

SENATE FINANCE COMMITTEE
April 18, 2023
9:02 a.m.

[9:02:44 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 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

Paloma Harbour, Fiscal Management Practices Analyst, Office of Management and Budget, Office of the Governor; Tim Lamkin, Staff, Senator Gary Stevens; Ken Alper, Staff, Senator Donny Olson; Senator Jesse Bjorkman, Sponsor; Laura Achee, Staff, Senator Jesse Bjorkman; Senator Forrest Dunbar, Sponsor; Arielle Wiggin, Staff, Senator Forrest Dunbar; Pete Ecklund, Staff, Senator Bert Stedman; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities, Juneau.

SUMMARY

SB 29 CIVICS EDUCATION; EST AK CVCS ED COMM

CSSB 29 (FIN) was REPORTED out of committee with four "do pass" recommendations, one "no recommendation" and with one new fiscal note from the Department of Education and Early Development

SB 41 APPROP: CAPITAL/SUPPLEMENTAL

SB 41 was HEARD and HELD in committee for further consideration

SB 54 APPROP: SUPPLEMENTAL; REAPPROP; AMENDING

SB 54 was HEARD and HELD in committee for further consideration

SB 87 LUMBER GRADING PROGRAM

SB 87 was REPORTED out of committee with five "do pass" recommendations, one "no recommendation", and with one previously published fiscal impact note: F1(DNR)

SB 104 CIVIL LEGAL SERVICES FUND

SB 104 was REPORTED out of committee with three "do pass" recommendations, three "no recommendations", and with one new fiscal note from the Department of Commerce, Community and Economic Development

SB 107 PERMANENT FUND DIVIDEND; POMV SPLIT

SB 107 was HEARD and HELD in committee for further consideration

#sb41

#sb54

SENATE BILL NO. 41

"An Act making appropriations, including capital appropriations and other appropriations; making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

SENATE BILL NO. 54

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; and providing for an effective date."

[9:04:21 AM](#)

PALOMA HARBOUR, FISCAL MANAGEMENT PRACTICES ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation, "State of Alaska, Office of Management and Budget, Supplemental Budget SB54, Senate Finance Committee; April 18, 2023" (copy on file). She pointed to slide 2, "FY2023 Supplemental Budget Overview."

Co-Chair Stedman queried the total number.

Ms. Harbour replied that the total supplemental number for both operating and capital was \$113.3 million in UGF; \$50.6 million in DFG; \$63.8 million other state funds; \$125.8 million in federal funds; which totaled around \$353.5 million.

Co-Chair Olson wondered how close oil was to the projection of \$87.50 per barrel.

Ms. Harbour replied that as of April 10, 2023 the actual forecast was \$83.55 per barrel. She explained that the price of oil exceeded that amount over the last eight days.

Co-Chair Stedman queried the number of deficit in oil price projection for 2023.

Ms. Harbour agreed to provide that information.

Ms. Harbour looked at slide 3, "Operating Supps Department Summary." She noted that the large requests were the fire supplementals, Department of Corrections (DOC), Department of Public Safety (DPS), and University of Alaska (UA) bargaining unit increases. She noted that the highest request was \$3.7 million for judgments and settlements.

Ms. Harbour pointed to slide 4, "Capital Supps Department Summary." She outlined the specific requests in the capital budget supplemental.

Co-Chair Hoffman queried the reason for the switch from general funds to designated general funds for UA.

Ms. Harbour replied that it was mostly related to receipt authority.

Co-Chair Hoffman queried the specific project.

Ms. Harbour replied that the project was listed in the backup details.

Ms. Harbour addressed slide 5, "Senate Finance Question Responses":

Senator Wilson asked about FY2022 Fire Suppression/Preparedness activity and why there appears to be a lapse.

There appears to be a UGF lapse in FY2022 Fire Suppression Activity, due to the \$15 million in ARPA revenue replacement supplemental funding that was able to be utilized.

Senator Bishop asked how much of the FY2023 fire suppression supplemental is remaining for fires.

The supplemental submitted January 31st, was insufficient to cover spring fires. The supplemental budget amendments submitted February 14th, include the last \$1.2 million needed to cover fires from Summer and Fall of 2022, as well as an additional \$6.8 million for anticipated Spring 2023 fire activity.

[9:10:38 AM](#)

Ms. Harbour pointed to slide 6, "Senate Finance Question Responses (Dollars in thousands)":

Senator Hoffman asked about the Department of Correction's plan for managing situations where a correctional facility is over capacity.

