

SENATE FINANCE COMMITTEE
March 12, 2024
1:35 p.m.

[1:35:18 PM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Fadil Limani, Deputy Commissioner, Department of Revenue;
Brandon Spanos, Acting Tax Director, Department of Revenue;
Senator Matt Claman, Sponsor; Rob Carpenter, Analyst,
Legislative Finance Division; Senator James Kaufman,
Sponsor; Matthew Harvey, Staff, Senator James Kaufman.

PRESENT VIA TELECONFERENCE

Carrigan Grigsby, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

SB 21 STRATEGIC PLANS FOR STATE AGENCIES

SB 21 was HEARD and HELD in committee for further consideration.

SB 127 TAXATION: VEHICLE RENTALS, SUBPOENAS

SB 127 was REPORTED OUT of committee with four "no recommendations", one "amend" recommendation, one "do pass" recommendation", and with one new indeterminate fiscal note from the Department of Revenue.

#sb127

SENATE BILL NO. 127

"An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date."

[1:36:06 PM](#)

Co-Chair Stedman MOVED to ADOPT Conceptual Amendment 1.

Co-Chair Olson OBJECTED for discussion.

[1:36:44 PM](#)

AT EASE

[1:37:06 PM](#)

RECONVENED

Co-Chair Stedman explained the amendment. He stated that the vehicle rental tax would be suspended from October 1 to March 31 each year.

Co-Chair Olson queried the impact the amendment to the state's revenue.

[1:37:46 PM](#)

FADIL LIMANI, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, (DOR) explained that there was analysis of the revenue impact, and based on the ten-year trajectory, there was an estimate of a \$15.1 million total revenue assuming the existing law.

Senator Bishop wondered whether a refund would work within the time frame.

Mr. Liman deferred to Mr. Spanos.

[1:39:52 PM](#)

BRANDON SPANOS, ACTING TAX DIRECTOR, DEPARTMENT OF REVENUE, replied that there would need to be regulations to allow for the vehicle renter to assess the tax only for the time that the tax was due.

Senator Bishop surmised that there was no fiscal note yet for the amendment.

Mr. Spanos agreed.

Senator Bishop wondered whether it would cost \$6 million to upgrade the system to apply the amendment.

Mr. Spanos replied in the negative, and stated that the department would absorb the costs associated with the amendment.

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Senator Kiehl asked about the impact on residents versus nonresidents.

Mr. Spanos replied that he did not have that insight on the breakdown of that issue, but believed that the majority of the revenue would be from the tourism industry.

[1:41:45 PM](#)

AT EASE

[1:42:43 PM](#)

RECONVENED

[1:42:50 PM](#)

SENATOR MATT CLAMAN, SPONSOR, replied that replied that the summer season had about 30 percent instate rentals, and the winter season saw about 45 percent instate rentals.

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CARRIGAN GRIGSBY, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), stated that the fiscal note for the bill was previously indeterminate, and did not have the data to apply revenue for the rental car platforms.

Co-Chair Olson queried the exact result of the amendment.

Mr. Limani replied that there was not enough information to incorporate the committee substitute, but believed that it would be a net revenue positive.

Co-Chair Stedman surmised that it was possible of having more revenue than FY 23.

Mr. Limani replied that he could not reply with provision, but felt that the revenue would still be in the negative.

Mr. Spanos deferred to Mr. Limani.

[1:47:50 PM](#)

AT EASE

[1:48:53 PM](#)

RECONVENED

[1:48:59 PM](#)

Senator Merrick felt that the amendment was contrary to the spirit of the bill, and felt that the vehicle rental tax would not be replaced with other state funds.

[1:50:10 PM](#)

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, (LFD), replied that the receipts would be related to road maintenance.

[1:50:55 PM](#)

AT EASE

[1:51:50 PM](#)

RECONVENED

Co-Chair Olson asked about the impact of the amendment to the legislation.

Mr. Carpenter responded that the amendment would delay tax collection from October through March, or 25 percent of the annual collections.

[1:53:06 PM](#)

AT EASE

[1:56:52 PM](#)

RECONVENED

[1:56:56 PM](#)

Senator Bishop spoke to safety of the public. He did not support the amendment.

Senator Bishop MOVED to REPORT SB 127 out of committee with individual recommendations and attached fiscal note.

Senator Kiehl

There being NO further OBJECTION it was so ordered.

