

SENATE FINANCE COMMITTEE  
April 17, 2023  
9:05 a.m.

9:05:26 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson (via teleconference)

MEMBERS ABSENT

None

ALSO PRESENT

Tim Grussendorf, Staff, Senator Lyman Hoffman; Deven Mitchell, Executive Director, Alaska Permanent Fund Corporation; Pete Ecklund, Staff, Senator Bert Stedman; Ken Alper, Staff, Senator Donny Olson; Alexei Painter, Director, Legislative Finance Division;

PRESENT VIA TELECONFERENCE

SUMMARY

SB 98 POWER COST EQUALIZATION ENDOWMENT FUND

CSSB 98 was REPORTED out of committee with four "do pass" recommendations, two "no recommendation" recommendations, and three new fiscal notes: FN 1(REV), FN 2(REV), and FN 3(REV).

SB 107 PERMANENT FUND DIVIDEND; POMV SPLIT

SB 107 was HEARD and HELD in committee for further consideration.

SUBCOMMITTEE OF THE WHOLE: UNIVERSITY OF ALASKA FY24 BUDGET CLOSEOUT

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[9:06:23 AM](#)

TIM GRUSSENDORF, STAFF, SENATOR LYMAN HOFFMAN, explained the budget for the University of Alaska. He stated that the subcommittee was recommending a total of \$614.672 million in general funds; \$75.510 million in other funds; and \$188.3255 million in federal funds. He stated that the full-time position count was 3759, and 185 part-time positions. He remarked that the subcommittee adopted all of the governor's actions, and noted that the majority of the governor's requests were transferring language for the technical training.

Co-Chair Stedman asked for explanation regarding whether it was a single appropriation and whether the process was different than the historic process.

Mr. Grussendorf responded that the Senate had agreed to the single structure of the University budget. He remarked that before that agreement, there had been different allocations for the different locations of the University to ensure that the money was only allotted to the central university. He stated that the request came from the president of the university in order to have a single appropriation to get the university back in order.

Co-Chair Stedman agreed with the budget process and had confidence in the president of the University of Alaska.

Co-Chair Stedman MOVED to ADOPT the FY 24 OPERATING BUDGET for University of Alaska from subcommittee with the attached Legislative Finance Division (LFD) reports, and directed LFD to make any technical or conforming changes. There being NO OBJECTION, it was so ordered.

[9:09:24 AM](#)

RECESS

[9:10:49 AM](#)

RECESS to THE CALL OF THE CHAIR

[9:18:15 AM](#)

RECONVENED

#sb98

SENATE BILL NO. 98

"An Act relating to the power cost equalization endowment fund; and relating to the Alaska Permanent Fund Corporation."

[9:19:05 AM](#)

Co-Chair Hoffman MOVED to ADOPT the committee substitute for SB 98, Work Draft 33-LS0493\D (Marx, 4/11/23).

Co-Chair Olson OBJECTED for discussion.

TIM GRUSSENDORF, STAFF, SENATOR LYMAN HOFFMAN explained the CS. He stated that the majority of the changes within the CS were clarification issues, and were all done in cooperation with the Alaska Permanent Fund Corporation and Legislative Legal.

Co-Chair Olson wondered how much resistance was in the Permanent Fund Corporation.

Mr. Grussendorf stated that he had not encountered resistance from the Permanent Fund Corporation, but deferred to Mr. Mitchell.

[9:22:11 AM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, stated that there was not concern about the additional assets in the Permanent Fund.

Co-Chair Olson surmised that there was optimism.

Mr. Mitchell replied that there was a different asset allocation, and there were pros and cons to that. He noted that the FY 22 performance showed that there would have

been a different outcome had the money resided in the asset allocation of the Alaska Permanent Fund.

Co-Chair Olson WITHDREW the OBJECTION. There being NO OBJECTION, it was so ordered.

Co-Chair Hoffman MOVED to REPORT CSSB 98(FIN) out of committee with individual recommendations and attached fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 98 was REPORTED out of committee with four "do pass" recommendations, two "no recommendation" recommendations, and three new fiscal notes: FN 1(REV), FN 2(REV), and FN 3(REV).

[9:24:21 AM](#)

AT EASE

[9:27:53 AM](#)

RECONVENED

#sb107

SENATE BILL NO. 107

"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."

[9:29:47 AM](#)

Co-Chair Olson OPENED and CLOSED public testimony.

