

SENATE FINANCE COMMITTEE

March 12, 2020

9:04 a.m.

9:04:38 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Donny Olson

ALSO PRESENT

Senator Josh Revak, Sponsor; Dustin Elsberry, Intern, Senator Josh Revak; Ron Somerville, Territorial Sportsmen Inc., Juneau; Doug Vincent-Lang, Commissioner, Department of Fish and Game; Jasmin Martin, Staff, Senator David Wilson; Nancy Meade, General Counsel, Alaska Court System.

PRESENT VIA TELECONFERENCE

Lucinda Mahoney, Appointee, Department of Revenue, Juneau; Thor Stacey, Alaska Professional Hunters Association, Fairbanks; Rod Amo, Executive Director, Alaska Outdoor Council, Fairbanks.

SUMMARY

SB 55 TEMP. APPOINTMENTS TO COURT OF APPEALS

SB 55 was HEARD and HELD in committee for further consideration.

SB 150 INTENSIVE MGMT SURCHARGE/REPEAL TERM DATE

SB 150 was HEARD and HELD in committee for further consideration.

^CONFIRMATION OF GOVERNOR'S APPOINTEE: LUCINDA MAHONEY, COMMISSIONER, DEPARTMENT OF REVENUE

[9:06:24 AM](#)

LUCINDA MAHONEY, APPOINTEE, DEPARTMENT OF REVENUE, JUNEAU (via teleconference), stated that she was sick, otherwise she would be at the meeting in person. She highlighted her resume, education, and work history.

[9:12:20 AM](#)

Acting Commissioner Mahoney continued to highlighted her qualifications. She remarked that the Great Recession began at the end of 2008, and the revenues were decreasing while expenditures were increasing. She stressed that action was immediately needed in order to maintain a balanced budget. She stated that she was in a group to develop a long-range fiscal plan. She explained that there was an evaluation of multiple revenue sources and scenarios with expenditure reductions. She remarked that the plan was implemented, and the plan was revised over the years.

[9:15:14 AM](#)

Acting Commissioner Mahoney continued with her testimony. She explained some personal issues that affected her most recent employment.

Co-Chair Stedman recalled a discussion about some issues of concern. He looked at page 5 of the current Comprehensive Annual Financial Report (June 30, 2019):

We are unable to obtain sufficient appropriate audit evidence to provide assurances over tax revenues, because the Department of Revenue (DOR) management denied auditors sufficient access to the Department of Revenue's oil and gas production tax related settlement appeal files during the audit field work period. The files were needed to verify the proper usage of oil and gas production tax credits in a settlement of oil and gas production taxes. Consequently, we were unable to determine whether

adjustments to tax amounts were necessary. Additionally, we were unable to obtain sufficient appropriate audit evidence due to Department of Revenue's refusal to provide written representation over the financial statement preparation and presentation of the tax revenue accounts in written representation of the completeness of the information provided to the auditors.

Co-Chair Stedman stressed that the auditor's could not reference the complete information, and he asked for comment and position on that issue.

[9:21:45 AM](#)

Acting Commissioner Mahoney replied that she had communicated with her department to better understand that issue. She stressed that the audit occurred before her tenure. She explained that her position on audits was that that there should be a standard of full transparency. She remarked that there were some confidential documents that were eventually given to the auditor, and there may have been some finding issues related to that. She pointed out that there was attorney-client privileged documents that the department was unable to provide.

Co-Chair Stedman remarked that the auditors were the legislative and state auditors, so it was very concerning. He remarked that there needed to be a "clean up" of that issue, so the legislature could have full confidence in the accuracy of the DOR data. She surmised that those types of audit statements would not appear in future audits.

Acting Commissioner Mahoney replied that her goal was full transparency.

Co-Chair Stedman asked for a restatement of her response.

Acting Commissioner Mahoney restated that her goal was full transparency.

Senator Wielechowski appreciated the goal of full transparency. He recalled a meeting where he had asked for some documents that his office had repeatedly requested, and she stated that she would provide that document. He noted that his office had not yet received that document.