[2:04:05 PM](#)

AT EASE

[2:06:39 PM](#)

RECONVENED

SB 127 was REPORTED OUT of committee with four "no recommendations", one "amend" recommendation, one "do pass" recommendation", and with one new indeterminate fiscal note from the Department of Revenue.

#sb21

SENATE BILL NO. 21

"An Act relating to the Executive Budget Act; relating to strategic plans, mission statements, performance plans, and financial plans for executive branch agencies; and providing for an effective date."

[2:07:05 PM](#)

SENATOR JAMES KAUFMAN, SPONSOR, introduced the bill.

Co-Chair Stedman queried the definition of "strategic."

Senator Kaufman replied that the strategic plan was the highest level vision of how the key goals would be attained, rather than "kicking the can down the road" with an annual process.

[2:10:38 PM](#)

MATTHEW HARVEY, STAFF, SENATOR JAMES KAUFMAN, discussed the Sectional Analysis (copy on file):

Section 1:

Revises an existing Executive Budget Act reference in AS 16.05.110(b) to the newly created AS 37.07.085, "Performance and Financial Plans", due to the reference to budget request supporting information.

Section 2:

Revises AS 37.07.010 to include reference to strategic plans, associated strategies, and the change to multiple planning periods.

Section 3:

Revisions to AS 37.07.014(a): Responsibilities of the legislature.

- Changes the role of the legislature from issuing mission statements for agencies and subunits to reviewing and analyzing mission statements and performance plans issued by the governor for each agency.

- o Some missions are set in statute and therefore the current method can still be carried out. Where not set in statute there is not a clear mechanism for the legislature to change mission statements of agencies. Providing agencies with the ability to write and communicate their mission statements will allow a higher likelihood of progress in the direction of statewide priorities.

- Removes the issuance of desired results and replaces with reference to the performance plan.

Section 4:

Revisions to AS 37.07.014(b): Responsibilities of the legislature.

- Removes language directing the legislature to adopt a method of measuring results.

- o There is not a clear way of adopting these 'methods of measuring results' so they do not often change.

- Replaces the semi-annual reporting requirement with a reference to AS 37.07.014(f)

- o This bill adds a requirement for a quarterly performance report to be made available on a public-facing website in subsection (f)

- Adds a reference to a strategic plan.

Section 5:

Revision to AS 37.07.014(c): Responsibilities of the Legislature

- Replaces 'operating program' with strategic plans and financial plans.

Section 6:

Revision to AS 37.07.014(d): Responsibilities of the Legislature

- Adds a reference to strategic planning.
- Clarifies that the legislature's role is to authorize the capital program and financial plans necessary to implement agency performance plans.
- Reinforces the hierarchy of planning, from strategic planning to performance and financial plans.
 - o Review and analyze strategic plans and mission statements.
 - o Assess how annual plans contribute to multi-year plans.
 - o Review and integrate financial plans into performance plans
 - o Maintain all plans on a publicly available internet website.

Section 7:

Revision to AS 37.07.014(f): Responsibilities of the Legislature

- To help fulfill the legislature's responsibilities, each agency shall:
 - o Allocate resources to implement multi-year plans.
 - o Express program results in measurable terms
 - o Measure progress towards multi-year plans and other results
 - o Promote activities consistent with multi-year plans that reduce future costs.
 - o Plan for both the short- and long-term
 - o Require accountability at all levels for meeting multi-year plans.
 - o Adds a reference to strategic planning.
 - o Requires quarterly reporting to OMB on progress towards the performance plan.

Section 8:

Revision to AS 37.07.014(g): Responsibilities of the Legislature

- Removes Boards and Commissions from this section.
 - Boards and Commissions are moved to a newly created section (AS 37.07.055)

Section 9:

Revision to AS 37.07.016: Governor's use of strategic plans, mission statements, and performance plans

- Adds reference to strategic plans and performance plans in title of section.
- Directs the Governor's to review strategic plans, mission statements, and performance plans.
- After review, the Governor shall approve, or require OMB to revise, the strategic plans, mission statements, and performance plans.
- Strategic plans and mission statements shall be used to implement and execute the law.
- Performance plans shall be used to achieve the desired results of the strategic plans and mission statements.

Section 10:

Revision to AS 37.07.020: Responsibilities of the Governor

- Adds reference to two new sections.
 - The additional references ensure that agency strategic, performance, and financial plans as well as boards and commissions operations and financial plans will be submitted along with the budget.

