

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**January 28, 2003**  
**8:51 AM**

**TAPES**

SFC-03 # 1, Side A

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately 8:51 AM.

**PRESENT**

Senator Gary Wilken, Co-Chair  
Senator Lyda Green, Co-Chair  
Senator Alan Austerman  
Senator Con Bunde  
Senator Ben Stevens  
Senator Lyman Hoffman  
Senator Donny Olson

**Also Attending:** WILLIAM CORBUS, Commissioner Appointee, Department of Revenue

**Attending via Teleconference:** There were no teleconference participants

**SUMMARY INFORMATION**

The Committee conducted a Confirmation Hearing on the Commissioner Appointee for the Department of Revenue and forwarded the nomination to a joint session for consideration.

REPORT ON CONFIRMATION OF APPOINTMENTS:  
William Corbus, Commissioner, Department of Revenue

Co-Chair Wilken announced that the Committee would be reviewing the appointment of William (Bill) Corbus as Commissioner of Department of Revenue.

WILLIAM CORBUS, Commissioner Appointee, Department of Revenue, communicated that he is honored to appear before the Committee for the consideration of his appointment. He explained that, prior to

arriving in Alaska in 1970 to begin his career with Alaska Electric Light & Power Company (AEL&P), he worked for four years in investment banking and as a security analyst in the New York City Wall Street financial sector. He specified that during the last 30-years, he has been a member of three banks' Board of Directors, was a founding member and Chairman of the Alaska State Pension Investment Board, served on the Highway Gas Pipeline Policy Council, and has been involved in various capacities in State, civic, and charitable organizations. He stressed that, if provided the opportunity, he would serve the State to the best of his abilities and would join with Governor Murkowski's Administration and the Legislature to work for the betterment of the State.

Mr. Corbus continued that, if appointed Commissioner, he would further efforts to develop the gas pipeline, work to "resolve [the State's] financial problems, and review the oil and gas tax legislation" to determine how "to encourage more investment in oil and gas on the North Slope."

Senator Bunde asked the testifier to expand on avenues to address the State's revenue challenges.

Mr. Corbus echoed Governor Murkowski's recent State of the State speech assertion that a solution to the State's revenue issue is oil development. He commented that the State should encourage the oil industry to continue its investment in this endeavor.

Senator Bunde voiced that there is an "Alaska disconnect" whereby the State spends more on services to citizens than it receives, which "increases the State's deficit." He asked the testifier how the State could address this issue.

Mr. Corbus responded that while he has heard this issue being discussed, he does not currently "have a solution to address this reported problem."

Senator Hoffman questioned how oil could be "the solution" to the State's budget deficit when the new oil revenue is not expected to be generated "for seven to ten years" which is a few years after the Constitutional Budget Reserve (CBR) projected depletion date of 2005.

Mr. Corbus responded that the State is struggling with this predicament; however, he is not in a position to answer at this time.

Senator Austerman commented that the development of a long-term financial plan has been discussed for several years, and that, as

part of that discussion, the Alaska Permanent Fund Board of Directors has suggested implementation of "a five percent of market value payout." He noted that several pieces of legislation addressing the Permanent Fund have been introduced this session, and he asked Mr. Corbus for his view regarding the five percent of market value payout.

Mr. Corbus noted that because the Permanent Fund Board of Directors has not held a meeting since his appointment as Acting Commissioner, he has "not had a chance to review and understand the proposal at that level."

Senator Green voiced that Mr. Corbus' private industry background might provide opportunities to improve, reorganize, or re-energize the Department, and she asked whether any new ideas have been presented.

Mr. Corbus responded that the "tremendous labor" that AEL&P invested into the development of a long-range financial plan has been beneficial.

Senator Olson commented that the Governor has suggested a portion of the Permanent Fund be tapped "to stimulate the economy" of the State. He noted that the Permanent Fund is of particular importance to rural Alaska, and he asked Mr. Corbus his views on this proposal.

Mr. Corbus understood the Governor's comments to be "a request" to the Permanent Fund Dividend Division to consider encouraging companies that the State "invests in to create jobs" in the State. He stated that he would support that directive. He continued that the affect of this directive on rural verses urban areas is not known at this time.

Senator Olson asked Mr. Corbus how proposals such as the Governor's proposal to implement State tax incentives to stimulate the economy might impact "tax-gathering" institutions such as boroughs in the State.

Mr. Corbus voiced that he is not familiar enough with local tax levies to expand on the affect State tax incentives would have.

Senator Hoffman asked Mr. Corbus to comment on the Permanent Fund Board's recommendation for implementation of a State mandate to inflation proof the Permanent Fund.

Mr. Corbus responded that he does not currently have a position on this issue.

Senator Olson, noting Mr. Corbus' electric utilities background, communicated the importance of the Power Cost Equalization (PCE) program to rural Alaskans. He asked Mr. Corbus to comment about "this often contentious program."

Mr. Corbus reported that the Department of Revenue is responsible for investment decisions regarding the current \$153 million PCE endowment fund as well as calculating the percent of the fund that would be dedicated to support the PCE program. He noted the Department of Community and Economic Development's involvement in managing funding sources for such things as the administration of the program.

Mr. Corbus emphasized the importance of properly investing the endowment fund to ensure the required level of funding to support the PCE program.

Senator Bunde noted that Committee members' questions pertain to issues that they, rather than the Commissioner Appointee, are familiar with. However, he continued, the questions reflect topics that would likely be revisited with Department administration in the future.

Senator Bunde communicated that some would argue that the Permanent Fund is currently being "double" inflation-proofed as a result of the earnings it generates in addition to the amount dedicated to the fund by the Legislature. He asked whether Mr. Corbus considers this process to be "a wise practice" in this time of limited State general funds availability.

Mr. Corbus responded that he is not familiar enough with the process to comment.

Senator Wilken asked Mr. Corbus whether the Alaska Municipal Bond Bank Authority, the Alaska Industrial Development & Export Authority (AIDEA), and the Alaska Housing Finance Corporation which "are semi-autonomous corporations" within the Department of Revenue could be merged in order to generate efficiencies or save money.

Mr. Corbus replied that he could not provide an answer at this time.

Senator Bunde inquired as to the status of the Department's internal performance audit as requested by the Governor.

Mr. Corbus remarked that the first phase of the audit, which he characterized as a "definitional phase" explaining the Department's

missions and objectives, was submitted to the Office of Management & Budget in early January. He stated that the second phase of the audit is in progress, and that the Department has been granted an extension on the original deadline.

Senator Bunde asked when the report might be completed.

Mr. Corbus replied that a completion date for the final audit report has not been established.

Senator Wilken brought attention to Mr. Corbus distinguished military service and thanked Mr. Corbus for appearing before the Committee.

Senator Green moved to forward the nomination to a joint session for consideration.

There being no objections, the nomination REPORTED from Committee.  
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#### **ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 09:15 AM.