He wondered whether there was a plan to comply to that request for information.

Acting Commissioner Mahoney replied that she would discuss that with her staff, and provide that information.

9:25:01 AM

Senator Hoffman expressed concern Co-Chair Stedman's point. He specifically noted his concern about the possibility that the attorney general might be making a statement that was a change from normal standing procedures of the auditors to access the records. He remarked that there had not been a similar issue in the past. He stressed that the attorney general opinion might be different than the standard operating procedure. He felt that the commissioner of DOR must be "as forceful as possible" in order to have a "clean audit." He queried any changes than the normal standard procedures.

Acting Commissioner Mahoney replied that when she was the CFO for the City of Anchorage, she frequently worked with the city attorneys to influence in ways she felt would be best for the city. She remarked that she would do the same in the DOR position.

Senator Wielechowski queried thoughts on the revenue and fiscal issue in the state.

Acting Commissioner Mahoney replied that it was a complicated question, considering that she was not yet on the job full-time. She believed that there needed to be a long-term fiscal plan that evaluated all sources of revenue, debt, and continue to decrease expenditures.

Co-Chair Stedman remarked that the governor's proposal would consume the entire state's balance.

Acting Commissioner Mahoney did not feel that she had all the detail to provide a solution. She believed that the department was very skilled, and needed to work together to come up with solutions.

9:31:23 AM

Senator Wielechowski wondered whether the new software project that was enacted in Anchorage was a mistake.

Acting Commissioner Mahoney did not feel that it was a mistake to implement a new software program. She agreed that mistakes were made along the way.

Co-Chair Stedman handed the gavel to Co-Chair von Imhof.

Senator Wielechowski queried any potential conflicts of interest from her businesses.

Acting Commissioner Mahoney responded that she started many businesses. She explained that she was a member of a company that issued patents for engineers. She did not believe that any of the patents would cause any conflicts. She invested in some marijuana companies. She had some small minority interest ownerships in a global security company and a real estate investment company. She did not believe any would present any conflicts.

[9:35:44 AM](#)

Senator Wielechowski noted her husband's involvement in represented Trans-Alaska Pipeline System (TAPS) owners against the state. He wondered how she would separate any involvement with the oil companies.

Acting Commissioner Mahoney replied that she did not intent to be involved with anything historical or any of the issues that her husband was involved in. She would be involved in any legislation that might change tax structures.

Co-Chair von Imhof pointed out that Alaska was a small state, so it was difficult to find someone who would not be involved in the oil industry.

Senator Bishop asked for more information about her consulting business position, and wondered whether she was involved in the audits.

Acting Commissioner Mahoney replied that she was the Director of Advisory Services, and she was not involved in the audits.

[9:41:12 AM](#)

Senator Wielechowski surmised that her husband still represented oil and gas companies, but her plan was to prospectively be involved in production tax and property tax issues.

Acting Commissioner Mahoney responded that her plan was to be involved with prospective and forward looking plan, but nothing historical associated with her husband's work.

[9:42:49 AM](#)

AT EASE

[9:43:02 AM](#)

RECONVENED

Senator Bishop FORWARDED the appointment of Lucinda Mahoney for consideration in accordance with Alaska Statute. He relayed that this did not reflect an intent by any member of the Senate Finance Committee to vote for or against the confirmation of the individuals during any further sessions. There being NO OBJECTION, it was so ordered.

[9:43:47 AM](#)

AT EASE

[9:45:28 AM](#)

RECONVENED

#sb150

SENATE BILL NO. 150

"An Act repealing the termination date for the intensive management hunting license surcharge."

[9:46:00 AM](#)

SENATOR JOSH REVAK, SPONSOR, explained the legislation.

[9:47:35 AM](#)

DUSTIN ELSBERRY, INTERN, SENATOR JOSH REVAK, stated that the title summed up the bill. He stressed that it was important to protect hunting and wildlife for future generations.

[9:50:01 AM](#)

Co-Chair von Imhof stressed that the bill was simple, and the purpose was to allow for the continuation of collection of fees to expand the impact and leverage the funds.

