

ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE STATE AFFAIRS STANDING COMMITTEE
SENATE FINANCE COMMITTEE
January 22, 2019
9:01 a.m.

9:01:42 AM

CALL TO ORDER

Co-Chair Stedman called the joint Senate Finance Committee and Senate State Affairs Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT - SENATE FINANCE

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Peter Micciche
Senator Donny Olson
Senator Mike Shower
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman

MEMBERS PRESENT - STATE AFFAIRS

Senator Mike Shower - Chair
Senator John Coghill - Vice Chair
Senator Lora Reinbold
Senator Peter Micciche
Senator Scott Kawasaki

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Giessel; John Quick, Commissioner Designee, Department of Administration; Bruce Tangeman, Commissioner Designee, Department of Revenue.

SUMMARY

CONFIRMATION: COMMISSIONER, DEPARTMENT OF ADMINISTRATION:
JOHN QUICK

CONFIRMATION: COMMISSIONER, DEPARTMENT OF REVENUE: BRUCE
TANGEMAN

Co-Chair Stedman reminded attendees to silence cell phones.
He introduced the Senate Finance Committee members.

Chair Shower introduced the members of the Senate State
Affairs Committee.

Co-Chair Stedman noted that Senate President Cathy Giessel
was in attendance.

9:03:26 AM

AT EASE

9:03:32 AM

RECONVENED

^CONFIRMATION: COMMISSIONER, DEPARTMENT OF ADMINISTRATION:
JOHN QUICK

9:03:57 AM

JOHN QUICK, COMMISSIONER DESIGNEE, Department of Administration (DOA), discussed his background. He relayed that he was born and raised in Iowa. He stated his family had three to four generations of entrepreneurs. He had been married for 15 years and had three children. He attended Northwest University and received a business degree. He continued his education at Wayland Baptist University to study for a Master of Business Administration. Midway through the MBA program he took a job as a regional director for Samaritan's Purse overseeing Operation Christmas Child. The job taught him about managing big projects, how to manage people in a positive way, and how to execute strategy and vision at a high level.

Mr. Quick related that a year or two later he reconnected with a high school friend to open a café/restaurant/frozen yogurt shop and a wholesale food business. That led to an online business and other entrepreneurial activities.

Thereafter he started consulting and later worked as chief of staff for the Kenai Peninsula Borough mayor. He recounted that in his job for the mayor his team took a historical deficit budget to almost breaking even by utilizing efficiencies in government and technology. Mr. Quick concluded that he would love to serve as the commissioner of DOA.

[9:07:00 AM](#)

Co-Chair Stedman asked if he had a background or any involvement in a retirement and benefits structure.

Mr. Quick explained that when he was a small business owner and entrepreneur his businesses administered health care plans to their staff. The Kenai Peninsula Borough was self-insured and had a third-party administrator. He continued that the borough offered full benefits and a retirement package similar to the State of Alaska. He offered that this gave him experience in understanding how retirement and benefits work.

Co-Chair Stedman asked if he had concerns about the retirement and benefits structure of the state.

Mr. Quick relayed that he recently met as a member of the Alaska Retirement Management (ARM) Board, and they voted to reset the rate of return from eight percent to 7.38 percent. He said he voted in favor of the change, but it was a concern that it would further obligate the general fund. He assured the committee that the DOA would investigate ways to improve processes and cut costs.

[9:08:47 AM](#)

Co-Chair Stedman asked him to briefly explain why a decrease in the rate of return would increase liability to the state.

Mr. Quick explained that as the fund makes less money over time, the general fund would make up for the loss.

Co-Chair Stedman summarized that it would increase the state's unfunded liability.

Mr. Quick replied yes. He added that the inflation rate was adjusted to match the standard of the lower 48 but the real rate of return stayed the same.

[9:09:21 AM](#)

Senator Wilson asked him to review the DOA's plan concerning shared services and where he would consolidate services.