The Department of Corrections has recently taken proactive measures to ensure that correctional facilities do not remain overcrowded. Capacity levels are checked daily and as numbers rise at intake facilities, the Classification Unit, Central Transportation Unit, Facility Superintendents, and Institutional Probation Officers work together to

develop a plan to move offenders to remain below capacity.

Senator Hoffman asked about the Department of Correction's plan for managing situations where a correctional facility is over capacity.

The Department of Corrections is using emergency contract workers to cover various work such as food services, maintenance, medical, mental health and education/programs where needed. The department is also using on-call non-permanent positions for medical, mental health, and administrative vacancies. These efforts provide coverage while recruiting for permanent classified positions.

Ms. Harbour addressed slide 7, "Senate Finance Question Responses (Dollars in thousands)":

Senator Stedman asked for more information related to the increased utility costs within the Department of Fish and Game as it relates to fuel needs for hatcheries.

- Hatchery utility costs have risen over the past two years due to the volatility in fuel oil and natural gas prices in the Fairbanks markets. For example, rates increased at the Ruth Burnett Sport Fish Hatchery (RBSFH) for natural gas, fuel oil and electricity 4.8 percent, 142.4 percent and 50 percent respectively, between FY2020 and FY2022. For perspective, in FY2022, annual consumption rates were 207,495 CCF of natural gas, 34,700 gallons of fuel oil, and 1,485,840 KWH of electricity—this is substantial consumption, so even small increases in utility rates can have a large impact on cost let alone what has occurred.

- In comparison, William Jack Hernandez Sport Fish Hatchery (WJHSFH) operates on electricity and natural gas. Prices have been stable in the Anchorage market. The FY2023 allocation for utilities to this facility of \$880K reflects a \$50K reduction from the FY2022 level of \$931K to assist in covering the RBHSFH FY2023 increase.

- Legislative authority appropriated to the new Anchorage and Fairbanks Hatcheries RDU in FY2023 is slightly less than the FY2022 level without any

allowance to account for the higher utility/fuel costs.

- Efforts are underway with the Department of Transportation and Public Facilities (DOT and PF) to conduct energy audits that hope to improve efficiencies at these facilities and translate into cost saving.

Ms. Harbour pointed to slide 8, "Senate Finance Question Responses (Dollars in thousands)":

Senator Kiehl asked about the methodology behind deciding which parks to re-open, and whether or not there's a prioritized list.

The Division of Parks and Outdoor Recreation (DPOR) does not maintain a list or methodology to reopen parks because they are open to the public unless there is a reason to close. When situations arise that necessitate a temporary closure of a state park unit, DPOR works quickly to remedy and address those issues to reopen public access to outdoor recreation opportunities.

A park unit may have a gate closed during the winter months due to management decisions or budget limitations. Gates are closed to many campgrounds in the wintertime across the state due to lack of ability to plow and staff the unit. Many of these areas are converted into wintertime recreational opportunities including groomed ski trails. The division also maintains management control and the ability to limit specific recreational uses within each.

Ms. Harbour pointed to slide 9, "Senate Finance Question Responses (Dollars in thousands)":

Senator Olson asked for additional details regarding the Advanced Air Mobility project.

The Advanced Air Mobility (AAM) Infrastructure study will result in a report that will inform Alaska's build out of NextGen technology to improve aviation safety and reliability. The study will include an inventory of all existing state, public, federal, and military infrastructure assets and a gap analysis that highlights needs for the full implementation of AAM.

Alaska is the most dangerous place to fly according to the FAA. The AAM is going to look at the current infrastructure and lack of infrastructure needed to

keep our airspace safe. This study will highlight what we do have, what we don't have and some potential solutions. There's a lot of opportunities in front of Alaska to capture federal funding that can be utilized to improve the safety of Alaska's airspace. This study is exploring solutions that fit within current federal funding streams but will also highlight the needs that fall outside of current or conventional funding.

Senator Bishop queried the person available from the Department of Transportation and Public Facilities (DOT/PF).

Ms. Harbour replied that Mr. Pannone was online from DOT/PF.

Ms. Harbour highlighted slide 10, "Senate Finance Question Responses (Dollars in thousands)":

Senator Hoffman requested confirmation regarding whether or not there are shortages for ice roads that need to be addressed.

Northern Region (NR) has \$250.0 in their budget for ice roads. They received an increment of \$50.0 in FY2013 for the ice road to Kiana (TORA with Northwest Arctic Borough (NWAB)) and \$200.0 in FY2023 (Tanana, Rampart, and NWAB). To the best of NR's knowledge there are no additional needs or identified shortages for ice roads.

