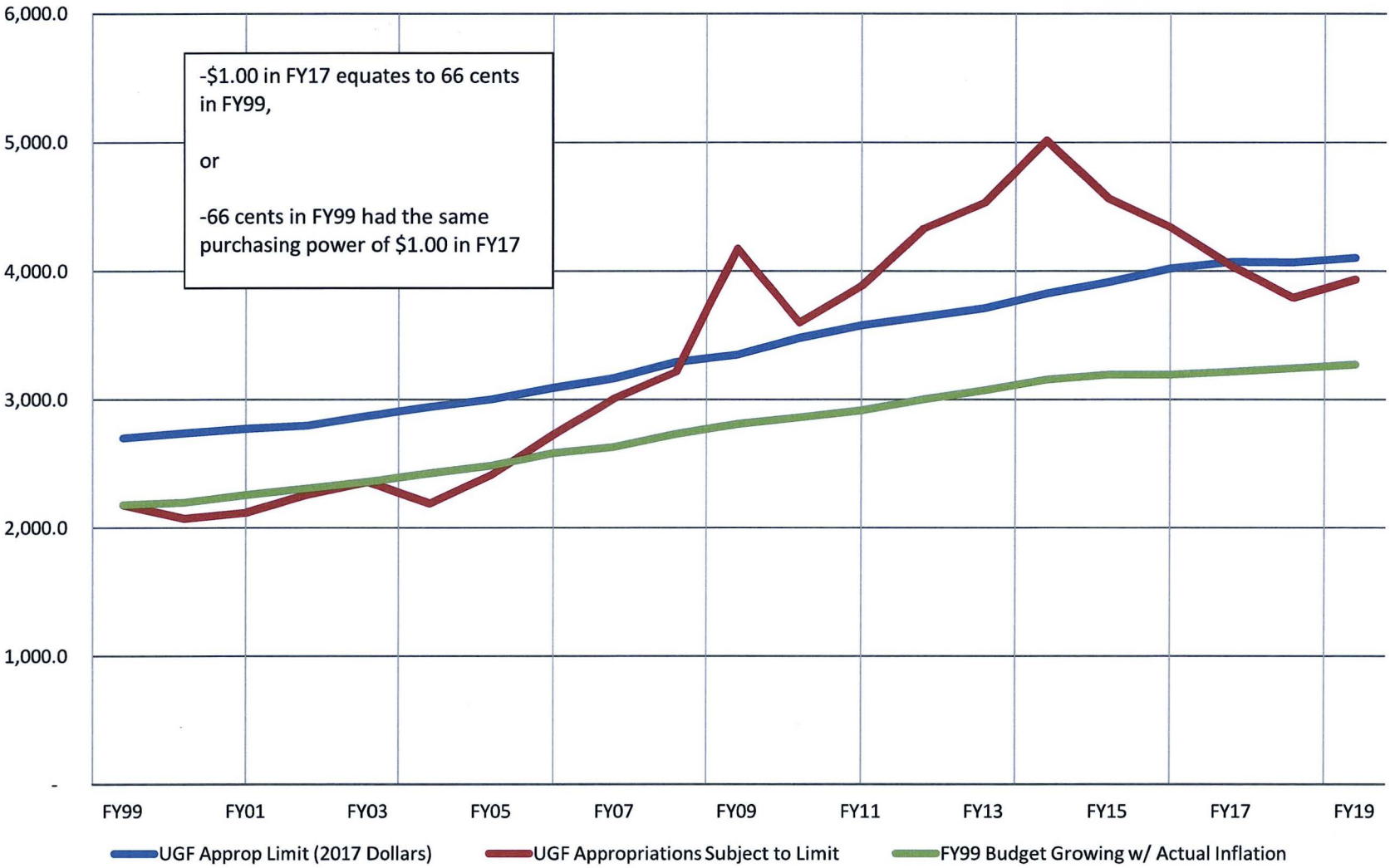
- III. TODAY'S AGENDA
 - a. SB 196 APPROPRIATION LIMIT

- IV. SB 196 APPROPRIATION LIMIT
 - a. Bill Introduction: This is a Senate Finance bill and Senator Peter Micciche will provide the introduction and staff to Senate Finance, Laura Cramer is here to answer questions.
 - b. Questions
 - c. Public Testimony
 - i. Jeremy Price, Americans for Prosperity ✓
 - d. Committee Discussion
 - e. Review Fiscal Notes
 - f. Committee Action: Entertain a motion to move bill from committee.