Mr. Quick stated he would continue to implement shared services. He opined that the shared services initiative was not implemented fully, but it would be possible to see more efficiencies by implementing shared services across all departments, especially the Office of Information Technology. Instead of each department operating its own IT system and processes, centralizing into one system would be more efficient.

[9:10:26 AM](#)

Co-Chair von Imhof referenced the automation of processes and noted that the Municipality of Anchorage SAP software upgrade and other large projects took more time and money than anticipated but there was still an effort to move in that direction because it eventually leads to efficiencies in both time and cost. She recalled that the committee heard legislation last year pertaining to efficiencies involving boat boilers by having small automated processes on an iPad rather than carbon paper. She asked if there was discussion at DOA about how the state could start to automate processes over time to gain efficiencies.

Mr. Quick said yes. He cited the Doc uSign technology the Kenai Peninsula Borough implemented which made it legally possible to sign contracts or documents electronically. He said this was cost effective and he intended to utilize similar processes at DOA. He mentioned that DOA was also investigating the use of online timesheets for all departments.

[9:12:36 AM](#)

Senator Shower referenced Mr. Quick's review of the processes and issues within DOA and other agencies and asked if he had identified specific areas of concern that are driving up costs and potential solutions.

Mr. Quick answered that he thought there were major holes in the processes and systems. He recounted that the department had started to look through the state leases to identify efficiencies in cost per square foot and whether square footage could be reduced in various departments. He said DOA was also looking at duplicative contracts and services and in centralizing procurement. He opined that same technology could also be shared across departments.

[9:14:43 AM](#)

Senator Reinbold stated that the state's administrative costs were five times the national average, so she found it impressive that Mr. Quick had reduced the Kenai Peninsula Borough deficit. She asked how he prioritized budget responsibilities to accomplish those reductions.

Mr. Quick shared that borough savings were garnered primarily through audit and restructuring which was his current approach for DOA. He referenced a forthcoming document pertaining to shared services that would aid in centralizing services in a more efficient and effective way. He offered that the process gave ownership and buy-in from staff because they were part of the process. He said the process was close to finalization and the compilation of documents would offer a playbook of how to achieve budget reductions.

[9:16:34 AM](#)

Senator Micciche disclosed that he had known Mr. Quick for some time. He said he was impressed with Mr. Quick's ability as an outsider to break down some of the processes and find reductions. He said he thought Mr. Quick brought a fresh perspective and influenced existing stakeholders at the borough. He questioned how he would use that experience to his advantage at the DOA. He also asked how the longstanding administrators initially reacted when he assumed his current position.

Mr. Quick offered his belief that his outside perspective brought something valuable. He said his staff indicated that they wanted leadership, vision, and direction. He said the governor brings that to the table and he was eager to serve such a strong leader and a man of integrity.

9:18:29 AM

Co-Chair Stedman asked him to address personnel and labor relations and the embedded contracts concerning these issues that are throughout the state. He asked Mr. Quick what his history was pertaining to labor relations and negotiations.

Mr. Quick recounted that he had a great relationship with the union at the Kenai Peninsula Borough. Contract negotiations were starting when he left for this job. He said he intended to work toward a good relationship with unions here which he considered his staff. He expressed full confidence in his division director as the DOA prepared for union negotiations.

9:19:49 AM

Senator Wielechowski asked if he supported the previously negotiated contracts as currently written.

Mr. Quick responded that it was against labor relation laws not to support those contracts.

Senator Wielechowski asked if he would seek changes to the existing contracts.

Mr. Quick replied that he would not change existing contracts at this time but would follow up if that changed.

