

**ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

Anchorage, Alaska  
December 15, 2021  
10:08 a.m.

**MEMBERS PRESENT**

Senator Natasha von Imhof, Chair  
Senator Peter Micciche  
Senator Bert Stedman  
Senator Lyman Hoffman  
Senator Click Bishop (alternate, via teleconference)

Representative Chris Tuck, Vice Chair  
Representative Andy Josephson (via teleconference)  
Representative James Kaufman  
Representative Dan Ortiz (alternate, via teleconference)

**MEMBERS ABSENT**

Senator Lora Reinbold  
Representative Ivy Spohnholz  
Representative Neal Foster

**COMMITTEE CALENDAR**

EXECUTIVE SESSION  
OTHER COMMITTEE BUSINESS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ALEXEI PAINTER, Director  
Legislative Finance Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Explained the RPLs before the committee.

REPRESENTATIVE BRYCE EDGMON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Offered comment during discussion related to personnel matters of the Alaska Permanent Fund Corporation.

## **ACTION NARRATIVE**

[10:08:53 AM](#)

**CHAIR NATASHA VON IMHOF** called the Legislative Budget and Audit Committee meeting to order at 10:08 a.m. Representatives Tuck, Ortiz (alternate, via teleconference), Josephson (via teleconference), and Kaufman and Senators Stedman, Hoffman, Micciche, Bishop (alternate, via teleconference), and von Imhof were present at the call to order.

### **EXECUTIVE SESSION**

[10:10:43 AM](#)

CHAIR VON IMHOF announced that the first order of business would be an executive session to discuss a Legislative Finance Division personnel issue, the final audit report for the Regulatory Commission of Alaska, the Alcoholic Beverage Control Board, and the Council on Domestic Violence and Sexual Assault, and the preliminary audit report for the Board of Pharmacy.

[10:11:08 AM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(3), for the discussion of matters that may, by law, be required to be confidential. He asked that the following individuals remain in the room or online: the legislative auditor and necessary staff for the auditor; any legislators not on the committee; staff for legislators who are members of the committee; and the House Finance Committee secretary. There being no objection, it was so ruled.

[10:11:48 AM](#)

The committee took an at-ease from 10:11 a.m. to 11:34 a.m. for the purpose of executive session.

[11:34:00 AM](#)

**CHAIR NATASHA VON IMHOF** called the Legislative Budget and Audit Committee meeting back to order at [11:34] a.m. Present at the call back to order were Representatives Tuck, Kaufman, Ortiz (alternate, via teleconference), and Josephson (via

teleconference) and Senators Stedman, Hoffman, Micciche, Bishop (alternate, via teleconference), and von Imhof.

#### **OTHER COMMITTEE BUSINESS**

[11:34:30 AM](#)

CHAIR VON IMHOF announced that the final order of business would be other committee business, including the release of final audits, the release of a preliminary audit, a Legislative Finance Division personnel issue, and discussion of RPLs.

[11:35:20 AM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee release the following as final audit reports: the Regulatory Commission of Alaska; the Alcoholic Beverage Control Board; and the Council on Domestic Violence and Sexual Assault. There being no objection, it was so ordered.

[11:35:43 AM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee release the following preliminary audits: the Board of Pharmacy and the Board of Examiners in Optometry. There being no objection, it was so ordered.

[11:35:42 AM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee set pay for the legislative fiscal analyst at range 29, step J, effective December 27, 2021, with no change to merit anniversary dates per Alaska Statute 39.27.011(h), with the understanding that this wage adjustment and other planned wage adjustments for Legislative Finance Division staff will be absorbed in the division's current budget, and that no increases to the fiscal year 2022 (FY 22) or FY 23 budget are needed to provide for those adjustments. There being no objection, it was so ordered.

[11:36:34 AM](#)

CHAIR VON IMHOF announced an additional order of business, under other business, would be Request Proposals Legislative (RPLs). She asked Alexei Painter to go over the RPLs for the committee.

