

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

May 9, 2023

6:44 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative Jamie Allard
Representative Tom McKay
Representative Kevin McCabe
Representative Cathy Tilton
Representative Cliff Groh

MEMBERS ABSENT

Representative Andrew Gray

COMMITTEE CALENDAR

HOUSE BILL NO. 190

"An Act establishing a violation for hindering the Alaska Sunset Commission; relating to the duties of the legislature; establishing the Alaska Sunset Commission to review and make recommendations on discontinuation of or changes to state entities; relating to the powers and duties of the Alaska Sunset Commission; and providing for an effective date."

- HEARD & HELD

CS FOR SENATE BILL NO. 107(FIN)

"An Act relating to the Alaska permanent fund; relating to income of the Alaska permanent fund; relating to the amount available for appropriation and appropriations from the earnings reserve account; relating to the permanent fund dividend; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 190

SHORT TITLE: ALASKA SUNSET COMMISSION

SPONSOR(s): WAYS & MEANS

05/03/23	(H)	READ THE FIRST TIME - REFERRALS
05/03/23	(H)	W&M, STA, FIN

05/08/23 (H) W&M AT 6:00 PM DAVIS 106
05/08/23 (H) <Bill Hearing Canceled>
05/09/23 (H) W&M AT 6:00 PM DAVIS 106

BILL: SB 107

SHORT TITLE: PERMANENT FUND DIVIDEND; POMV SPLIT

SPONSOR(S): FINANCE

03/17/23 (S) READ THE FIRST TIME - REFERRALS
03/17/23 (S) FIN
03/21/23 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/21/23 (S) Heard & Held
03/21/23 (S) MINUTE(FIN)
03/29/23 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/29/23 (S) Heard & Held
03/29/23 (S) MINUTE(FIN)
04/12/23 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/12/23 (S) -- MEETING CANCELED --
04/17/23 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/17/23 (S) Heard & Held
04/17/23 (S) MINUTE(FIN)
04/18/23 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/18/23 (S) Heard & Held
04/18/23 (S) MINUTE(FIN)
04/19/23 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/19/23 (S) Moved CSSB 107(FIN) Out of Committee
04/19/23 (S) MINUTE(FIN)
04/21/23 (S) FIN RPT CS 2DP 3NR 1AM SAME TITLE
04/21/23 (S) DP: HOFFMAN, KIEHL
04/21/23 (S) NR: STEDMAN, MERRICK, BISHOP
04/21/23 (S) AM: OLSON
05/01/23 (S) TRANSMITTED TO (H)
05/01/23 (S) VERSION: CSSB 107(FIN)
05/03/23 (H) READ THE FIRST TIME - REFERRALS
05/03/23 (H) W&M, FIN
05/08/23 (H) W&M AT 6:00 PM DAVIS 106
05/08/23 (H) Heard & Held
05/08/23 (H) MINUTE(W&M)
05/09/23 (H) W&M AT 6:00 PM DAVIS 106

WITNESS REGISTER

KENDRA BROUSSARD, Staff
Representative Ben Carpenter
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor of HB 190, the House Special Committee on Ways and Means, of which Representative Carpenter serves as chair, presented the sponsor statement, provided the sectional analysis, and gave a PowerPoint; on behalf of Representative Carpenter, presented the summary of changes for SB 107, Version O.

SENATOR SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on HB 190.

ACTION NARRATIVE

[6:44:38 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:44 p.m. Representatives Allard, McKay, McCabe, Groh, and Carpenter were present at the call to order. Representative Tilton arrived as the meeting was in progress.

HB 190-ALASKA SUNSET COMMISSION

[Contains discussion of SB 9]

[6:45:34 PM](#)

CHAIR CARPENTER announced that the first order of business would be HOUSE BILL NO. 190, "An Act establishing a violation for hindering the Alaska Sunset Commission; relating to the duties of the legislature; establishing the Alaska Sunset Commission to review and make recommendations on discontinuation of or changes to state entities; relating to the powers and duties of the Alaska Sunset Commission; and providing for an effective date."

[6:45:50 PM](#)

The committee took an at-ease from 6:45 p.m. to 6:46 p.m.