Senator Revak agreed.

Co-Chair von Imhof surmised that the hunting community would continue to pay the fees and did not want a sunset.

Senator Revak replied in the affirmative.

Senator Hoffman wondered how the funds initially benefits the resource.

Senator Revak replied that there was some data to support the resource.

[9:52:40 AM](#)

RON SOMERVILLE, TERRITORIAL SPORTSMEN INC., JUNEAU, spoke in support of the legislation.

[9:57:03 AM](#)

Senator Wielechowski wondered whether this was a dedicated or designated fund.

Mr. Somerville replied that it was a dedicated fund.

Senator Revak stressed that the commissioner of Department of Fish and Game (DFG) was available for questions.

[9:58:07 AM](#)

DOUG VINCENT-LANG, COMMISSIONER, DEPARTMENT OF FISH AND GAME, stated that it had benefitted hunting across the state.

Senator Hoffman stressed that intensive management was extremely important to protect the resource.

[10:03:38 AM](#)

Senator Bishop queried an update on UAVs for research management.

Commissioner Vincent-Lang replied that the FAA was evolving its regulatory oversight of the UAV use.

Senator Bishop was encouraged that the habitat had increased eighteen over nineteen.

Co-Chair von Imhof OPENED public testimony.

[10:05:37 AM](#)

THOR STACEY, ALASKA PROFESSIONAL HUNTERS ASSOCIATION, FAIRBANKS (via teleconference), testified in support of the legislation.

[10:07:39 AM](#)

ROD AMO, EXECUTIVE DIRECTOR, ALASKA OUTDOOR COUNCIL, FAIRBANKS (via teleconference), spoke in support of the bill.

Co-Chair von Imhof CLOSED public testimony.

Senator Bishop reviewed the fiscal note.

[10:10:07 AM](#)

Co-Chair von Imhof remarked that the surcharge had increased, and were used to match the dollars. She stressed that it was important to keep the program going.

SB 150 was HEARD and HELD in committee for further consideration.

#sb55

SENATE BILL NO. 55

"An Act relating to judges of the court of appeals; and providing for an effective date."

[10:11:05 AM](#)

Co-Chair von Imhof announced that the committee had moved the bill from committee a year prior. She explained that the bill was returned to the Senate Judiciary Committee where there was a solution with a larger proposed fiscal note.

[10:11:31 AM](#)

SENATOR DAVID WILSON, SPONSOR, introduced himself.

[10:11:36 AM](#)

JASMIN MARTIN, STAFF, SENATOR DAVID WILSON, introduced herself.

Senator Wilson explained the bill.

Co-Chair von Imhof surmised that the bill proposed a fourth judge be added to the Court of Appeals.

Senator Wilson replied in the affirmative. He explained the Sectional Analysis (copy on file):

Section 1: Amends AS 22.07.010 to add a fourth judge to the Court of Appeals.

Section 2: Establishes an effective date of July 1, 2020.

Co-Chair von Imhof noted that the fourth judge would be added with the intention of addressing the case backlog.

[10:16:18 AM](#)

NANCY MEADE, GENERAL COUNSEL, ALASKA COURT SYSTEM, spoke in support of the bill.

Co-Chair von Imhof requested a review of the fiscal note.

Ms. Meade explained that the fiscal note included the cost for a permanent position, with the accompanying staff.

[10:20:45 AM](#)

Co-Chair von Imhof wondered whether the plan B was the intention.

Ms. Meade replied in the affirmative.

Co-Chair von Imhof asked about Plan A.

Ms. Meade stated that if the bill were passed, the request would be removed from the budget increment.

Co-Chair Stedman stated that the fiscal note could be zeroed out to clear the accounting issue.

Ms. Meade replied that it was not a fiscal note issue, but was a part of the Court System's budget increment request.

Senator Bishop stated that the published note was \$228,020.

Co-Chair von Imhof agreed.

Co-Chair von Imhof discussed the following day's agenda.

SB 55 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:23:25 AM

The meeting was adjourned at 10:23 a.m.