

SENATE FINANCE COMMITTEE
April 5, 2011
10:04 a.m.

[10:04:21 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 10:04 a.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

MEMBERS ABSENT

None

ALSO PRESENT

Commissioner Bryan Butcher, Department of Revenue.

PRESENT VIA TELECONFERENCE

SUMMARY

^Confirmation Hearing: Bryan D. Butcher

[10:04:25 AM](#)

Co-Chair Stedman stated that the confirmation hearing for Commissioner of Department of Revenue (DOR).

COMMISSIONER BRYAN BUTCHER, DEPARTMENT OF REVENUE, introduced himself. He stated that his grandfather arrived in Alaska after the depression and practiced in Anchorage as an attorney. He recalled that his grandfather was

appointed as a judge by Governor Hickel. He wondered why his grandfather left his successful practice to be a judge, but his grandfather informed him that taking care of other people was more important than taking care of himself. He pointed out that he had two children. He noted that he built a house for his parents with the help of his father. He stated that he had experience working with the finance committees and the capital budget. He mentioned his work with Alaska Housing Finance Committee (AHFC). He commented on his work for the American Heart Association tobacco tax.

10:09:12 AM

Commissioner Butcher commented on his work with AHFC and the positive aspects of the job. He chaired the DOR transition team under Governor Palin. He mentioned his work with applicants during the Alaska Gasline Inducement Act (AGIA) process. He worked as a special assistant on economic development issues for Governor Parnell. He served as the head of Governor Parnell's transition team. The transition team led to the position as Commissioner. He expressed comfort in his current position, which combined both his passion for finance and public service.

10:11:33 AM

Co-Chair Stedman mentioned the single point state audit for the various municipalities. The DOR received several deficient ratings regarding the oil and gas industry. He believed that an acceleration of the audits was valid. He wondered about the timeframe that the audits would be addressed.

Commissioner Butcher stated that he was also concerned about the audit. He pointed out the difficulty in hiring auditors. He believed that the situation had improved. The fourth position for master auditor had yet to be filled. He noted that the tax division director left one month ago. He pointed out the lack of a data base as another issue. He relayed that the first PPT audits were completed and the audit division believed that the transition from gross to net and the progression should move more quickly with the change.

10:14:39 AM

Co-Chair Stedman explained that the committee contemplated adding \$34,700,000 to the capital budget that would accelerate the department's ability to upgrade technology and software. He asked about the effect the money would have on the department's ability to address the deficiency.

Commissioner Butcher responded that a couple of years would be necessary for implementation of the system. He believed that the system would speed up the work of the audit division and provide quicker turn around for committee requests.

[10:15:53 AM](#)

Senator Thomas asked about the Knik Arm Bridge and Toll Authority (KABATA) and SB 80. He mentioned a transportation committee meeting and support from the KABATA board. He asked if Commissioner Butcher would advocate that the board offer an amendment to clarify the situation for the public.

Commissioner Butcher stated yes. He noted that he was working with the KABATA board to create amendment language.

Senator McGuire asked about SB 85 and a recent discussion in the Resources Committee. She mentioned the notion of competitiveness review and a board established to assess the state's competitiveness from an oil and gas perspective annually. She wondered about his vision regarding his role with the new board.

Commissioner Butcher stated that he would try to enlighten the world about Alaska and the oil tax issue.

[10:19:10 AM](#)

Senator McGuire asked about recent discussions about the state's \$15 billion of savings in the Constitutional Budget Reserve (CBR) and the Statutory Budget Reserve (SBR). She wondered how the state should move forward with an investment strategy for the savings.

Commissioner Butcher replied that he had discussions with the Co-Chair regarding the issue. He noted positive investment with the Permanent Fund. He expressed interest in a diversified portfolio.

Co-Chair Stedman discussed the current structure in DOR where the commissioner had responsibility regarding the allocation of funds in the CBR and SBR. He noted that the Permanent Fund, at \$10 billion, was the largest sovereign fund in the country. He asked how the commissioner envisioned the management process of the very large funds.

[10:22:31 AM](#)

Commissioner Butcher wished to initiate a more formal process regarding communication with the investment managers and the Deputy Commissioner for treasury. He wished for additional information about those very important funds.