[11:37:10 AM](#)

ALEXEI PAINTER, Director, Legislative Finance Division, Legislative Agencies and Offices, said there are four RPLs to cover. He began with RPL 05-2022-0143, Department of Education and Early Development, Alaska State Council on the Arts, for \$68,000, fund source federal receipt 002. He explained that this RPL comprises two separate grants. The first is related to the CARES Act where additional federal money was received under a previous RPL, and approximately \$35.7 thousand remain and need to be spent this year. He clarified that a portion of the RPL is for that remaining CARES Act fund that goes to local arts agencies. The remaining \$32.3 thousand of this RPL is money from a National Endowment of the Arts partnership agreement that will be used "to update these strategic plans." Mr. Painter noted that the portion of the RPL related to the CARES Act, thus COVID-19 relief monies, will be reflected by the division with tracking code 1265, while the remaining part of the RPL will be coded as 1022. He said the committee does not need to note those codes in its motion to approve the RPL. He said the division has no technical issues with the RPL.

MR. PAINTER continued to the next item, RPL 08-2022-0188, Department of Commerce, Community & Economic Development, Division of Community and Regional Affairs, for \$30,694,746 of federal receipts, using tracking code 1265. He said the department received a grant for \$30.7 million for the U.S. Department of Agriculture's Seafood Processors pandemic response and safety block grant program. There is no match required for the grant, and it will go to seafood processors for reimbursement of eligible costs relating to workplace safety and other issues related to COVID-19. Mr. Painter said the department has the ability to use a portion of this money for administrative costs; the majority of it will go to the processors.

11:40:33 AM

MR. PAINTER, in response to Representative Josephson, confirmed that the Legislative Finance Division has no technical issues with this RPL, as it is in line with the purpose of the Division of Community and Regional Affairs to disperse grants of this type.

MR. PAINTER continued to the next item, RPL 12-2022-0104, Department of Public Safety, Statewide Support Laboratory Services, for \$600,864 of federal receipts, using code 1002. He explained the RPL is "due to additional federal authority needed

for several grants that the agency received." He said, "They will enable ... the forensic science improvement grants, DNA capacity enhancement, and backlog reduction. And then there's another DNA backlog reduction program grant. There is existing federal authority, but they need another \$600,000 to accommodate the amount of grants they received." Mr. Painter said the division has no technical issues with this RPL.

11:42:36 AM

MR. PAINTER, in response to Representative Tuck, offered his understanding that the funds would purchase new laboratory equipment and a sexual assault tracking system that would interface the existing crime lab system. He deferred to the agency as a source for answering further questions.

MR. PAINTER addressed the final item, RPL 12-2022-0105, Department of Public Safety, Statewide Support Appropriation, Criminal Justice Information Systems program allocation, for \$4,843,825 in federal receipts, using code 1002, to increase federal authority for existing grants. He explained the need for this is primarily for due to the approval of grant extensions for multi-year federal grants. Because of the pandemic, the department was unable to spend those monies in the normal cycle, so it received these additional grants. He said some of the grants have a match associated with them - a 10 percent match for some; however, that match can be met with existing unrestricted general funds, so no additional match is needed to receive these funds. He stated that the Legislative Finance Division has no technical issues with this RPL.

11:45:10 AM

REPRESENTATIVE JOSEPHSON mentioned RPLs from 2020 as being cause for concern. He then asked whether Mr. Painter believes that the current RPLs comply with the statute that addresses RPLs.

MR. PAINTER answered yes, he believes all four RPLs comply with statute, and all are within the agencies' existing scope of work. He said some of the RPLs from last year were creating new programs, while these are expanding on existing federal receipt authority mostly due to timing. He characterized the current RPLs as "normal," unlike the ones from 2020.

11:46:20 AM

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee approve the following RPLs as presented to the committee: 05-2022-0143 - Department of Education, \$68,000; 08-2022-0188 - Department of Commerce Community & Economic Development, \$30,694,746; 2-2022-0105 - Department of Public Safety, \$4,843,825; and 12-2022-0104 - Department of Public Safety, \$600,864. There being no objection, the RPLs were approved.