[9:28:52 AM](#)

AT EASE

[9:29:27 AM](#)

RECONVENED

[9:29:38 AM](#)

Co-Chair Stedman MOVED to ADOPT the committee substitute for SB 107, Work Draft 33-LS0349\P (Nauman, 4/12/23).

Co-Chair Hoffman OBJECTED for discussion.

9:30:05 AM

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, explained the CS. He remarked that there was a trigger mechanism within the bill for a 50/50 dividend to come into effect which, prior to the CS, the new revenue to be raised was set at \$900 million. He stated that after examining some modeling, and considering the governor's capital budget was roughly \$303 million, with \$250 for federal and other funds. He stated that the modeling in the \$900 million had a capital budget of \$400 million going forward. He stated that the deferred, education, and capital needs of the state showed that the modeling was based on \$700 million for additional capital and K-12 needs. He remarked that the trigger was moved from \$900 million to \$1.3 billion of new revenue. He stated that SB 107 was a framework for a fiscal plan, which required savings to withstand the variability of the oil revenue. He remarked that the recent forecasts from the Department of Revenue (DOR) varied revenue by \$2 billion, so there was a trigger proposed of \$3.5 billion for the CBR before a percent of market value (POMV) would take effect.

Co-Chair Hoffman asked about the requirement of the CBR draw.

Mr. Ecklund replied that the requirement in the CS was \$3.5 billion adjusted with inflation after 2026. He stated that the \$3.5 billion was recommended by the director of LFD.

Co-Chair Olson queried the process to determine the inflation adjustment for the \$3.5 billion.

Mr. Ecklund replied that the same inflation calculation was used as was in statute for the Permanent Fund.

Co-Chair Olson asked for the specific number.

Mr. Ecklund replied that it was a change of consumer price index from one calendar year to the next calendar year.

Co-Chair Olson wondered how the CS would affect the Permanent Fund Dividend (PFD).

9:35:40 AM

KEN ALPER, STAFF, SENATOR DONNY OLSON, explained that the previous version of the bill set a low PFD for the near-term with the possibility of stepping up to a larger dividend in the next couple of years depending on certain fiscal conditions. He stated that the new version would make the hurdle to the larger dividend. Therefore, the 75/25 split would remain.

Co-Chair Hoffman MAINTAINED his OBJECTION. He explained that the bill would set the dividend at 50/50. He stressed that there was not revenue to pay a 50/50 dividend, so the interim dividend would be set at 75/25 or \$1300. He wanted to discuss the \$3.5 billion target. He felt that the \$3.5 billion level would potentially cripple the options of the legislature to fund government. He felt that the provision would take away the ability to address the dividend split. He felt that the \$3.5 target should be in a separate bill, and should not be in the version of this bill.

[9:42:04 AM](#)

AT EASE

[9:43:20 AM](#)

RECONVENED

[9:43:41 AM](#)

Co-Chair Stedman spoke in favor of the committee substitute. He stated that the \$1.3 billion was a reasonable range. He recalled that the original bill had no protection of the CBR, and would trigger a dividend regardless of other positions.

Co-Chair Olson stated that he did not support the committee substitute.

Senator Merrick wondered how many years were not drawn from the CBR.

[9:47:44 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, replied that in the last decade there was a budget surplus in FY 22, and before that there were deficits from FY 13 to FY 21. Therefore only one year in the last ten years did not have a draw from the CBR.

Co-Chair Olson queried the original amount in the CBR and the current amount.

Mr. Painter replied that the highest amount in the CBR was approximately \$13 billion, and the current amount was slightly higher than \$2.2 billion.

Co-Chair Olson felt that it was concerning that the CBR was at that low number.

Mr. Painter agreed, but stated that it had been lower by \$1 billion previously.

Senator Bishop wondered where the cash was located if the CBR went to zero, and there was no balance due to oil revenue.

Mr. Painter replied that revenue anticipation notes could be used within a year, but could not be used between years.

Senator Bishop wondered if those notes had to be paid back within the current year.

Mr. Painter replied in the affirmative.

A roll call vote was taken on the motion.

IN FAVOR: Kiehl, Merrick, Bishop, Stedman  
OPPOSED: Wilson, Olson, Hoffman

The MOTION PASSED (4/3). The proposed committee substitute was ADOPTED.

[9:50:56 AM](#)

RECONVENED

SB 107 was HEARD and HELD in committee for further consideration.

Senator Merrick wished Senator Kiehl a HAPPY BIRTHDAY.

#

ADJOURNMENT

[9:52:06 AM](#)

The meeting was adjourned at 9:52 a.m.