

SENATE FINANCE COMMITTEE  
March 14, 2024  
9:04 a.m.

[9:04:07 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.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

Senator Cathy Giessel; Adam Crum, Commissioner, Department of Revenue; Dan Stickel, Chief Economist, Department of Revenue; Lacey Sanders, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

SPRING REVENUE FORECAST - DEPARTMENT OF REVENUE

GOVERNOR'S BUDGET AMENDMENTS - OFFICE OF MANAGEMENT and BUDGET

^SPRING REVENUE FORECAST - DEPARTMENT OF REVENUE

[9:10:06 AM](#)

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, introduced himself.

[9:10:39 AM](#)

DAN STICKEL, CHIEF ECONOMIST, DEPARTMENT OF REVENUE, discussed a presentation entitled "Spring 2024 Forecast Presentation - Senate Finance Committee" (copy on file). He turned to slide 2, "Agenda":

1. Forecast Background and Key Assumptions
2. Spring 2024 Revenue Forecast
  - Total State Revenue
  - Unrestricted Revenue
3. Petroleum Forecast Assumptions Detail
  - Oil Price
  - Oil Production
  - Oil and Gas Lease Expenditures
  - Oil and Gas Transportation Costs
  - Oil and Gas Credits

Mr. Stickel showed slide 3, "Forecast Background and Key Assumptions."

Mr. Stickel referenced slide 4, "Background: Spring Revenue Forecast":

- Released March 13, 2024
- Historical, current, and estimated future state revenue
- Updates key data from Fall Revenue Sources Book
- Official revenue forecast used for final budget process
- Located at [tax.alaska.gov](http://tax.alaska.gov)

Mr. Stickel turned to slide 5, "Spring Forecast Assumptions":

- The economic impacts of financial and geopolitical events are uncertain; DOR has developed a plausible scenario to forecast these impacts
- Key Assumptions:
  - o Investments: Stable growth in investment markets, 7.40% annualized rate for remainder of FY 2024 and 7.60% for FY 2025+
  - o Federal: The forecast incorporates known funding as of March 1, 2024, includes updated estimates of potential Infrastructure Investment and Jobs Act funding

- o Petroleum: Alaska North Slope oil price of \$84.08 per barrel for FY 2024 and \$78.00 per barrel for FY 2025
- o Non-Petroleum: Continued economic growth. 1.6 million cruise passengers yearly, three-year recovery for fishing industry, minerals prices based on futures markets

Mr. Stickel considered slide 6, "Relative Contributions to Total State Revenue: FY 2023," which showed the assumption of total state revenue for FY 23.

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Mr. Stickel displayed slide 7, "Relative Contributions to Total State Revenue: FY 2024." He cited a projection of \$15.5 billion in total state revenue in FY 24.

Mr. Stickel showed slide 8, "Spring 2024 Revenue Forecast,"

Mr. Stickel looked at slide 9, "Unrestricted Revenue Forecast: FY 2023 and Changes to Two-Year Outlook,"

Mr. Stickel addressed slide 10, "Total Revenue Forecast: FY 2023 to FY 2025 Totals," which showed a table dividing the state revenue streams into pie sections.

Mr. Stickel discussed other restricted revenues, which were limited in use. He used the example of a share of royalty revenue, which was dedicated to the Permanent Fund.

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Mr. Stickel advanced to slide 11, "Unrestricted Revenue Forecast: FY 2023 to FY 2025 Totals."

Mr. Stickel looked at slide 12, "Unrestricted Investment Revenue: FY 2023 to FY 2025 Totals."

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Mr. Stickel showed slide 13, "Unrestricted Investment Revenue: Percent of Market Value (POMV) Transfer Forecast,"

Mr. Stickel referenced slide 14, "Unrestricted Petroleum Revenue: FY 2023 to FY 2025 Totals."

Mr. Stickel turned to slide 15, "Unrestricted Non-Petroleum Revenue: FY 2023 to FY 2025 Totals," which showed a table. He noted that the largest share of the non-petroleum revenue was taxes.

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Mr. Stickel viewed slide 16, "Petroleum Forecast Assumptions Detail."

Mr. Stickel displayed slide 17, "Petroleum Detail: Changes to Long-Term Price Forecast."

Mr. Stickel highlighted slide 18, "Petroleum Detail: Nominal Brent Forecasts Comparison as of March 12, 2024," which showed a line graph depicting how the forecasts compared with each other.

Mr. Stickel looked at slide 19, "Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2025," which showed a graph of how the oil price translated to revenue. The graph showed a sensitivity.

Mr. Stickel addressed slide 20, "Petroleum Detail: North Slope Petroleum Production Forecast," and noted that any nuanced questions about the production forecast should be deferred to DNR.