[11:47:32 AM](#)

CHAIR VON IMHOF said the other agenda item under other committee business would be a discussion about the changes in leadership at the Alaska Permanent Fund Corporation (APFC). She prefaced this by reviewing statute relating to the powers and purposes of the Legislative Budget and Audit Committee. She first cited AS 24.20.156(1)(A)-(B), which addressed the purpose of monitoring and reporting, as follows:

Sec. 24.20.156. Purposes.  
The purposes of the Legislative Budget and Audit Committee include  
    (1) monitoring and reporting  
        (A) the performance of the agencies of the state that perform lending or investment functions;  
        (B) the extent to which the performance of these agencies has contributed to the fiscal, financial, economic, and social improvement of the state and its citizens;

CHAIR VON IMHOF then cited AS 24.20.201(a)(3), relating to the powers of the Legislative Budget and Audit Committee, including the power to:

    (3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assembling and furnishing requested information;

CHAIR VON IMHOF summarized that the Legislative Budget and Audit Committee has the responsibility for providing the legislature with fiscal analyses, budget reviews, audits, and performance reviews of state government agencies.

CHAIR VON IMHOF continued as follows:

At the recent December 9, 2021, Alaska Permanent Fund Corporation Board meeting, Executive Director Angela Rodell was terminated by a vote of 5 to 1. The dismissal was abrupt, without explanation, and without a clear, planned, and professional leadership transition. Further, this action was taken following six years of record performance by the permanent fund under her leadership.

The great irony of the timing of her dismissal is that just this week the Permanent Fund [Division], under Ms. Rodell's leadership, has been found to be the "Best Places to Work" by ... Pensions & Investments, a global news source of money management. Moreover, she had been tapped to be the chair of the International Forum of Sovereign Wealth Funds, so clearly she has won the respect of professional peer groups.

CHAIR VON IMHOF stated for the record that she and Ms. Rodell are friends. She said she has tremendous respect for Ms. Rodell and for Ms. Rodell's strong financial performance during her tenure at the fund.

CHAIR VON IMHOF asked the Legislative Budget and Audit Committee to make considerations, as follows:

Next to our land and our people, the Alaska permanent fund is Alaska's greatest asset. It is our legacy - our nest egg; no other state in the union has one. And since 2019, the majority of our state's annual revenue at this time - 65 percent - comes from the fund.

Since its inception, one of the fundamental elements the fund's creators explicitly stressed from the beginning was the importance that the fund remain free from political interference. Because of the critical role the permanent fund plays in Alaska, ... our finances, and ... our future, and in light of the recent sudden and unexpected change in leadership, I would like to propose that this committee undertake a hearing about the leadership and governance of the Alaska Permanent Fund Corporation.

At this time, few facts are known about the recent executive director's dismissal. However, as we all know too well, rumors swirl in a vacuum. In

conversations with many on this committee, we believe Alaskans should be given better answers for such a high-profile decision. The public and policy makers need to know more about what led to the board's action.

11:51:20 AM

CHAIR VON IMHOF proposed that the Legislative Budget and Audit Committee send a written invitation to the Permanent Fund Board of Trustees to join the committee at its January meeting in Juneau for the purpose of discussing the factors that led to the dismissal of the executive director following years of benchmark record returns. She said she would like to propose a letter to include a set of questions and any other questions committee members may feel relevant. Ideally, this committee should have answers to process and form procedural questions prior to its hearing in January to facilitate a better conversation. She presented the list as follows:

What is the Permanent Fund Board's established process for evaluating, disciplining, and terminating Permanent Fund [Division] staff and, in particular, the executive director or CEO?

Was Ms. Rodell's treatment consistent with that process?

The seeming urgency and timing around her dismissal raises numerous questions:

Had the board identified deficiencies in past performance reviews of Ms. Rodell? If so, were those part of the rationale behind her dismissal?

Had Ms. Rodell failed to remedy or make changes in areas where the board had found her performance deficient?

Did the board receive legal counsel on Ms. Rodell's termination and, if yes, from whom? Did the board follow the process and the legal recommendations laid out by counsel?

CHAIR VON IMHOF advised that the goals for the meeting would be to ensure Ms. Rodell's treatment met the standards that the Permanent Fund [Board] has set for itself and that the board's dealings with Ms. Rodell were honest, fair, and above board.

Further, she stated that she would like the Legislative Budget and Audit Committee to receive assurance that the financial integrity of the permanent fund and how it is managed has not been, and will not be in the future, compromised. She sought feedback from committee members as to whether they wished to invite the board of trustees to answer these and other questions at the January meeting. She pointed out that due to the sensitivity of the issue, it would likely be appropriate to hold some of the discussion in executive session.