9:20:34 AM

Senator Olson stated appreciation for the value of a fresh perspective but was concerned that too many fresh perspectives meant people were unfamiliar with issues the state faced. He cited the value and importance of public broadcasting to the people of Alaska. He asked Mr. Quick what his vision was regarding public broadcasting and the possibility of that service being cut in the upcoming budget. He identified the OMB (Office of Management and Budget) director as one of the individuals who was overseeing this service and perhaps did not appreciate its value. He asked Mr. Quick how he could allay his constituent's concerns around potential shutdowns of public broadcasting in rural Alaska.

Mr. Quick acknowledged that public broadcasting played an important role in rural Alaska and the state overall. He described the budget process and said that at the end of the day he would support the budget the legislature approved.

Senator Olson asked once more what kind of vision Mr. Quick had regarding public broadcasting.

Mr. Quick clarified that his vision was to always have public broadcasting in Alaska. He opined there was room for efficiencies within every agency and department. He said he was willing to work with every agency to determine how to best serve the state of Alaska. He maintained that public broadcasting would remain an integral part of the state.

Senator Olson asked if it would be funded at the state level.

Mr. Quick responded that the governor's amended budget had not been released and he would not disclose any details before it was released.

[9:24:00 AM](#)

Senator Bishop asked if he had ascertained whether the state had a recruitment and retention problem.

Mr. Quick offered his belief that there was more of a leadership problem than a recruitment and retention problem. He added that his staff was excited to be a part of the vision and direction of the new administration.

[9:25:11 AM](#)

Senator Coghill expressed appreciation that Mr. Quick was willing to take the governor's vision and put it to work. He mentioned that the Department of Administration and many of its agencies played a huge role in the governor's public safety approach. He asked Mr. Quick for his thoughts concerning DOA's public safety elements and the governor's vision to improve this arena.

Mr. Quick stated agreement that one of the governor's main priorities was public safety. He explained that his approach as commissioner would be to create a better connection between the Public Defender Agency and the

Office of Public Advocacy (OPA). The directors of OPA and the Public Defender Agency were reviewing and comparing caseloads. He said the information gathered from that review would provide insight into how to operate more effectively.

[9:27:23 AM](#)

Senator Kawasaki thanked Mr. Quick for meeting with him previously. He noted that the Department of Administration had 10 divisions and a \$340 million budget that Mr. Quick would manage. He referenced that Mr. Quick's resume indicated that he was a co-owner of three businesses. He asked how the experience as an owner gave him the skills to lead such a big department.

Mr. Quick asserted that throughout his life he endeavored to outperform expectations. He opined that his experience starting and owning a business gave him insight into what drives success in business. He maintained that working at the Kenai Peninsula Borough also prepared him to successfully manage the Department of Administration.

[9:29:37 AM](#)

Senator Coghill discussed victim advocacy and the recent criminal justice reform efforts to better aid victims. He highlighted that the Violent Crimes Compensation Board was helping victims who found themselves in unfortunate economic circumstances, but it seemed as though the numbers were increasing. He asked if he had taken look at that and if that board would likely struggle to keep up with the need.

Mr. Quick answered that the Violent Crimes Compensation Board was self-funded. He said the board had seen an influx but was able to keep up because the great staff had risen to the challenge. The board has the unique ability to immediately step in to help someone who is a victim of violent crime.

[9:31:48 AM](#)

Senator Reinbold shared that when she met with Mr. Quick she expressed frustration with the former commissioner of DOA and that her many requests for information pertaining to the state's leases were unfulfilled. She asked what

assurance he would give that the DOA agencies would respond to information requests in a timely manner.

Mr. Quick responded that he was committed to providing requested information to members in a timely manner unless it pertained to pending litigation or a personnel file. He said he had an open-door policy and would receive phone calls personally to help expedite requests.

[9:33:21 AM](#)

Senator Wielechowski referenced Mr. Quick's resume and that he was a business platform owner on Amazon.com. He asked what businesses he owned and how many people he employed.

Mr. Quick replied that he had an online supplement company called Island Vibrance through Amazon.com. He noted it was the top-selling supplement company on Amazon at the time.