- V. ANNOUNCEMENTS/ADJOURN emails.

- a. Do committee members have anything they want to bring up at this time?
- b. Our next meeting will be Thursday, March 8th. It is my intent to hear SB 186 VOTER REGISTRATION & PFD APP REGISTRATION.
- c. Thank you, the time now is : we are adjourned.

SB 196 Appropriation Limit vs. Appropriations- \$4.1 billion UGF Appropriation Limit deflated by historical Anchorage CPI



SB 196 APPROPRIATION LIMIT

Enflow

What This Bill Does:

This bill adds a new section AS 37.05.545 that would establish an appropriation limit of \$4.1 billion of unrestricted general funds. There is an allowance for inflation based on the Consumer Price Index (CPI).

This bill would exempt the following from the appropriation limit:

- The Alaska Permanent Fund
- Payment for PFD
- Debt Obligations (bonds, etc.)
- Capital Projects

This bill would take effect the next fiscal year and would apply to the FY 2020 budget.

Potential Issues:

There may be some that would take issue with the calculation for inflation/increases. Disaster declarations are not included as exempt from the appropriation limit.

Legislative History

There have been several times that the state has tried to reset the appropriation limit for the operating budget. Currently your bill SJR 2 which is a constitutional amendment for an appropriation limit is currently in SJUD with a limit of \$4.3 billion and inflation proofing set at 50% of the cumulative change in population and inflation.

Fiscal Impact:

Fiscal Note prepared by OMB is zero.

QUESTIONS:

- Please go through the calculation on how this becomes inflation proofed. I see you're using the CPI. I think in SJR 2 it is fifty percent of the cumulative

change in population and inflation since July 1, 2020, derived from federal indices as prescribed by law.

- How did you arrive at the \$4.1 billion? Currently SJR2 is \$4.3 billion.
- Since this is in statute, any legislator could file a bill to have this number changed, correct?
- Shouldn't funds used for declaration of emergencies also be exempted?

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Alaska must control its spending in order to refill our savings accounts and sustain the programs Alaskans rely on in their everyday lives. Senate Bill 196 is the needed framework to help guide the Governor and the Legislature through the budget making process.

Now is the time to pass an effective statutory appropriation limit.

NFIB

The Voice of Small Business.®

ALASKA

March 7, 2018

The Honorable Kevin Meyer
State Capitol Building
Juneau, Alaska 99801-1182

RE: Senate Bill 196 – Appropriation Limit

Dear Senator Meyer:

On behalf of the NFIB/Alaska, I wish to respectfully share our support for Senate Bill 196. We appreciate and support the need to restrain the size and scope of our state government. NFIB, the Voice of Small Business, is the largest small-business advocacy group in Alaska.

SB 196 sets a limit on state general fund expenditures at \$4.1 billion then adjusts the number for inflation. It excludes appropriations to the permanent fund, for the permanent fund dividend, for debt obligations, and for capital projects. This is a good target for limitations on spending.

The reality is that there is never “enough” money or “enough” programs to sustain our state government. On the other side of the balance sheet, there is a limit to the amount of funding that can be taken from taxpayers and the permanent fund earnings. An appropriation limit helps the legislature balance the equation by limiting the expenditure side.

We understand the argument for adjusting the appropriation limit. We might suggest that using half the CPI calculation would help reduce the size and scope of government over time. We are concerned that we cannot continue to sustain the current size and scope of our state government. Allowing it to grow with the CPI would not be as effective as using a lower calculation for government growth.

Thank you for your consideration.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council

SENATE STATE AFFAIRS
EMAILS RECEIVED IN SUPPORT OF SB 196 APPROPRIATION LIMIT
MARCH 6, 2018

From: Patrick Cockrell <patrickr.52@gmail.com>
Sent: Tuesday, March 06, 2018 6:02 AM
To: Senate State Affairs <SenateStateAffairs@akleg.gov>
Subject: SB196

I am in favor of passing SB196 please pass this bill.