Section 11:

Revision to AS 37.07.040: Office of Management and Budget

- Adds new plan names to the list of plans in which OMB must assist in coordination, analysis, development, and updates.
- Removes OMB's responsibility for the administration of a state agency program performance management system.
- Adds three new subsections which clarify OMB's role in the hierarchy of planning and reporting.
 - (12) Compile strategic plans and submit to the governor
 - (13) Compile performance plans and submit to the governor

- o (14) Compile quarterly reports and submit to the legislature

Section 12:

Repeals and Reenacts AS 37.07.050: Agency Strategic Plans; Mission statements

- Each agency shall develop 4-year strategic plans that are consistent with authority and the governor's statewide priorities.
- Plans must be updated and submitted to OMB at the beginning of each gubernatorial term and at least once every two years.
- Strategic plan must include:
 - o Description of strategic plan and mission statement
 - Mission Statement must:
 - state the public purpose of agency and programs.
 - describe services provided and activities conducted.
 - include explanation of why and for whom services and activities are provided or conducted.
 - o Identify three - six goals for the agency.
 - Sec 20: "goal" means a broad statement generally describing a desired outcome for an agency or a program of the agency.
 - o Identify specific, measurable, realistic, and timely objectives related to each goal.
 - Must contribute to progress towards goals.
 - Must be based on recommendations of division directors of the agency.
 - o Describe methods of gathering user group opinions
 - o Describe population served by the agency and trends affecting that population.
 - o Identify key external factors that could affect progress.
 - o Identify legislation and regulatory changes required.
- OMB's role in development of the hierarchy of plans
 - o Review the strategic plan. Ensure consistency with statewide priorities and other provisions.
 - o Approve or require agencies to revise the strategic plans.

- o Review each performance plan. Ensure consistency with statewide priorities and strategic plans.
- o Approve or require agencies to revise the performance plans.
- OMB may prepare strategic plans if a state agency fails to transmit information by a date specified by OMB.
- All documents submitted to the office under this section are public information.
- Removes boards and commissions from this section.

Section 13:

Adds a new section AS 37.07.055: Boards and commissions: programs; operations and financial plans.

- Financial Plans
 - o Boards and commissions shall submit a financial plan by December 15th to OMB, Legislative Finance, and the legislature.
 - o Plan must include:
 - Budget information
 - Budget requested for next fiscal year.
 - Expenditures made during previous fiscal year.
 - Expenditures authorized for current fiscal year.
 - Expenditures proposed for next fiscal year.
 - Explanation of services, need for services, and cost of services.
 - Number of total positions employed or under contract, including for capital improvements.
 - Other information required by OMB.
 - Receipts information
 - Receipts for previous fiscal year
 - Estimate of receipts for current fiscal year
 - Estimate of receipts for next fiscal year
 - Identification of legislation required to implement financial plan.
- Operations plans.
 - o Boards and commissions shall submit an annual operations plan by a date prescribed by OMB.
 - o OMB shall:

- Review each operations plan for alignment with statewide priorities, appropriations, planning methods, and legislative authority.
 - Approve or require revision of the operations plan.
- OMB shall assist in preparation of financial plan.
- OMB may prepare financial, or operations plans if a board or commission fails to transmit either plan by an OMB specified date.
- OMB shall compile and submit a summary of boards and commissions financial plans by December 15th to a governor elect.
- All information from a board or commission to OMB is public information.
- Appropriations requests
 - o Identification of objectives intended for the program and problem or need that the program is intended to address.
 - o An assessment of achievement of original objectives of the program
 - o A statement of costs, performance, and accomplishments in each of last four fiscal years
 - o A statement of number and types of persons affected by the program.
 - o A summary statement of the number and cost of personnel employed or under contract over the last three completed fiscal years.
 - o An assessment of the effect of the program on the economy of the state
 - o An assessment of the how the policies meet the objective of the legislature.
 - o An analysis of services and performance estimated to be achieved over the life of the agency.
 - o A prioritized list of the activities the board or commission would expect to perform if the life of the agency were to be continued.
- Boards and commissions shall develop methods for measuring agency results.
- OMB shall report quarterly to the governor and legislature on operations of the boards and commissions.

Section 14:

Revision to AS 37.07.060(a): Governor's Recommendation

- Requires the governor to identify three to five statewide priorities to guide strategic and annual planning.
- Adds reference to the new planning statutes.
- Adds reference to new plan structure.
- Removes reference to the previously used mission and desired results.