[9:33:59 AM](#)

Senator Shower asked if he had explored the complex issue of funded but unfilled positions and what he discovered, especially relating to the issue of efficiency.

Mr. Quick reported that currently there were 3,100 vacant positions in Alaska. He said his current position was that the current staffing levels were acceptable.

Senator Shower asked him to discuss his personal philosophy regarding reducing expenditures and operating costs without eliminating agencies and programs.

Mr. Quick opined that it was possible to cut operating costs by eliminating duplicated services and processes and utilizing technologies. In addition, centralizing many IT (information technology) services would prove to be cost effective.

[9:35:53 AM](#)

Senator Shower asked for confirmation that currently there were 3,100 funded yet unfilled state positions.

Mr. Quick answered yes; that was correct.

Senator Shower noted that it took a lot of disciplinary actions to remove a classified state employee. He asked if he had any tools or ideas to help managers develop a more streamlined disciplinary process when an employee does not meet workplace standards. He also inquired about how to incentivize state employees to enhance work performance.

Mr. Quick restated the question and emphasized the importance and value of employee evaluations. He committed to look into implementing an effective evaluation to enhance performance in the workplace.

[9:37:50 AM](#)

Senator Reinbold described her disappointment with the Integrated Resource Information System (IRIS), which allowed Alaskans to view financial records in state government. She related that each time she used it during the subcommittee process it seemed less effective. She asked for assurance that IRIS would be improved to better provide more transparency for legislators and the public.

Mr. Quick agreed that IRIS still needed to be fixed. He highlighted that it had not been fully implemented but he was committed to delivering a functional product.

[9:39:25 AM](#)

Senator Micciche commented that a populist opinion was that everything could be privatized to achieve efficiencies and reduce state government. He opined that the state was a key candidate for bulk procurement and privatized services. He asked what kind of process he would use to evaluate whether privatization really would lower the cost of a service.

Mr. Quick replied that DOA division directors were working on a strategy document to find centralized services. When they find a potential opportunity for public private partnership, they will submit a Request for Information (RFI) to determine whether creating a public private partnership would be beneficial. He noted that this type of partnership exists with GCI and ACS (Alaska Communications). DOA will take a more active interest in these partnerships in the next few months, he said.

[9:41:03 AM](#)

Senator Wielechowski asked when he sold his ownership interest in the Anthem Coffee & Tea and Elements Frozen Yogurt business and who the co-investors were.

Mr. Quick stated that he sold his business in 2014 and the co-owner was a friend who probably preferred to remain private.

[9:41:45 AM](#)

Co-Chair von Imhof opined that addressing IRIS was critical. IRIS provides the data for making strategic managerial decisions. She offered her understanding that IRIS was an accounting system, but it was not able to generate reports. She advised that the finance committee was working toward asking commissioners to use data to inform their allocation decisions. She asked if IRIS would be capable of reporting once it was fully implemented.

Mr. Quick replied that his goal was to have IRIS 100 percent implemented and complete in the next couple of months, which includes generating reports.

[9:43:31 AM](#)

Co-Chair Stedman relayed that members could forward any additional questions to Mr. Quick.

Co-Chair Stedman MOVED to FORWARD the appointment of John Quick, in accordance with AS 39.05.080, to a joint legislative session for consideration as commissioner of the Department of Administration.

Co-Chair Stedman stated that this did not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

[9:44:20 AM](#)

AT EASE

[9:49:47 AM](#)

RECONVENED

[The Senate Finance Committee continued the meeting without the Senate State Affairs Committee.]

^CONFIRMATION: COMMISSIONER, DEPARTMENT OF REVENUE: BRUCE TANGEMAN

[9:49:47 AM](#)

BRUCE TANGEMAN, COMMISSIONER DESIGNEE, for the Department of Revenue, related that he grew up in a small town in Indiana in a self-sufficient household. He studied finance at the University of Indiana, minoring in economics and management. He met his wife, who was from Juneau, at the university. He highlighted that during college he had a job at a steel mill every summer which allowed him to completely pay for college.

