

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

April 8, 2003
7:00 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Jim Whitaker, Co-Chair
Representative Cheryll Heinze
Representative Bruce Weyhrauch
Representative Peggy Wilson
Representative Max Gruenberg

MEMBERS ABSENT

Representative Vic Kohring
Representative Norman Rokeberg
Representative Carl Moses

OTHER LEGISLATORS PRESENT

Representative Ralph Samuels
Representative Dan Ogg

COMMITTEE CALENDAR

ADMINISTRATION PRESENTATION: FISCAL SITUATION OF THE STATE

TAPES

03-1, SIDE(S) A & B

CO-CHAIR JIM WHITAKER called the House Special Committee on Ways and Means meeting to order at 7:00 a.m. Representatives Hawker, Whitaker, Heinze, and Wilson were present at the call to order. Representatives Weyhrauch and Gruenberg arrived as the meeting was in progress. Representatives Samuels and Ogg also were present.

SUMMARY OF INFORMATION

[Committee packets contained an 18-page handout from the Office of Management & Budget dated March 14, 2003; a 1-page document entitled "F. Constitutional Budget Reserve"; and a 1-page graph labeled "Why are you doing all this now?"]

WILLIAM A. CORBUS, Commissioner, Department of Revenue, introduced four people from the department: Tomas H. Boutin, Deputy Commissioner; Steve Porter, Deputy Commissioner; Gary Bader, Chief Investment Officer; and Charlene Morrison, Deputy Controller. He discussed the mission of controlling state spending and being more efficient. As of April 13, he reported, the general fund (GF) has \$153.5 million and the Constitutional Budget Reserve (CBR) has \$1.943 billion. He said the long-term financial situation is this: Alaska is vulnerable financially. Alaska has the CBR, established by constitutional amendment. In the last 12 years, \$7 billion was deposited from settlements with oil companies. In the last 10 years, \$5 billion has been spent, and thus \$2 billion remains. He said about 80 percent of the state's annual revenues come from the oil industry. Oil prices are volatile, however, and recently dropped about \$12 a barrel in less than a month.

COMMISSIONER CORBUS discussed suggestions that have been offered such as using the permanent fund to help pay the cost of government; he noted that several entities have offered potential solutions. He concluded by saying the system is vulnerable to lower oil prices and that this problem needs to be addressed. He indicated the administration looks forward to working with the legislature towards a solution. In response to questions, he said other states have problems more serious than those in Alaska, which has the permanent fund, the CBR, and relatively low personal taxes. However, the forecast illustrates a problem in holding expenditures down.

TOMAS H. BOUTIN, Deputy Commissioner, Department of Revenue, in response to questions, said a change in bond rating would affect all outstanding public debt and all prospective Alaska debt.

COMMISSIONER CORBUS said a major concern is a sudden drop in oil price, if it drops and stays there. In response to questions about any "rabbits in a hat," he suggested the Department of Natural Resources should address those, since there is an effort [by the administration] to increase oil flow and so forth.

MR. BOUTIN, in response to further questions, said a negative credit change would increase the cost of debt in the future, since the value of the security depends on the credit rating. The credit rating is a snapshot of all potential and existing revenue, as well as the state's call on those revenues.

COMMISSIONER CORBUS, in response to comments, mentioned the federal government, oil, myriad other revenues, corporate income tax, fish taxes, and user fees as potential sources of revenue. In response to a request, he offered to provide more information during the interim.

[Side B begins]

[Members discussed how dire the situation is, the need to address it, and the committee's role in contemplating solutions after obtaining information from the administration, the university, and so forth.]

JAY HOGAN, Deputy Director, Office of Management & Budget, Office of the Governor, suggested it would be nice to focus on leaving a sum in the CBR and repaying money voluntarily in times of high income; however, it hasn't been paid back to date.

ANNOUNCEMENTS

There were no committee announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:59 a.m.

NOTE: The meeting was recorded but no log notes are available. A copy of the tape(s) may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.