[6:46:18 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, on behalf of the sponsor, the House Special Committee on Ways and Means, of which Representative Carpenter serves as chair, presented the sponsor statement [included in

the committee packet], which read as follows [original punctuation provided]:

Alaska spends twice as much as other states on government. There is not enough time or information available to utilize the annual budget process to ensure efficient spending, effective service delivery and continual process improvement in state agencies. The Executive Budget Act requires the Governor and his agencies to use performance and financial data in its budgeting process and to provide such information to the legislature for its budget deliberations. Nonetheless, the Executive Budget Act is not being followed by the executive or the legislature as it should. Data provided by executive departments is insufficient for program evaluation, planning and budgeting.

In addition, for the past ten years, the State Auditor has produced performance review audits of state agencies. Again, these resources are not being utilized by state agencies or the legislature, and the statute is sunseting.

HB 190 aims to both provide usable data and impose recourse into the review process. Adding an extensive third-party review, and the real risk that an entity of government will be eliminated by law, may be the external disruption necessary to lead to leaner government.

HB 190 "The Alaska Sunset Commission Act" will help ensure adherence to performance requirements and process improvement in the operation of our state government. The bill establishes the Alaska Sunset Commission under the Lieutenant Governor as an independent and objective group charged with reviewing each department by division in the state on a rotating schedule.

The Commission will be comprised of seven individuals from the private sector with financial, budget analysis, accounting, operations management, and other areas of expertise who will be appointed by the governor (3), speaker of the house (2) and president of the senate (2). Commissioners will have staggered terms of five years, choose a chair, and will serve without

compensation but commissioners will be entitled to per diem and travel expenses authorized for boards and commissions. The Commission may employ staff and hire

consultants as it determines necessary to perform its duties.

Duties of the commission will be to determine whether there is a public need for the continuation of the entity and to make a recommendation to the legislature to continue, discontinue, restructure, or transfer the duties and programs of the entity to another entity.

The Commission will review the entities of one department each year that will include adherence to financial and performance requirements under the Executive Budget Act, utilization of process improvement, efficiency of operations, overlap with other state entities, and the extent to which the entity is making it difficult to do business in Alaska.

The Commission will submit a report to the Governor and Legislature within the first 10 days of legislative session that includes a recommendation to continue, discontinue, restructure, or transfer duties to another entity.

Along with the submission of the report to the legislature, the Commission will provide any recommended statutory changes necessary to accomplish the recommendations in the report to the Rules Committees with requests to introduce the legislation.

If the legislature does not act on the Commission's report, the entity subject of the report will be sunset at the conclusion of the following fiscal year.

[6:50:25 PM](#)

MS. BROUSSARD, on behalf of the sponsor, the House Special Committee on Ways and Means, gave the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Sections 1-5:

Amends the State Personnel Act to include the Alaska Sunset Commission.

Section 1

Allows persons who hinder the work of the Alaska Sunset Commission to be fined like those who may hinder the work of the Legislative Audit and Budget Committee.

Section 2

A person who has been convicted under Section 1 of this Act cannot be appointed to state service unless a

waiver is granted by the commissioner of administration.

Section 3

Makes public information that a state employee has been dismissed or disciplined for a violation of interference or failure to cooperate with the Alaska Sunset Commission.

Section 4

Allows a state employee to be disciplined or dismissed for failure to give full cooperation to the Alaska Sunset Commission.

Section 5

Makes interference or failure to cooperate with the Alaska Sunset Commission a matter of public concern.

Section 6

Amends the Public Record Disclosure Act to add the Alaska Sunset Commission to the definition of "public agency."

Section 7

Adds a new section of law to establish the Alaska Sunset Commission under the Lieutenant Governor. The Commission consists of seven public members appointed by the Governor (3), Speaker (2), and Senate President (2) for staggered five-year terms. Establishes the qualifications of appointed members, selection of a chair, and allows the Commission to employ staff and hire consultants. Commissioners will receive per diem and travel expenses.

Provides the powers and duties of the Commission, including reviewing the activities of each state entity subject to Commission review state entities and make recommendations to the legislature.

Prior to the Commission's review of an entity each state entity shall provide to the legislature a report of the entity's evaluation of its adherence to the criteria for the Commission's review under this Act.

Provides for a schedule of entities to be reviewed. The entities are each of the entities of a one state agency or the University of Alaska each year from 2024 through 2035.

Provides the criteria for review, including the adherence to performance requirements set under the Executive Budget Act, alternative methods for delivery of services, organizational processes, efficiency with which the entity operates, reorganization potential, and the extent to which statutory changes are

necessary for the entity to meet the desired improvements.

Requires the Commission to hold public hearings and except public testimony.