[9:52:55 AM](#)

Mr. Tangeman explained that his first job after university was as a district executive for the Boy Scouts of America. Because his wife's student loans were coming due, they decided to move to Alaska to participate in the student loan forgiveness program. The first job he held in Juneau was managing the parking lot at the Juneau Airport. Several years later he took a position with the state as an accounting technician for the Department of Corrections. Thereafter he worked as a budget analyst for DHSS then as a fiscal analyst for the Legislative Finance Division (LFD). After that he and his wife moved to Anchorage and he worked for the Alaska Railroad as their corporate budget officer.

[9:56:25 AM](#)

Mr. Tangeman said he next moved to Fairbanks to work as the CFO for Doyon Utilities. He described how the company grew from a zero-balance sheet to the third largest utility in Alaska. He also discussed the things Doyon did for the Army that also benefitted the state.

[10:01:44 AM](#)

Mr. Tangeman discussed his employment as deputy commissioner at the Department of Revenue (DOR) over the tax division. He said one of the larger accomplishments was setting a more realistic production curve in place which helped the legislature and created a more realistic revenue picture for current and future budgets. This gave him exposure to the rating agencies and how the corporate world viewed Alaska. During this time at DOR they were tasked

with negotiating an equal partnership between three companies and the state to pursue monetizing gas

10:04:30 AM

Mr. Tangeman explained that when he went to work at AGDC (Alaska Gasline Development Corporation) he was the CFO. He noted that some of Dan Fauske's management style influenced him. He learned to be solution-oriented when solving problems.

Mr. Tangeman said he transitioned from AGDC to work for former Senator Pete Kelly in the Senate majority. After the election, Governor Dunleavy asked him to serve as commissioner of DOR. He concluded that his career had given him a well-rounded diverse perspective.

10:08:22 AM

Co-Chair Stedman asked him to discuss his management style, and how he planned to pursue the management of the GeFONSI (General Fund and Other Non-segregated Investment) funds and the Constitutional Budget Reserve (CBR). He asked what documentation he would provide to help the committee understand the decisions he might make.

Mr. Tangeman outlined that there were some things over which the DOR commissioner was the sole fiduciary and some that he just sits on a board. He listed the Alaska Retirement Management Board (ARM); Alaska Industrial Development and Export Authority (AIDEA) Board; Alaska Energy Authority (AEA); Mental Health Trust Authority; Alaska Municipal Bond Bank Authority; Alaska Railroad; Alaska Student Loan Corporation; and Alaska Permanent Fund Corporation. He clarified he was not the sole fiduciary of the corporations. He explained that GeFONSI was a host of subaccounts including the AGDC and AKLNG accounts, that he was solely responsible for as fiduciary.

10:11:49 AM

Mr. Tangeman described his management style as fairly conservative. Unfortunately, the CBR account that he inherited to work with was significantly reduced which makes a conservative approach that much more important. He explained that he had flexibility to manage and make

changes to the accounts with either a more conservative or more aggressive approach.

10:13:07 AM

Mr. Tangeman said he had been to one meeting of the Permanent Fund Board and he planned to continue his conservative approach. He explained that the chief investment officer and the commissioner of DOR do an annual asset allocation review that discusses investment decisions and opportunities. He reminded the committee that he provided the annual revenue overview last week. He discussed that a part of his management style was to collaborate with the strong, intelligent experts within his department to assist him in the decision-making process.

10:14:44 AM

Co-Chair Stedman encouraged Mr. Tangeman to keep minutes of his meetings to provide the committee with a record of how and why decisions were made. He suggested this would aid in communication between the department and the legislature.

10:15:26 AM

Senator Wielechowski asked Mr. Tangeman if the budget should be adjusted annually based predominantly on oil revenue or if other revenue sources should be considered.

