

SENATE FINANCE COMMITTEE
March 18, 2011
5:45 p.m.

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CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 5:45 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

ALSO PRESENT

Tim Grussendorf, Staff, Co-Chair Hoffman; David Teal, Legislative Finance Division.

SUMMARY

SB 76 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

SB 76 was HEARD and HELD in Committee for further consideration.

#sb76

SENATE BILL NO. 76

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; repealing appropriations; making appropriations to capitalize funds; and providing for an effective date."

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Co-Chair Hoffman discussed the legislation before the committee.

Co-Chair Stedman MOVED to ADOPT proposed committee substitute, work draft #27-GS1739\D. Co-Chair Hoffman OBJECTED for the purpose of explanation.

TIM GRUSSENDORF, STAFF, CO-CHAIR HOFFMAN, discussed the spreadsheet titled "Senate Fast Track Supplemental (SB 76) March 18, 2011 (Copy on file)." He explained the colors used to designate the various items in the supplemental bill.

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Mr. Grussendorf discussed changes in the bill. He began with Page 11 where omitted capital budget items were listed. He explained that the supplemental bill contained no capital budget items. The supplemental bill contained only operating budget and savings items. He noted that the largest changes were found on the last three pages. He stated that Line 117 exhibited a \$1 billion deposit in the Statutory Budget Reserve (SBR). He shared that Line 16 listed a \$400 million deposit into the Power Cost Equalization (PCE) fund. He added that Line 119 showed \$60 million deposited in the Alaska Marine Highway (AMH) vessel replacement fund. He informed the committee that the gambling tax fund was \$22.6 million.

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DAVID TEAL, LEGISLATIVE FINANCE DIVISION, explained that the gambling tax fund was not listed on the spreadsheet because it was a general fund transfer to a general fund account. Gambling tax was classified as unrestricted general funds. In 2008, \$7 million in the gambling tax account was moved to the Constitutional Budget Reserve (CBR) as a repayment of the outstanding liability. He added that \$10 million of the gambling tax account was taken in October of 2010 based on the Department of Administration's (DOA) interpretation of the law. The mentioned action resulted in an empty gambling tax account. The supplemental budget's \$22.6 million filled the account in the proposed legislation. Another \$3 million remained in the regional cruise ship portion of the commercial passenger vessel fund, which could only be used for emerging ports.

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Co-Chair Hoffman asked about the savings. He recalled discussion about the anticipated spring forecast for greater than sufficient funds as a result of the higher oil prices. He recalled mention of more than sufficient funds available for saving as a result of the high oil prices.

Mr. Teal replied that the fiscal summary showed an FY11 surplus in excess of \$2 billion. He stated that SB 76 saved a good portion of the \$2 billion. If oil prices collapsed, the surplus would still exist.

Co-Chair Stedman explained that the Senate Finance Committee created an aggressive plan for a strong fiscal position in Alaska. He commented that the economic downturn existed in the past and a robust capital budget would build necessary infrastructure. He thought it prudent to place substantial savings aside for the state's future. The transfer of \$400 million into the PCE fund would lower the payout from 7 percent to 5 percent, which would allow the entity to run in perpetuity into the future. The transfer would alleviate the commitment to add an additional \$20 million into the fund each session.

Co-Chair Stedman explained that transfer with the AMH fund would ultimately be used to purchase a new vessel. The intent was to use the \$60 million in federal dollars to Anchorage and Matsu for road improvements. He stated that the SBR was a primary savings account. He stated that the committee planned to add \$1 billion to the SBR. He expected a savings of approximately \$17 billion, excluding the permanent fund, by 2012. The structure of the \$17 billion would provide the topic for committee conversation. He mentioned pressing energy needs in Fairbanks and Western Alaska and natural gas concerns in Anchorage.

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Co-Chair Stedman complemented Senator McGuire for her work on a holistic energy solution. Alaska's good fortune allowed for contribution to savings accounts while other states were struggling with solvency issues. He foresaw future policy enforcing spending limits for the savings accounts. He declared that the Senate and the House would continue their collective course of creating a substantial savings for the state.

Co-Chair Hoffman stated that additional dialog regarding SB 76 would occur in both the House and the Senate caucuses.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. CSSB 76 (FIN) was adopted.

SB 76 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 5:59 PM.