11:53:40 AM

SENATOR STEDMAN emphasized the importance of ensuring the permanent fund stays politically removed from the executive and legislative branches. He indicated the matter is worthy of review by the Legislative Budget and Audit Committee and is within the scope of the committee; however, he pointed out that when addressing matters of personnel, there is "a line that we have to parse at some point." He observed there appears to have been a drift over the years to more speculative investments in an effort to broaden investment opportunities yet increasing the risk level. He said he had had discussion with the board on that subject.

SENATOR STEDMAN said he wants to take a look at: how the board is structured; how the chair and vice chair are selected; what "their" duties are; and changing "their" duties. He speculated that some subtle changes are "in the works" that "may bring some concern of independence." He offered his understanding that the permanent fund has hit its three-, five-, ten-, and twenty-year targets; therefore, the performance has been stellar. He said normally when the Legislative Budget and Audit Committee hears "grumblings" within departments, it may address them, but most of the time it does not, because they are the issues of the executive branch. He indicated that he had not heard [complaints] regarding "the permanent fund area" in years. He added, "So, that is an area of concern."

SENATOR STEDMAN said over the years representatives from the Permanent Fund [Division] have addressed the legislature, and that has been the extent of [the legislature's] involvement. However, he mentioned "the attractiveness of excess liquidity" and "their interest in helping the permanent fund spend it," and he opined that is something the committee should note. He clarified, "We're all aware that we've had a lot of inquiries and interest over the last several years on ways to spend billions and billions of the permanent fund."

SENATOR STEDMAN said another issue to consider is the interest from the permanent fund. He said whenever public money is spent it is different from spending private money. He noted concern from the public about expenditures and disclosure. He said he thinks the subject is timely and talked about the Legislative Budget and Audit Committee exercising its [purview] of the permanent fund to maintain the independence of the fund. He noted that there have been a couple presentations that have been given to the Permanent Fund Corporation Board on which the [Senate] Finance Committee has requested a hearing, during which it will focus on issues such as comparison of other funds and actions that have been taken that hurt them, as well as what Alaska's fund has done right and wrong. He mentioned the size and scope of the permanent fund relative to the constituent base.

12:01:20 PM

REPRESENTATIVE KAUFMAN said he supports this issue. He noted that there are elements of this that converge on personnel issues that "may not be part of the public domain." He encouraged the focus be directed on the management of the fund for effective returns relative to risk, in order to stay "on solid ground."

12:02:13 PM

REPRESENTATIVE TUCK said he fully supports the scope laid out by Chair von Imhof and further expanded by Senator Stedman. He said the Legislative Budget and Audit Committee has oversight over the Permanent Fund Corporation and others, and this is something that is appropriate for the committee's review. He commented on Ms. Rodell's having received accolades and the happy environment of the division, which begs the question, "What is up?" He agreed that much of this discussion related to personnel may occur in executive session while discussion related to policy and procedures should be open to the public. He commented on the professional capacity of Ms. Rodell. He said he appreciated the reminder that the corporation is non-political, which has been a reason for its success; however, it would be irresponsible for the Legislative Budget and Audit Committee "not to look into it any further."

12:04:20 PM

SENATOR MICCICHE spoke of the founding fathers of Alaska and the initiation of the permanent fund with the purpose of allowing royalty wealth to be invested and increase in value for all Alaskans in perpetuity. He expressed concern about a permanent fund that once was isolated from politics now seemingly subject to it. He talked about keeping consideration of personalities out of the mix. He said he would like the process to be as transparent as possible. He expressed concern about "the lack of warning" of this "developing issue." He said he thinks the points brought up by Chair von Imhof and Senator Stedman are important, and he said he would like to understand "what can be shared about this situation" and "determine how someone with that level of performance can suddenly be sort of out the door one day." He said he supports Chair von Imhof's proposal.