In Alaska's Statewide Transportation Improvement Program (STIP), there is \$2 million in federal funding for Ice Roads and Seasonal Roads Maintenance Program. The Department of Transportation established a Safe Ice Roads for Alaska (SIRA) Program for communities to competitively access funding for ice roads. This funding has been awarded to communities and the Native Village of Napaimute received just under \$500.0 for over 200 miles.

Ms. Harbour looked at Attachment 1 and Attachment 2 (copies on file).

Co-Chair Stedman asked for the details of the attachments.

Ms. Harbour looked at Attachment 1.

[9:15:10 AM](#)

Co-Chair Stedman requested that the highlights be addressed on each item.

Ms. Harbour noted that fire supplemental.

Ms. Harbour noted that the Department of Administration (DOA) were all related to one issue, which was lease payments.

Ms. Harbour noted some cleanup items for bargaining unit agreements.

Ms. Harbour noted the items related to the Department of Education and Early Development (DEED).

Senator Bishop noted that electricity rates had increased by 50 percent.

Ms. Harbour stated that page 9 included additional costs to the Department of Fish and Game (DFG).

[9:20:45 AM](#)

Ms. Harbour noted the supplemental ask from DPS. She continued to outline the details within the attachment.

Senator Bishop wondered whether the maintenance operator wage issue had seen resolution.

[9:24:15 AM](#)

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, JUNEAU (via teleconference), replied that the department submitted a supplemental request for funding for the critical incentive pay in January.

Senator Bishop wanted to ensure that the request was expedited to ensure the integrity of the workforce.

Co-Chair Olson remarked on some damage to a jet engine from the Nome Airport. He wanted to know the mission critical status. He stressed that there was an individual component that allowed for application for the mission critical status.

Mr. Pannone agreed.

[9:25:46 AM](#)

Co-Chair Olson wondered whether there needed to be an increase to the amount available for mission critical status.

Mr. Pannone replied that a 30 percent increase was effective when utilized as related to recruitment and retention.

Ms. Harbour agreed.

Ms. Harbour looked at page 24, as related to health insurance increases for the legislative branch.

[9:29:17 AM](#)

Co-Chair Stedman requested a brief overview of all totals.

Ms. Harbour replied that the total for operating supplementals was \$102.4 million in UGF, \$20.6 million in DGF, \$15.2 million in other funds, and \$115.2 in federal funds. The total for operating supplementals was \$253.5 million.

SB 41 was HEARD and HELD in committee for further consideration.

SB 54 was HEARD and HELD in committee for further consideration.

[9:35:32 AM](#)

AT EASE

[9:40:52 AM](#)

RECONVENED

#sb29

SENATE BILL NO. 29

"An Act relating to civics education, civics assessments, and secondary school graduation requirements; establishing the Alaska Civics Education Commission; and providing for an effective date."

[9:41:26 AM](#)

Senator Bishop MOVED to ADOPT the committee substitute for SB 29, Work Draft 33-LS0246\R (Marx, 4/14/23).

[9:41:48 AM](#)

AT EASE

[9:42:04 AM](#)

RECONVENED

[9:42:11 AM](#)

Co-Chair Stedman OBJECTED for discussion.

[9:42:32 AM](#)

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, introduced the legislation. The bill put emphasis on civics education in the state education system.

KEN ALPER, STAFF, SENATOR DONNY OLSON, explained the CS.

[9:44:57 AM](#)

RECONVENED

[9:45:06 AM](#)

AT EASE

Senator Bishop rescinded his action and restated the moving of the committee substitute.

Senator Bishop MOVED to ADOPT the committee substitute for SB 29, Work Draft 33-LS0246\R (Marx, 4/14/23).

Co-Chair Olson OBJECTED for discussion.

Mr. Alper stated that there was a hope that the fiscal note would be reduced because of the costs associated with the changes in the committee substitute.

Co-Chair Olson wondered whether the sponsor supported the changes.

Mr. Lamkin replied in the affirmative.

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

Senator Bishop MOVED to REPORT SB 29 from committee with individual recommendations and attached fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 29 (FIN) was REPORTED out of committee with four "do pass" recommendations, one "no recommendation" and with one new fiscal note from the Department of Education and Early Development.

[9:47:30 AM](#)

AT EASE

[9:49:57 AM](#)

RECONVENED

#sb87

SENATE BILL NO. 87

"An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

[9:50:21 AM](#)

SENATOR JESSE BJORKMAN, SPONSOR, provided a recap of the legislation.

Co-Chair Stedman wondered whether an individual could have the certification to grade a smaller lumber mill.

Senator Bjorkman replied in the negative. He explained that a local lumber miller would receive training to grade their own lumber.

Co-Chair Olson wondered why there was not an inclusion of allowing someone to grade other lumber.