Requires a report by the Commission following each review of a state entity with a recommendation to the legislature to continue, discontinue, restructure, or transfer the duties and programs of the entity and a recommendation on a winding-down period for the entity to conclude its business or provide for a restructuring plan. The commission shall include in the report draft legislation to implement the recommendations of the Commission with a request to the rules committees to submit the legislation for introduction.

Provides that if the recommendations of the Commission are not implemented by law, the entity subject to review will be sunset on June 30 of the fiscal year following the review.

Provides definitions.

Section 8

Repeals statutes governing the disposition of entities, statutes related to sunseting performance reviews.

Section 9

Repeals Performance Review State Law 2013 that is set to sunset July 1, 2023.

Section 10

Makes Section 9 of this Act immediately effective.

[6:54:21 PM](#)

The committee took a brief at-ease.

[6:54:43 PM](#)

MS. BROUSSARD, on behalf of the sponsor, the House Special Committee on Ways and Means, presented a PowerPoint, titled "Texas Sunset Commission Overview" [included in the committee packet]. She moved to slide 2 and slide 3, which read as follows [original punctuation provided]:

The Texas Sunset shines a light on state agencies and programs to see if they are still relevant in a changing world. If the answer is yes, The Sunset recommends improvements to make them more effective and efficient. If the answer is no, the sunset

recommends abolishing the agency or transferring its functions to another agency with related functions. Learn how the Sunset process can have major impacts on state government.

- Sunset Staff Evaluation

- o Sunset staff performs extensive research and analysis to evaluate the need for, performance of, and improvements to the agency under review.

- Sunset Commission Staff

- o Reviews agency's self-evaluation report
- o Receives input from interested parties
- o Evaluates agency and identifies problems
- o Develops recommendations
- o Publishes staff report

Public input is confidential

- Sunset Commission Deliberation

- o The Sunset Commission conducts a public hearing to take testimony on the staff report and the agency overall. The Sunset Commission conducts a second meeting to vote on which changes to recommend to the Texas Legislature.

MS. BROUSSARD continued to slide 4, which read as follows [original punctuation provided]:

- Public Hearings

- o Sunset staff presents its reports and recommendations
- o Agency presents its response
- o Sunset Commission hears public testimony and receives written comments
- o Sunset Commission meets again to consider and vote on recommendations

Public Input is published on the website

- Legislative Action

- o The Texas Legislature considers Sunset's recommendations and makes final decisions

- Texas Legislature

- o Sunset bill on an agency is drafted and filed
- o Sunset bills go through normal legislative process

- o The Senate and the House conduct committee hearings and debate the bill
- o Bill passes or fails adoption
- o Governor signs, vetoes or allows bill to become law without signature

Public may participate in legislative process

[6:57:25 PM](#)

MS. BROUSSARD advanced to slide 5 and slide 6, which read as follows [original punctuation provided]:

- The Sunset Commission reviewed 19 state entities for the 87th regular legislative session in 2021 and made 115 statutory recommendations to the Legislature based on staff reports and public hearings. The Legislature adopted 78 percent of these recommendations and added other changes to further improve state government. The Sunset Commission also adopted 114 management directives to address operational concerns identified during staff reviews. Together, these changes significantly improved state government by:

The Sunset Commission reviewed 21 entities for the 88th Legislative Session, resulting in 235 recommendations to streamline state government while enhancing services to our citizens. Generally, the recommendations eliminate unnecessary regulations, and improve accountability, align agencies' procedures with best practices, and strengthen effective delivery of services to Texans. Notably, the commission is making several appropriative recommendations, which is atypical for Sunset, to the House Appropriations and Senate Finance committees to consider funding increases for Texas Juvenile Justice Department to increase capacity of juvenile justice facilities and address chronic staff retention issues, and for Public Utility Commission of Texas to improve oversight of the electric and water utility industries. Other recommendations include transferring the functions of the Anatomical Board of the State of Texas to the Texas Funeral Service Commission to improve regulation of whole-body donation in Texas, and temporarily attaching the State Board of Veterinary Medical Examiners to the Texas Department of Licensing and

Regulation to provide the board with oversight, guidance, and support.