Section 15:

Adds a new section to AS 37.07.060: Governor's Recommendation

- Requires the governor to present the strategic plans and mission statements in a joint session at the same time as the governor's budget message.

Section 16:

Amends section AS 37.07.070: Legislative Review

- Adds the new, cohesive structure of planning to the legislative review list.

Section 17:

Amends section AS 37.07.080(a): Program Execution

- Adds a reference to strategic plans.
- Removes desired results as an exception to the agencies' authority to execute their programs.

Section 18:

Amends section AS 37.07.080(d): Program Execution

- Clarifies that salary increases must be in accordance with strategic and performance plans as well as any annual operations plan.

Section 19:

Adds a new section AS 37.07.085: Performance Plan and Financial Plan

- Each agency shall develop annual performance and financial consistent with the strategic plan.
- Plans must be submitted to Legislative Finance, the Senate, and the House by December 15th of each year.
- The Performance plan must include:
 - o Description of the agency's program structure and any proposed changes
 - o Identification of each program
 - Constitutional and/or statutory authority
 - A program purpose statement which describes the services provided, the

- customers served by the program, the benefit or intended outcome of the program.
 - o Identify performance measures which contribute to progress towards the agency's strategic plan.
 - Identify goals and objectives that each performance measure corresponds to
 - o Identify results for each performance measure over the past four fiscal years.
 - o Identify performance targets for each performance measure for the succeeding fiscal year.
- The financial plan must include:
 - o Revenue and expenditures for each program for the prior four fiscal years
 - o Breakdowns of revenue and expenditures for each program: Amounts received by each revenue source and amounts expended on each type of expenditure.
 - o Estimates of revenue and expenditures for current and next fiscal year
 - o Budget requested to carry out proposed plans of the agency in succeeding fiscal year.
 - o Expenditures authorized for current fiscal year.
 - o Expenditures proposed for succeeding fiscal year.
 - o Number or positions employed or under contract.
 - o Cost of services provided by each program.
 - o Report of receipts of agency for expenditures made during prior year, estimate for current year, and estimate for next year.
 - o Identification of legislation required to implement the proposed financial plan.
 - o Other information as necessary
- OMB shall assist in preparation of performance and financial plans.
- If any state agency fails to submit these plans, the plans may be prepared by OMB.
- Once each calendar quarter, each agency must prepare and present a performance report.
 - o Identification of performance measures and related goals and objectives
 - o Results for each performance measure and progress towards target
- All performance and financial plan documents and reports are public information once forwarded to OMB.
- All plans and reports must be published on a publicly available internet website.

- Performance plans must be developed with employee participation.

Section 20:

Adds new paragraphs to AS 37.07.120: Definitions

- Goal: A broad statement generally describing a desired outcome for an agency or a program of the agency
- Objective: A measurable target that describes the end result that a service or program is expected to accomplish in a given amount of time
- Performance Measure: A quantifiable and enduring measure of an outcome, output, efficiency, or effectiveness
- Strategic plan: A strategic plan developed under AS 37.07.050

Section 21:

Amends Section AS 44.66.020(c): Agency Programs

- Removes reference to previous method of mission and measures.

Section 22:

Amends Section AS 44.66.020(d): Agency Programs

- Removes reference to previous method of agency priorities.

Section 23:

Amends Section AS 44.66.050(a): Legislative Oversight

- Updates the new reference to the budget of boards and commissions.

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Co-Chair Olson wondered whether the administration had a position on the bill.

Mr. Harvey responded that there was no official position.

Senator Kaufman furthered that there was consultation with the Office of Management and Budget (OMB).

Co-Chair Olson wondered whether OMB had stated whether they were in favor of the bill.

Mr. Kaufman replied that there was not a stance on the bill from the administration.

Co-Chair Stedman queried the impact of ignoring the requirements.

Senator Kaufman replied that the better the framework created, the harder it was to ignore.

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Mr. Harvey discussed the presentation, "SB 21: Strategic Plans" (copy on file).