Mr. Stickel advanced to slide 21, "Petroleum Detail: Changes to North Slope Petroleum Production Forecast," which showed a graph comparing the production forecast to the forecast issued in the fall.

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Mr. Stickel looked at slide 22, "Petroleum Detail: North Slope Allowable Lease Expenditures," which showed a graph depicting how lease expenditures had changed over the previous four years.

Mr. Stickel spoke to slide 23, "Petroleum Detail: North Slope Transportation Costs."

Mr. Stickel referenced slide 24, "Petroleum Detail: Tax Credits for Purchase Detail," which showed a bar graph of tax credits.

Co-Chair Stedman recommended that the commissioner address the issue of tax credits.

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^GOVERNOR'S BUDGET AMENDMENTS - OFFICE OF MANAGEMENT and BUDGET

[9:44:48 AM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, relayed that she // She discussed a presentation entitled "FY2025 Governor's Amended Budget - Senate Finance Committee - March 14, 2024" (copy on file).

Ms. Sanders showed slide 2, "FY2025 Updated Fiscal Summary."

Ms. Sanders spoke to slide 3, "Updated 10-Year Fiscal Outlook," which showed a table as requested by the committee.

Ms. Sanders referenced slide 4, "Operating Governor Amend Requests," which showed a table outlining the governor's amendments.

Ms. Sanders continued that within the Department of Commerce, Community and Economic Development, there was an item that she would reference multiple times and that was addressed by a forthcoming slide.

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Ms. Sanders continued to address slide 4. In the Department of Military and Veterans Affairs there was a request for \$400,000 to transition the department from the Office of Information Technology (OIT) to an internal oversight of the IT functions.

Senator Kiehl asked about the DMVA move from OIT, and asked if the amendment would move the DTO to OIT.

Ms. Sanders agreed to follow up on that question.

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Ms. Sanders turned to slide 5, "Capital Governor Amend Requests," which provided a summary of capital amendments for FY 25.

Ms. Sanders continued to address slide 5 and identified a joint use facility in Juneau. The federal receipts // There had been a misunderstanding within the University of Alaska Southeast.

Ms. Sanders considered slide 6, "Operating Supplemental Requests," which showed a table of additional operating supplemental requests that had been submitted.

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Ms. Sanders identified an amendment in the Department of Public Safety, which showed that the conclusion was that the workload could not be performed by a single position, and an additional position was a requirement.

Ms. Sanders identified two additional judgements and claims identified by the Department of Law. She spoke to a line for fund transfers.

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Senator Bishop asked for the balance between the allocations for AVTEC.

Ms. Sanders thought she may have misspoken, and stated that the total need was \$629,500 to complete the year.

Senator Bishop recalled that Ms. Sanders had indicated that AVTEC needed 85 percent enrollment to balance the budget.

Ms. Sanders agreed.

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Ms. Sanders displayed slide 7, "Capital Supplemental Requests," which showed a table. She reiterated that there were three pieces that constituted the AEA.

Ms. Sanders highlighted slide 8, "Grid Resilience and Innovation Partnership (GRIP)," which detailed pieces of the GRIP project.

Senator Merrick asked about the \$12.7 million in GRIP matching funds, and asked if there was any concern.

Ms. Sanders relayed that AEA Director Curtis Thayer had confirmed with the federal government.

Senator Merrick thought there had been discussion of using a General Obligation (GO) Bond for the project.

Ms. Sanders explained that OMB was still having discussions to determine if a bond package was the best course of action.

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Co-Chair Olson referenced the GRIP project, and asked if there were any concerns being voiced about the energy prices in other areas.

Ms. Sanders affirmed that there were conversations occurring that .

Co-Chair Stedman asked for additional discussion on judgment and claims.

Ms. Sanders shared that first item was \$400,000 and was titled "Lacano Investment, LLC and Nowell Avenue Development vs. State of Alaska, Department of Natural Resources."

Ms. Sanders explained that the spreadsheets summarized the items she had addressed in her presentation.

Co-Chair Stedman noted that the capital budget chairman Co-Chair Hoffman was not present.

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Co-Chair Stedman asked about a summary of reductions.

Ms. Sanders acknowledged that there was a \$19 million reduction for DNR's duplication of expenses.

Senator Bishop noted that the decrement that came out of a conversation in subcommittee.

Co-Chair Stedman anticipated a \$94 million, so the \$19 million decrement was good news.

Co-Chair Stedman discussed the agenda for the afternoon meeting.

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ADJOURNMENT

10:24:18 AM

The meeting was adjourned at 10:24 a.m.