[6:58:46 PM](#)

MS. BROUSSARD, in response to a request from Chair Carpenter, skipped the presentation to slide 9 and slide 10, which read as follows [original punctuation provided]:

The sunset process is a key legislative oversight tool that significantly streamlined and improved Texas government since it was created by the Texas Legislature in 1977. Sunset promotes a culture of continuous improvement in state government by providing objective, nonpartisan public forum for evaluating the need for state agencies and their effectiveness, efficiency, and responsiveness to the public

Changes made through the Sunset process demonstrate its positive impact, with a proven track record of reducing state agencies and programs, saving the state money, and updating and improving state laws. Key Sunset outcomes, highlighted in the textbox Sunset's Impact Since 1977, illustrate Sunset's success

MS. BROUSSARD stated that slide 12 explains the sunset provision's impact in Texas since 1977, which read as follows [original punctuation provided]:

Streamlining Texas Government

- 42 Agencies and programs abolished
- 52 agencies and programs abolished and transferred or consolidated

Saving Taxpayer money

- \$1 billion in state and federal savings and revenue gains
- Return of \$18 for every \$1 appropriated to the Sunset Commission since 1985

Providing Effective Oversight

- 570 reviews of state agencies and programs conducted
- 80 percent of Sunset recommendations to the Legislature have become state law since 2001

MS. BROUSSARD concluded on slide 13 by providing a webpage link to Texas Sunset.

CHAIR CARPENTER added that members should visit the website and understand what Texas is doing.

[7:01:26 PM](#)

SENATOR SHELLEY HUGHES, Alaska State Legislature, stated that she is the sponsor of SB 9, which is the companion bill to HB 190. She expressed the belief that SB 9 was given a "courtesy hearing" in the Senate because she is in the minority; however, HB 9 "created a bit of a buzz" because the bill may be beneficial to the state. She said that the Texas Sunset Advisory Commission presented its program to the Senate, and she expressed the opinion that from this explanation Texas's program appears workable for Alaska. She listed the states which have established sunset commissions, including Arizona, Arkansas, Colorado, Delaware, Idaho, Minnesota, Texas, Vermont, and Washington. For Alaska, she commended the state's auditor but pointed out that much of the work "collects dust;" however, with a commission, the legislature would be forced to take up the issue. After Texas established a sunset commission 46 years ago, she pointed out that it has had 80 percent of recommendations taken up. She stated that Alaska's Fiscal Policy Working Group has pointed out four parts to a sunset plan: settling the permanent fund dividend (PFD) issue, setting a spending cap, creating revenue, and creating reductions.

SENATOR HUGHES advised that a sunset commission would allow the legislature to acquire full departmental information. She clarified that the commission would not make decisions, the legislature would; however, the commission would provide the legislature with more information to make these decisions. She said that the current state auditor's recommendations are typically seen as apolitical. She explained that, over time, such a commission could become part of the reduction element of the fiscal plan [referenced above].

[7:07:41 PM](#)

REPRESENTATIVE GROH questioned the size of the Texas Sunset Commission staff and budget.

SENATOR HUGHES expressed uncertainty and said she would follow up with this information. She explained that HB 190 would set

up the commission with the needed staff. She argued that with this commission the dollars put into state government would have a better return. She expressed the opinion that, if the state looks at a broad-based tax, a commission would be a wise addition to a fiscal plan.

[7:09:42 PM](#)

CHAIR CARPENTER directed attention to the bill's fiscal note, which explains that there would be five full-time employees in fiscal year 2024 (FY24), and this number would stay the same in the out years. He said the budget needed would be \$1.1 million in general fund dollars, and the fiscal note uses a static assumption in the out years.

SENATOR HUGHES commented that for every dollar spent toward the commission in Texas, the state saw a return of \$18. She added that if \$1 million is invested in a commission the benefit could be a state savings of \$18 million.

[7:11:10 PM](#)

REPRESENTATIVE GROH asked if the commission is anticipated to be in addition to, or in lieu of, the state's existing auditing process.

SENATOR HUGHES answered that the commission would not remove the state auditor, but there could be considerations on whether certain duties of the auditor could be downsized and shifted to the commission. She observed that the state's auditing team has been conducting a performance audit for ten years. She expressed the opinion that not much has materialized from this audit. She reiterated that the commission would not replace the state's auditor, rather, it would be in addition to the auditor.

CHAIR CARPENTER confirmed that the intention of HB 190 would not be to diminish or replace the state auditor.

REPRESENTATIVE GROH thanked the bill sponsor for introducing the legislation. He said that he is interested in finding efficiencies and reductions, if possible.

[7:12:50 PM](#)

CHAIR CARPENTER announced that HB 190 was held over.