[2:28:10 PM](#)

Mr. Harvey addressed slide 2, "Overview":

- Problem Statement
- Current State
 - AS 37.07: The Executive Budget Act (EBA)
- Proposed Future State: SB 21
- Structural Changes to AS 37.07
- Benefits
- Examples

Mr. Harvey highlighted slide 3, "Problem Statement":

Alaska's management of programs and projects has not been as strong as many citizens expect from their government

Alaska consistently scores lower than other states in key metrics

- e.g. 45 overall in US News' best states
 - <https://www.usnews.com/news/best-states/alaska>
- e.g. Received a C- Report Card for Infrastructure by ASCE
 - <https://infrastructurereportcard.org/state-item/alaska/>

Alaska has fragments of an appropriate enterprise-scale management system, but not something that cohesively blends operational, performance, and quality management How can we start to drive a higher level of performance while successfully improving our overall cost/benefit ratio?

Senator Bishop wondered how the strategic plan would help with the criticism around spending too much money.

Senator Kaufman replied that a slide would address the question.

[2:30:58 PM](#)

Mr. Harvey discussed slide 4, "Current Executive Budget Act":

Title 37: Public Finance
Chapter 07: Executive Budget Act
SB 21: Executive Budget Act

Describes the role of the legislature, OMB, and the governor in the budgeting and program execution process

Includes two sections which focus on planning and performance

37.07.050 Agency program and financial plans;
mission statements
37.07.080 Program Execution

Mr. Harvey looked at slide 5, "Proposed Future State: SB 21":

Responsibility Change (Measures/targets set by executive branch)

Planning Hierarchy and increased organization

Statewide Priorities (3-6 long-term priorities set by governor)

Strategic Plans (4-year plan, updated at least every two years)

Mission, goals, and objectives for each department

Performance Plans (Annual Plan)

Program structure and performance history/targets

Financial Plans (Annual Plan)

Financial History and Budget information

Transparency and Reporting

Quarterly Performance Reports: Progress towards targets

All plans and reports are posted on a single, public website

Mr. Harvey looked at slide 6.

Mr. Harvey discussed slide 7, "Structural Changes to AS 37.07":

Title Change of AS 37.07.016: Governor's use of strategic plans, mission statements, and performance plans

Title Change of AS 37.07.050: Agency strategic plans; mission statements
Refocuses this section on strategic plans and changes title due to moving performance and financial information

New Section AS 37.07.055: Specific requirements for Boards/Commissions

New Section AS 37.07.085: Performance and Financial Plan section

Mr. Harvey addressed slide 8, "Benefits":

Align the strategy of all agencies with a governor's statewide priorities

Link short term tactics/funding to mid-range, department-level strategy

Push responsibility for defining measures and targets to the executive branch. The people closest to the customers of services

Reduce duplication of goal-setting and financial information at a program or component level

Increase the level of detail regarding program structure and program definition

Mr. Harvey pointed to slide 9, "Examples":

Federal Government (GPRAMA)
<https://www.gao.gov/leading-practices-managing-results-government>

AZ Strategic Plans: <https://azospb.gov/>

North Carolina:

<https://www.osbm.nc.gov/operational-excellence/strategic-planning/strategicplanning-guide>

New Mexico: Accountability in Government Act

https://www.nmlegis.gov/entity/lfc/Documents/Accountability_In_Goverment_Act/Legislatiing%20For%20Results.pdf

Other Guides

https://www.osc.state.ny.us/files/localgovernment/publications/pdf/strategic_planning.pdf

<https://www.urban.org/sites/default/files/publication/62616/410067-State-Approaches-to-Governing-For-Results-and-Accountability.PDF>

Mr. Harvey discussed slide 10.

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Senator Kaufman remarked that the graphic showed the history of the actions.

Senator Merrick queried the implementation of the strategy without binding future legislatures.

Senator Kaufman responded that the legislature had its functions, and supported the improved vision.

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[2:41:09 PM](#)

Co-Chair Stedman noted that there was a current budget with an almost \$1 billion deficit, and felt that there was politics that may be different than a framework.

Senator Kaufman replied that he was not proposing the concept for challenging accounting.

Mr. Harvey highlighted slides 11 and 12.

[2:44:30 PM](#)

Senator Kiehl mentioned OMB staff, and considered that overseeing plans such as proposed in the bill. He asked the sponsor about his vision.

Senator Kaufman considered that the plan was for a realignment of the work that was currently being done.

[2:49:35 PM](#)

Senator Kiehl remarked that there was not training on a unified framework.

Senator Kaufman stated that building the framework would result in positive results.

Mr. Harvey finished the presentation.

Co-Chair Olson noted the statement

Co-Chair Olson OPENED and CLOSED public testimony.

SB 21 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[2:57:13 PM](#)

The meeting was adjourned at 2:57 p.m.