Mr. Tangeman offered his belief that the current administration would pursue a stable budget, living within its means, and matching expenditures to revenues. He looked forward to seeing the work produced by OMB (Office of Management and Budget). He said he thought the process of matching budgets to oil revenues would need to be addressed head-on. He said he was a firm believer in driving the budget down to meet revenue. He noted the release of the governor's budget would start a series of entertaining and interesting discussions.

10:17:03 AM

Co-Chair von Imhof observed that the Permanent Fund Dividend Division was under the purview of DOR. She asked if the recent trouble with the Permanent Fund Dividend application going online and offline had been fixed.

Mr. Tangeman replied a software issue caused problems on the first day of the application period. The system was vigorously tested before it was brought back up online and there have been no more issues.

10:18:12 AM

Co-Chair von Imhof said she assumed that the platforms of Pick.Click.Give. and the new lottery/raffle were included in the application process. She asked if he had received any feedback pertaining to the raffle.

Mr. Tangeman stated that both programs were working smoothly. He noted that he did not have any data on the number of participants but would provide the information to the committee later.

10:19:28 AM

Senator Micciche discussed how oil and gas production audits had been a point of contention. He asked if there were plans to improve the audit process for taxpayers by streamlining reporting and the availability of audits in a timely manner.

Mr. Tangeman stated that the department had completed the 2012 audits and would complete the 2013 audits in the first quarter of 2019. There was an aggressive schedule to bring the audits current. He suggested there was history to understand in this area. He referenced that tax changes took place in 2008 through 2014. He highlighted that once the changes were made, they had to be implemented within the department and tax division by the oil and gas tax audit team. He said he was impressed with the department's tax audit group who performed the daunting task.

Mr. Tangeman continued to address Senator Micciche's question pertaining to audits. He noted the new system had been used consistently for several years and had functioned well internally and outwardly for taxpayers. He opined that the stability of the tax system along with the new tax revenue management system would help expedite the audit process. He reiterated that there was a plan in place to catch up on the audits within the next couple of years. The goal was to complete an audit from beginning to end in a three-year time frame.

[10:23:26 AM](#)

Senator Shower asked if the Eklutna tribe or a different entity was involved when he worked on the landfill gas power project.

Mr. Tangeman stated that it was a separate entity that came after he left the project.

Senator Shower mentioned the Permanent Fund and the governor's assertion that money was something the government could not take or allocate. He asked Mr. Tangeman what his path forward would look like for a sustainable revenue plan and how he would use the Permanent Fund.

Mr. Tangeman explained that he had worked with members of the Senate Majority as a policy director and had experience working with the budget model from Legislative Finance. He discussed the importance of reducing state expenditures for other revenue streams to respond favorably. He offered his belief that the current administration would focus on reducing the cost of government. He asserted that the state's revenue streams could not sustain the status quo government, much less the status quo with the escalation factor. He pondered how a state with this small economy would react to taxation. He opined that once revenues match expenditures, the administration would focus on how to fund certain programs.

[10:27:23 AM](#)

Mr. Tangeman offered his personal belief that a structured draw was critical. He said once expenditures were brought to a certain level, there would be room for the permanent fund dividend itself and a revenue stream from the \$60 billion fund to assist in funding government. He said it was inevitable that Alaska would have a tax someday, but it was possible to delay that many years by taking fiscally responsible action now.

[10:28:52 AM](#)

Senator Wilson discussed increased department fees and taxes such as the motor fuels tax. He asked if it was the intent of the administration and DOR to increase revenue through additional user fees or taxes.

Mr. Tangeman said he thought the administration was open to having the conversation but not starting with it. He opined that adding a new revenue component at this point would only distract from the current budget discussions.

[10:30:28 AM](#)

Senator Bishop asked if he was satisfied with the staffing level of the oil and gas tax audit division.