Senator Bjorkman replied that the legislation was based on programs that exist in other states. He stated that the goal was to verify the quality of their own work.

[9:55:04 AM](#)

Senator Kiehl surmised that there was nothing in the bill that addressed the risk of heights of the structures, but asked for detail of other statutes that addressed that issue.

Senator Bjorkman deferred to Ms. Achee.

[9:55:42 AM](#)

LAURA ACHEE, STAFF, SENATOR JESSE BJORKMAN, replied that there were other requirements in state law that say that structures over a certain height required a stamp of an engineer or architect on the design.

[9:57:55 AM](#)

AT EASE

[9:58:12 AM](#)

RECONVENED

[9:58:17 AM](#)

Senator Wilson wondered whether local grade lumber would be insurable.

Senator Bjorkman replied in the affirmative.

Senator Wilson wondered whether a home seller or buyer needed to disclose that they used local wood.

Senator Bjorkman replied that it would be no different than normal grade standards.

[10:00:42 AM](#)

Co-Chair Stedman spoke in support of the bill.

Senator Bishop echoed Co-Chair Stedman's comments.

Co-Chair Olson congratulated Senator Bjorkman on advancing the bill through the legislature.

Senator Merrick MOVED to REPORT SB 87 out of committee with individual recommendations and attached fiscal note.

SB 87 was REPORTED out of committee with five "do pass" recommendations, one "no recommendation", and with one previously published fiscal impact note: F1(DNR).

[10:05:03 AM](#)

AT EASE

[10:09:13 AM](#)

RECONVENED

#sb104

SENATE BILL NO. 104

"An Act relating to appropriations to the civil legal services fund."

[10:09:58 AM](#)

SENATOR FORREST DUNBAR, SPONSOR, provided a summary of the legislation.

Senator Wilson wanted to ensure that the Alaska Legal Fund was not the grantee.

Senator Dunbar agreed.

[10:11:58 AM](#)

Senator Bishop thanked the bill sponsor.

ARIELLE WIGGIN, STAFF, SENATOR FORREST DUNBAR, introduced herself, and thanked the committee.

[10:12:54 AM](#)

KEN ALPER, STAFF, SENATOR DONNY OLSON, explained the change in the fiscal note

Senator Bishop wondered whether there was any impact on the Court System.

Mr. Alper replied that the Court was funded by UGF, so the filing fees went to general appropriation.

[10:14:46 AM](#)

Senator Kiehl MOVED to REPORT SB 104 with individual recommendations and attached fiscal note. There being NO OBJECTION, it was so ordered.

SB 104 was REPORTED out of committee with three "do pass" recommendations, three "no recommendations", and with one new fiscal note from the Department of Commerce, Community and Economic Development.

[10:14:46 AM](#)

AT EASE

[10:24:00 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."

[10:24:45 AM](#)

KEN ALPER, STAFF, SENATOR DONNY OLSON, discussed the presentation, "Senate Bill 107, How We Got Here: Use of Savings to Balance the Budget Permanent Fund, CBRF, and the POMV" (copy on file).

[10:25:47 AM](#)

Mr. Alper addressed slide 2, "The Permanent Fund, 1977-2017":

- For 40 years, the Permanent Fund mostly grew in the background and was not used for general government in any way
- Half of statutory earnings, defined by formula, were distributed as dividends
- The "other half" could have been used by the state, but was left in the fund
- Therefore, the fund now includes the compounded earnings on the state's "half" that was not used

[10:26:32 AM](#)

Mr. Alper pointed to slide 3, "The Permanent Fund, 1977-2017":

- What would it have been used for?
 - Additional state spending
 - Larger PFDs
 - Lower oil taxes
 - Invested separately in another savings fund
- 2016-2017 Dividend Reduced from formula by veto (2016) or budget action (2017)
- 2018 Passage of SB26, with a sustainable "percent of market value" draw tied to a five-year lookback fund value

[10:28:13 AM](#)

Mr. Alper discussed slide 4, "Constitutional Budget Reserve History":

- 1977-1990: Multiple lawsuits between state and oil industry regarding pipeline tariffs, royalty valuation, and petroleum taxes
- 1990: As these cases were settling, Art. IX, Sec. 17 passed as a place to hold settlement funds apart from general revenue
 - Two methods to draw funds: by simple majority or by supermajority
- 1994, *Hickel v. Halford*, Supreme Court greatly limited possibility for simple majority draw, making the "¾ vote" necessary in almost all cases
- 1994-2005, annual budget balancing draws totaling \$5.5 billion
- 2006-2010, budget surpluses were used to pay back full amount
- 2011-2013, no CBRF draws; budget surpluses saved elsewhere
- 2014-2017, draws totaling about \$11 billion

[10:30:10 AM](#)

Mr. Alper displayed slide 5, "Constitutional Budget Reserve History":

- 2018-2021, ongoing concern of balance hitting zero
- 2022-2023, small repayments due to:

- o Failure of "reverse sweep"
- o FY22 surplus after spring '22 price spike
- o Veto of SBR deposit passed last session

[10:31:55 AM](#)

Mr. Alper pointed to slide 6, "POMV, Dividends, and Year End Balances 2018-2028."