Co-Chair Stedman pointed out that the process was more important than the results. He noted concern that formal quarterly meetings or minutes were absent during the last few years. Documentation to support decisions was also absent. He expressed discomfort with the lack of formal process as the funds were so substantial. He requested a timeframe for formalizing the process.

[10:25:14 AM](#)

Commissioner Butcher agreed. He relayed discussions with Jerry Burnett regarding specific quarterly meetings. He understood the importance of communication between the executive branch and the legislature.

Co-Chair Hoffman asked for commitment to a written record regarding investment decisions and the process.

Commissioner Butcher committed to documents resulting from the meetings.

Co-Chair Stedman believed that minutes would prove helpful. Documentation of the process of decision making was extremely important.

[10:27:09 AM](#)

Senator Olson expressed concern regarding Commissioner Butcher's lack of experience with the private sector.

Commissioner Butcher agreed that the majority of the work he has done is with the public sector. He argued that AHFC operates similarly to the private sector.

Senator Olson asked if he has ever fired anyone.

[10:29:40 AM](#)

Senator Ellis stated concern regarding conflicts //.

Co-Chair Stedman CBR and sBR.

Commissioner Butcher answered that he shared the interest and concern. He understood that he must look at the past and he knew he was not informed enough to answer the question.

Senator Ellis requested sharing of the conclusions with the committee when he has it. He sked about the fee level for the //. He expressed interest in the changes in the //.

[10:32:05 AM](#)

Commissioner Butcher active and passive managers.

Co-Chair Stedman agreed that the long term management was of concern to the committee.

Senator Thomas asked about the position as the // and the gas line. The governor stated that the focus was AGIA. The economy of the state of Alaska. He wondered the thoughts about a potential report stating that the money is not ample for the //. We have now allowed the when another deal is struck for gas projects.

[10:35:20 AM](#)

Commissioner Butcher expressed interest in his history with the objective view of Alaska's situation. He hoped for a consensus led view at the end of the process. Even with all of the gas shale, some companies saw //. He hoped for additional information to come forward on July 1. He transitioned to the position at the time that two important studies were completed.

[10:37:57 AM](#)

Senator Thomas appreciated the answer. He wished to movement on the subject as opposed to waiting for the perfect situation to arise. The state must make decisions. He thought it realistic to look closely at the project. He mentioned that the multibillion dollar plant.

[10:39:46 AM](#)

Commissioner Butcher commented that the world is changing quickly He stated that the likely hit was for flipping of the //. Closing of the Nikiski plant.

Co-Chair Hoffman expressed further concern regarding the delay of the audits. He staed that the new structure. Oil companies never overpay their taxes. Same under PPT and ACES. He believed that the disputed taxes go into the CBR. I fthe taxes are pursued earlier and will go to the SBR. Potentially not receiving all of the taxes due to the state.

Commissioner Butcher did not have a response. Audit division expects things to move more quickly now. He offered to provide an update by the beginning of next legislative session.

[10:43:14 AM](#)

Co-Chair Stedman asked about the economist position. He found it difficult to deal with the oil and gas issues. He was not able to call on an economist from the Department of Revenue. He stated that he was not convinced that the lack of ability to fill the position was not political maneuvering. He asked to know the timeframe.

Commissioner Butcher stated that the last master auditor position will be easier to fill than the economist position. No qualified applicants given the pay of the position. He agreed that a Chief economist was a valuable position.

[10:45:53 AM](#)

Co-Chair Stedman recalled that the last economist stated that he was gagged by the administration. Ever since the position has not been filled. Change the payment structure to enable filling the position. He expressed concern about

a mistake calculable in the billions of dollars. After five years, the position should be filled.

Commissioner Butcher agreed to fill the position. He pointed out that he wants to get that done.

10:47:39 AM

Senator Thomas recalled about lawsuits and for every money spent the collection is \$10.

Commissioner Butcher recalled discussion with the department about the pay back of the money.

10:48:56 AM

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10:49:29 AM

RECONVENED

Co-Chair Stedman concluded the meeting.

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ADJOURNMENT

The meeting was adjourned at 10:50 AM.