Mr. Tangeman answered yes. He described the staff as a stable group that had years of knowledge and experience. He said he was encouraged that they believe a three-year audit cycle was attainable in the next few years.

Senator Wielechowski asked if DOR had done any analysis on how a \$1.6 billion budget reduction would impact the Alaskan economy.

Mr. Tangeman answered that DOR had been tasked with looking at itself, as had other departments. In general, it was about the size of government, not just the unrestricted general fund (UGF). He said he anticipated that DOR would be before both bodies to discuss the options for a reduced budget from a behavioral aspect.

Mr. Tangeman discussed the tax models that are housed at the DOR and explained that they yield numbers but not the behaviors that result from different taxing decisions. For example, will people leave the state if an income tax is implemented. He said DOR would be prepared to discuss those behaviors in the forthcoming session.

[10:34:12 AM](#)

Senator Olson noted that he alluded to an income tax someday and asked if there was any discussion pertaining to restructuring the petroleum-related taxes as a possible increased revenue source for the state.

Mr. Tangeman clarified that he was referring to any sort of tax. He said it would be naïve to think there would never be an income tax or sales tax in Alaska, but not for some time. He asserted that the administration was not interested in adjusting the oil and gas taxes because they were stable and competitive.

[10:35:25 AM](#)

Senator Micciche told Mr. Tangeman he had not been as clear as he could have been when discussing the tension between new revenue sources like taxes and how it discourages government from cutting the budget to its lowest point. He agreed that it was important to scrutinize the budget further before evaluating new revenues. Noting that there could be \$1.6 billion in reductions, he asked if DOR had evaluated what would have to happen to pay the bills if the legislature proposed a smaller reduction.

Mr. Tangeman explained how the \$1.6 billion reduction was produced. He said the FY 20 forecast was \$64 per barrel, which would generate \$2.2 billion in undesignated general funds (UGF). The other portion would be a percentage of market value (POMV) calculation from Senate Bill 26 that forecast to generate \$2.9 billion, of which \$1.9 billion would go to a full statutory dividend calculation. The total would be \$3.2 billion. He explained that the \$1.6 billion reduction is the difference between \$3.2 billion and the previous administration's \$4.8 billion budget.

[10:37:43 AM](#)

Mr. Tangeman clarified that DOR was not solving the \$1.6 billion problem with a single revenue source. He had been tasked with helping on just the DOR budget and finding what other revenue sources were available. The rest of the discussion was exclusively at OMB and the options to address anything above \$3.2 billion. He noted that the CBR at \$1.7 billion was still a revenue stream but the Statutory Budget Reserve was basically gone, so there were few options.

[10:38:56 AM](#)

Senator Wielechowski asked if the administration believed the AKLNG project was viable and should be financed.

Mr. Tangeman replied that the administration was interested in commercializing gas and lowering the cost of gas and energy for Alaskans. He said he saw this happening through a larger commercial project under an AKLNG structure. He highlighted that the governor was very concerned about how the previous administration put 100 percent of the risk on

the state. He referenced the significance of the cost and the magnitude of the AKLNG project.

Mr. Tangeman offered his belief that the partners took a step back from the project, not because they didn't want any part of it, but because they wanted to slow the spending process and observe where the price of oil would be in a few years. He thought this led to a great opportunity for a serious discussion as to whether this project was economically viable. He said he would like to have the partners weigh in to give their expertise on how to move forward with this project.

[10:42:24 AM](#)

Co-Chair Stedman thanked Mr. Tangeman for his testimony.

Co-Chair Stedman MOVED to FORWARD the appointment of Bruce Tangeman in accordance with AS 39.05.080, to a joint legislative session for consideration as commissioner of the Department of Revenue.

Co-Chair Stedman stated that this action did not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

Co-Chair Stedman discussed the schedule for the following day.

ADJOURNMENT

[10:44:01 AM](#)

The meeting was adjourned at 10:44 a.m.