12:06:29 PM

SENATOR HOFFMAN noted the importance of the fund to Alaskans. He emphasized that much of the success of the fund comes from the decisions made by the board. He said that is as important as the actions of the chief executive officer (CEO), who must follow the directives of the board. He agreed that the committee has the oversight but encouraged using caution in the process chosen going forward because the corporation is dependent on its ability to make decisions. He warned against micromanaging the board. He said he sees "the writing on the wall" in terms of the direction of the committee, and he said he would not step in the way. He said the Legislative Budget and Audit Committee may not have access to certain personnel issues which are part of the relationship between the board and the CEO. He reiterated that he would not stand in the way of the committee's decision, but said as a chair of a board of a multi-million dollar corporation, he knows the crucial nature of decision-making of a board, and that the information a board is privy to is confidential and "will never see the light of day."

12:10:30 PM

CHAIR VON IMHOF noted that Ms. Rodell had had a tenure longer than all the current trustees, with the exception of William "Bill" Moran; therefore the track record of the permanent fund is arguably the result of Ms. Rodell.

12:11:02 PM

REPRESENTATIVE JOSEPHSON suggested an addition to the list of inquiries, to ask whether there would be a change in policy

regarding what constitutes a sustainable draw. He relayed that he recently found an old prospectus related to the fund.

12:12:27 PM

REPRESENTATIVE ORTIZ agreed with Chair von Imhof's proposal, Senator Stedman's remarks, and Representative Josephson's point, and he encouraged the Legislative Budget and Audit Committee to look into the issue, as it is within its scope and duty to do so.

12:13:21 PM

REPRESENTATIVE BRYCE EDGMON, Alaska State Legislature, stated that he is concerned about the suddenness of Ms. Rodell's termination. He mentioned separation of powers and the purview of the Legislative Budget and Audit Committee and posed the question as to whether the committee would be remiss if it chose not to look into the issue. He said the board has, in general, been held beyond reproach "by most of us." He indicated that legislative tracking of the board meetings indicates very little participation or attention being paid, but said now there are questions. He shared his question is: "Why wouldn't we want to examine this to the extent that we could?" He said he does not have the prudent investor statutes in front of him but wonders if there is a role to be played in making certain the corporation adheres to the prudent investor rule going forward. He suggested there are many more questions to ask, and he said he thinks it is completely within the purview of the Legislative Budget and Audit Committee to ask them, and he encouraged its members to do so.

12:15:22 PM

CHAIR VON IMHOF said what makes the permanent fund exceptional is that it has exceeded "the return to its peers." It has outperformed "a portfolio of benchmarks" over the last five years. She explained that is when a fund is compared with other similar funds, as well as other widely accepted benchmarks. She continued:

Smart, prudent, and professional investors and investment boards use a whole variety of benchmarks, within various market types, to compare themselves ... [to] understand how a portfolio is performing as a whole. What fund managers do not [emphasis on "not"] do is cherry pick one or two benchmarks where they

either have exceeded or failed and point to a small handful to use to make policy or employment decisions.

So, in light of that, if the Board of Trustees was using benchmarking in their decision-making process regarding the CEO performance evaluation, I think this committee might be interested in learning which benchmarking, out of the entire portfolio of benchmarks, did the board select to evaluate Ms. Rodell.

CHAIR VON IMHOF reiterated that the corporation had been recognized by Pensions & Investments as being one of the best places to work in the area of money management in 2021. She added that 75 percent of the weight of evaluation for that award was based on employee survey, sent to staff in July 2021. She said the question is whether the survey was used in the performance review of Ms. Rodell. If a secondary survey was used, she said she thinks the [committee] would like to know.

CHAIR VON IMHOF said she has a sense of the committee that its members would like to move forward as a committee to write a letter to the Board of Trustees inviting them to participate in the committee's meeting in January. She invited closing comments.

[12:18:36 PM](#)

SENATOR STEDMAN, responding to the idea of an "invite," suggested Chair von Imhof make the letter more direct. He advised, "We are the oversight board; they will sit in front of us."

CHAIR VON IMHOF said she would not use those exact words but would paraphrase to come up with something she thinks is appropriate.

[12:19:02 PM](#)

SENATOR MICCICHE recommended Chair von Imhof's words over the words chosen by Senator Stedman.

CHAIR VON IMHOF acknowledged the remark.

[12:19:18 PM](#)

## **ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at [12:19] p.m.