SB 107-PERMANENT FUND DIVIDEND; POMV SPLIT

7:13:03 PM

CHAIR CARPENTER announced that the final order of business would be CS FOR SENATE BILL NO. 107(FIN), "An Act relating to the Alaska permanent fund; relating to income of the Alaska permanent fund; relating to the amount available for appropriation and appropriations from the earnings reserve account; relating to the permanent fund dividend; and providing for an effective date."

7:13:13 PM

REPRESENTATIVE MCCABE moved to adopt the House committee substitute (HCS) for CSSB 107, Version 33-LS0349\0, Nauman, 5/5/23, as a working document.

REPRESENTATIVE GROH objected for the purpose of discussion.

7:13:48 PM

MS. BROUSSARD, on behalf of Representative Carpenter, gave the explanation of changes for Version 0 [included in the committee packet], which read as follows [original punctuation provided]:

The CS deletes Sections 3,4,6,7 from CS for SB 107 (FIN).

Section 1

Adds intent language. It is the intent of the legislature to pass a constitutional amendment that requires payment of the permanent fund dividend to eligible residents and provides that the dividend payment is an allowable dedication of funds. It is the intent of the legislature that this Act establish a maximum draw on the earnings reserve and a statutory amount of the annual permanent fund dividend.

Section 2

Amended to keep current law language, "net income from the fund includes the income of the earnings reserve account established under AS 37.13.145."

Section 3

Changes the language regarding the dividend payment from "legislature may appropriate" from the earnings reserve fund to the "general fund" to "corporation shall transfer" from the earnings reserve fund to the "dividend fund."

Changes the dividend payment calculation from 25 percent of a POMV to 50 percent of the POMV as calculated in current law.

Section 4

Section 5 from CS to SB 107, with language conforming to a "distribution" of funds that replaces the language, "appropriation," for the payment of the dividend.

Section 5

New language that allows the legislature to appropriate from the earnings reserve to the general fund.

Section 6

New language that limits the combined total of the dividend distribution and the appropriation from the earnings reserve account to be the lesser of the POMV calculation or the balance of the earnings reserve fund.

Section 7

Conforming language to exempt mental health trust income from the income available for distribution.

Section 8

Repeals language in current law that requires an annual transfer from the earnings reserve account to the principle of the account.

Section 9

Makes the Act effective July 1, 2024.

[7:16:17 PM](#)

REPRESENTATIVE GROH questioned the needed changes to pay a 50/50 split of the percent of market value (POMV) PFD over time. He pointed out that the original language in the proposed legislation had a "carrot" in terms of revenues, and Version O would set a 50/50 split for POMV dividends without providing a path towards collecting additional revenues.

CHAIR CARPENTER responded that the original bill which came from the Senate was a mix between a current year and a future year solution. After viewing the presentation [on 5/8/2023 on economic growth], he expressed the understanding that the current budget problem is driving the state's long-term fiscal plan. He expressed the opinion that this is not a "wise way to go," as the long-term fiscal plan needs to drive the annual budget process. He suggested simplifying the Senate's proposed legislation to point to a constitutional amendment which would allow the legislature to dedicate the PFD program and

statutorily define the PFD and its earnings. He said this would remove the PFD from the appropriations process; therefore, it would not be a conversation every year, and a long-term fiscal plan conversation could follow. He advised that the state needs a new revenue structure, and this bill already exists. From a political solution perspective, he suggested that the best path forward for a fiscal plan should include a 50/50 POMV split of the Permanent Fund earnings.

REPRESENTATIVE GROH commented that the state would still not have revenue vehicles for additional revenue moving.

CHAIR CARPENTER responded that there has not been a move on a long-term fiscal solution in the legislature in the past four years. He said that Representative Groh is correct, in that the committee has not passed a solution for increases in revenue, but he expressed the opinion that one exists, and it will move out shortly. He noted that the committee did move a spending limit bill, but this has not moved from the House Finance Standing Committee. He further noted the companion legislation in the Senate would address a spending limit; however, this is still in a Senate committee. He pointed out that the challenge would be getting the legislators interested in addressing the state's fiscal structure.

REPRESENTATIVE GROH questioned Representative Carpenter's intention to move a revenue measure out of committee before the end of the session.

CHAIR CARPENTER expressed the hope on this.

REPRESENTATIVE GROH stated that he does not oppose adopting Version O with amendments, and he removed his objection. There being no further objection, Version O was before the committee.

[7:23:57 PM](#)

The committee took an at-ease from 7:23 p.m. to 7:24 p.m.

[SB 107 was held over.]

[7:25:05 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:25 p.m.