--
Patrick Cockrell
EHS Program Coordinator

From: Michael Tavoliero <michael.tavoliero@gmail.com>
Sent: Tuesday, March 06, 2018 11:09 AM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>; Sen. Bill Wielechowski <Sen.Bill.Wielechowski@akleg.gov>; Sen. John Coghill <Sen.John.Coghill@akleg.gov>; Sen. Click Bishop <Sen.Click.Bishop@akleg.gov>; Sen. Mia Costello <Sen.Mia.Costello@akleg.gov>; Sen. Pete Kelly <Sen.Pete.Kelly@akleg.gov>; Sen. Shelley Hughes <sen.shelley.hughes@akleg.gov>; Sen. Bert Stedman <Sen.Bert.Stedman@akleg.gov>; Sen. Cathy Giessel <Sen.Cathy.Giessel@akleg.gov>; Sen. Berta Gardner <Sen.Berta.Gardner@akleg.gov>; Sen. David Wilson <Sen.David.Wilson@akleg.gov>; Sen. Dennis Egan <Sen.Dennis.Egan@akleg.gov>; Sen. Donny Olson <Sen.Donny.Olson@akleg.gov>; Sen. Gary Stevens <Sen.Gary.Stevens@akleg.gov>; Sen. Kevin Meyer <Sen.Kevin.Meyer@akleg.gov>; Sen. Lyman Hoffman <Sen.Lyman.Hoffman@akleg.gov>; Sen. Natasha Von Imhof <Sen.Natasha.VonImhof@akleg.gov>; Sen. Tom Begich <Sen.Tom.Begich@akleg.gov>; Sen. Peter Micciche <Sen.Peter.Micciche@akleg.gov>; Sen. Mike Shower <sen.mike.shower@akleg.gov>; Rep. Lora Reinbold <Rep.Lora.Reinbold@akleg.gov>; Senate State Affairs <SenateStateAffairs@akleg.gov>
Subject: Let's have a Reality Check

Dear Senators,

Let's have a reality check. Your constituents were all working or busy with your families, when more people took the microphone to tell House Finance members to fund every pet project under the sun. These people testified that they wanted income tax. The people who called in to urge members to reduce spending were drown out by the majority and you appear to have forgotten who put you in office. You are continuing to drive us into a recession with your good intentions and disregard for us at home.

The governor's proposed budget is HIGHER than last year's and he wants a payroll tax and more than half our PFD over time.

Our Alaskan government has only reduced 3% of daily operations of the departments and agencies over the last 3 years . You have plenty of fat left to carve down to bone, yet you are either reluctant to do it or you do not understand what you are doing, in which case we as your constituents are in the worse trouble we have ever seen.

I urge you to support the spending cap bill SB196

Best Wishes,

Michael Tavoliero
24618 Wilma Circle
Eagle River, Alaska 99577
Cell: (907) 230-1992

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-----Original Message-----

From: Sara Jokela <sjokela@gmail.com>
Sent: Tuesday, March 06, 2018 11:09 AM
To: Senate State Affairs <SenateStateAffairs@akleg.gov>
Subject: SB196

The spending has GOT TO STOP! Please cap the spending and be responsible with the money we do and DO NOT HAVE.

Be a blessing today!

Sara

From: Kathy Williams <kathydotk44@gmail.com>
Sent: Tuesday, March 06, 2018 12:49 PM
To: Senate State Affairs <SenateStateAffairs@akleg.gov>
Subject: SB196

Good afternoon,

My name is Kathy Williams and I am writing this email to state my support for the spending cap bill SB 196.

As a wife, mother and grandmother I have to consider capping spending in my own family unit. I believe the government is no different and there should be transparency and accountability for said spending.

Thank you for your consideration.

Sincerely,

Kathy Williams, LPN
21631 Karen Ave
Chugiak, AK 99567

(907)863-1179

.....
From: Eric Wright <eric.gl.wright@gmail.com>
Sent: Tuesday, March 06, 2018 1:28 PM
To: Sen. Shelley Hughes <sen.shelley.hughes@akleg.gov>; Rep. DeLena Johnson <Rep.DeLena.Johnson@akleg.gov>
Subject: SB196

This email is to support spending cap SB196. We urge you all NOT to vote on any kind of Income Tax and also give the Alaskans back their Full PFD.