[10:34:31 AM](#)

Mr. Alper addressed slide 7, "What If the Senate Version of SB26 Had Passed?"

- (The House version had similar provisions, including a 67/33 POMV split, although all were removed by the conference committee)
- 75/25 Split
- If certain oil revenue (production tax plus UGF portion of royalty) exceeds \$1.2 billion, POMV is reduced dollar for dollar by the amount over that
 - o The reduction comes from the GF portion, not the dividend portion
- When the ERA exceeds four times the current year's POMV, the amount in excess of this sweeps to the principal (replaces inflation proofing)
 - o Internal to the fund, so does not impact this analysis
- Appropriation cap of \$4.1 billion, plus capital budget and PFD, less debt service, plus inflation from 7/1/16

[10:36:45 AM](#)

Mr. Alper pointed to slide 8, "What If the Senate Version of SB26 Had Passed?"

And then:

- How would budgets have changed?
- Future POMV adjustments due to claw back
- Etc.

[10:39:16 AM](#)

Mr. Alper discussed slide 9, "What CSSB107(FIN)\Y Does":

- Establishes the 75/25 Split (25 percent of POMV to dividends)
- Sets a "trigger" by which the split increases to 50/50 (50 percent of the POMV to dividends):
 - If, in any year starting in 2026, the legislature passes at least \$900 million in new revenue, the POMV split increases to 50/50
 - Must be new, annually recurring revenue, versus what was in statute as the law read on January 1, 2023
 - The condition must be agreed to by both the Commissioner of Revenue and the Director of Legislative Finance
 - If this doesn't happen by 2037, the condition expires and the 75/25 remains

[10:40:39 AM](#)

Mr. Alper pointed to slide 10, "Potential additional amendments to the POMV":

- Modify the "trigger" (for the switch from 75/25 to 50/50)
 - Different revenue amount than \$900 million
 - Add multiple "steps" of new revenue where the POMV split would change gradually
- Add additional "triggers"
 - Minimum savings amount
 - Condition to passing some other legislation
- Add additional pieces from SB26
 - "Clawback" / volatility piece (POMV reduced when oil revenue is high)
 - Automatic sweep from ERA to Principal when ERA hits certain size

[10:42:06 AM](#)

AT EASE

[10:43:03 AM](#)

RECONVENED

[10:43:03 AM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, looked at the presentation, "Historical Capital Budgets" (copy on file). He looked at slide 1.

Mr. Ecklund discussed slide 2. He noted that the slide showed some of the deferred maintenance needs in the state, and school major maintenance needs.

[10:45:36 AM](#)

Mr. Ecklund pointed to slide 3. He remarked that the slide was from the Office and Management and Budget (OMB), which addressed preventative maintenance.

Mr. Ecklund looked at slide 4. He stated that the slide was drafted by Senator Bishop.

Senator Bishop stated that the slide showed that the slide would slowly address the issue, because it adjusted for inflation as related to deferred maintenance .

Mr. Ecklund pointed to slide 5. He noted that the slide pointed to the modeling assumptions.

Mr. Ecklund pointed to slide 6. He remarked that the slide was built into the assumption for education.

Mr. Ecklund discussed slide 7. He noted that the slide showed the assumptions, which were similar to other budget items throughout the session.

[10:50:32 AM](#)

Mr. Ecklund pointed to slide 8. He noted that the slide showed what was needed in revenue to get to a 50/50 dividend.

Mr. Ecklund displayed slide 9, which showed the probabilistic modeling.

Co-Chair Olson noted the CBR probability.

Mr. Ecklund agreed

Mr. Ecklund addressed slide 10, which showed that the reduction in the budget would reflect the history of the budgets.

[10:56:09 AM](#)

Co-Chair Olson looked at slide 6, and wondered whether the supplemental budget was slated at \$50 million per year.

Mr. Ecklund replied in the affirmative.

Co-Chair Olson felt that assumption was low for the supplemental budget.

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

Co-Chair Olson discussed the following meeting's agenda.

#

ADJOURNMENT

10:58:03 AM

The meeting was adjourned at 10:58 a.m.