You have only reduced 3% of daily operations of the department and agencies over the last three years. There is so much more that can be reduced. You all can do it. Stop taking from the people to run the State. Our Governor loves to spend tie his hands. Stop spending. We do everyday at home if we cannot afford we do with out.

Thank you for listening and hope you will all stick together and do the right thing.

Sincerely
Eric Wright

.....
-----Original Message-----
From: Mike Coons <mcoons@mtaonline.net>

Sent: Tuesday, March 06, 2018 1:22 PM
To: Sen. Kevin Meyer <Sen.Kevin.Meyer@akleg.gov>
Cc: Sen. David Wilson <Sen.David.Wilson@akleg.gov>; Senator Mike Shower
<Sen.Mike.Shower@akleg.org>; Sen. Shelley Hughes <sen.shelley.hughes@akleg.gov>
Subject: Support SB 196

My name is Mike Coons from Palmer and I'm speaking for myself.

We are in a recession and this Governor wants to increase spending while talking our PFD, taxing the hell out of us and dipping into the ER and CBR more!. One tool in the tool box is SB 196 . The previous appropriation limit has not worked because we had legislators working around it.

This is like when my wife and I got our act together to fill in the hole we had dug with our debt. We finally figured out that if we kept digging then the deeper in debt we got. So we stopped digging and started filling in the hole!

Like what our State has done, we had a pile of money coming in and we spent more than we had coming in. But no worries, we could always pay that off later! Then later came, income decreased and all of a sudden we had to use our savings and more credit to stay above the hole we had dug, really we just thought we saw over the hole.

The State needs to set a solid budget that is less than you take in. Pay off the debt and stop with the frills. If we didn't work in a restaurant, we didn't go there. It took grit and hard decisions but slowly we were able to not only pay off debt, but to fill up our savings. We filled the hole we had dug and now we have more coming in than going out. It still takes a solid "appropriations limit" even now because we are human and can slip back. For us, nice things are paid for cash, not by credit!

No difference with us vs the State of Alaska. You have Constitutional mandates and then you have the frills that at one time you had the money to do. Now you don't and those frills are now seen by those who got those nice things as mandated entitlements! Enough! Nicely and firmly inform those that have expected those "entitlements" that they need to take responsibility for those nice things. Then cut off the funding and return to what is only Constitutionally mandated. You will find that the ability to fulfill those mandates will be more effective and may even be more cost effective!

Support SB 196 and lets get our State back in the green!

Mike Coons
745-6779

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.....

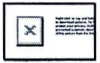
Christine Marasigan

From: Patrick Cockrell <patricksr.52@gmail.com>
Sent: Tuesday, March 06, 2018 6:02 AM
To: Senate State Affairs
Subject: SB196

I am in favor of passing SB196 please pass this bill.

--

Patrick Cockrell
EHS Program Coordinator



Virus-free. www.avq.com

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SB 196
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB196-OOG-OMB-03-03-18
Title: APPROPRIATION LIMIT
Sponsor: FINANCE
Requester: S STA

Department: Various (for Fiscal Notes only)
Appropriation: Various
Allocation: All Branches
OMB Component Number: 0

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial fiscal note.

Prepared By:	Caroline Schultz, Policy Analyst	Phone:	(907)465-4663
Division:	Office of Management and Budget	Date:	03/03/2018 01:00 PM
Approved By:	Pat Pitney, Director	Date:	03/03/18
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. SB 196

Analysis

SB 196 establishes a limit for unrestricted general fund (UGF) appropriations made for a fiscal year. The bill sets the UGF appropriation limit at \$4.1 billion and provides for inflation adjustments based on the Consumer Price Index for all urban consumers in the Municipality of Anchorage (CPI-U, Anchorage).

The UGF appropriation limit in SB 196 does not apply to the following appropriations:

- to the Alaska Permanent Fund
- for payment of Permanent Fund Dividends
- debt service payments
- capital projects

SB 196 provides an effective date of July 1, 2018. This analysis assumes the FY2019 budget will be passed before this legislation takes effect; therefore, it will have no impact on FY2019 UGF appropriations nor any associated FY2019 implementation costs. Out year fiscal impacts are also estimated to be zero.