

SENATE FINANCE COMMITTEE
March 13, 2025
9:01 a.m.

[9:01:34 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

Senator Donny Olson, Co-Chair
Senator Mike Cronk

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division;
Adam Crum, Commissioner, Department of Revenue; Dan
Stickel, Chief Economist, Economic Research Group, Tax
Division, Department of Revenue.

SUMMARY

PRESENTATION: THREE YEAR BUDGET OUTLOOK UPDATE -
LEGISLATIVE FINANCE DIVISION

PRESENTATION: SPRING REVENUE FORECAST - DEPARTMENT OF
REVENUE

Co-Chair Hoffman discussed the agenda.

^PRESENTATION: THREE YEAR BUDGET OUTLOOK UPDATE -
LEGISLATIVE FINANCE DIVISION

[9:02:52 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed a presentation entitled "Response to Questions from 3-10 Presentation" (copy on file). He relayed that he would discuss his response to questions generated during the March 10, 2025, committee meeting. The committee's request was to see the scenarios comparing the House amended version of HB 269 to the original version. He noted that the amended House version added \$22 million to the original version.

Mr. Painter looked at slide 2, "K-12 Funding Legislation and Trends,":

- The FY25 budget included \$174.7 million in funding above the Foundation Formula (equivalent to \$680 in the Base Student Allocation) and \$7.3 million above the Pupil Transportation formula (\$182.0 million total).
- The Governor proposed two major K-12 bills this year: SB 66 (Tribal Compacting) and SB 82 (Education Omnibus). In the House, the Rules Committee CS for HB 69 would increase the BSA by \$1,000 and add reading incentive grants that were proposed in the Governor's bill.
- In FY26, the projected K-12 formula amount went down by \$28.7 million UGF, primarily due to a lower student count. Based on the Department of Labor's demographic projections, this may continue over the next several years.

[9:03:47 AM](#)

Mr. Painter spoke to slide 3, "Medicaid Projection":

- According to the Long-Term Medicaid Forecast by Evergreen Economics, the UGF cost of Medicaid is expected to grow by 4.5% per year.
- The table below illustrates the effect of 4.5% growth in Medicaid in FY27 and FY28 compared to growth with inflation (2.5%).
- At 2.5% annual growth, Medicaid UGF would increase by \$37.8 million from FY26 to FY28. At 4.5% growth, it would increase by \$68.7 million.

Mr. Painter referenced the table at the bottom on the slide and noted that the projection increased by \$31 million in FY2028.

[9:04:43 AM](#)

Mr. Painter referenced slide 4, "Senate Finance FY26 Budget Scenario":

- The Senate Finance co-chairs requested a scenario to envision what the final FY26 budget could look like. This does not reflect final decisions and is illustrative only.

- Since the February 19 presentation, the budget baseline has been changed to the Governor's amended budget

- The placeholder for new contracts has been increased from \$29.6 million last month to \$40.0 million now, primarily based on the ACOA contract coming in with an 11% increase.

Mr. Painter detailed that LFD had seen three contracts that were part of the governor's amendments, and expected six more before the end of session, which would change the placeholder figure.

[9:05:26 AM](#)

Mr. Painter turned to slide 5, "Senate Finance FY26 Budget Scenario - \$680 BSA Increase, 75/25 PFD," which showed a PFD payout of \$1,420 per recipient.

[9:05:36 AM](#)

Mr. Painter considered slide 6, "House Finance Co-Chairman's FY26 Budget Scenarios":

- A House Finance Co-Chairman did a similar exercise in a March 5, 2025 meeting, but included several PFD scenarios:

- 1.75/25 PFD
- 2.\$1,000 PFD
- 3.\$2,000 PFD
- 4.Statutory PFD
- 5."Balanced Budget" PFD

- The Senate Finance Co-Chairs asked to show Scenario 5 in this presentation. The remaining scenarios are part of the meeting documents for the March 5 House Finance Committee meeting.

- The House three-year scenarios grow with inflation for all items rather than having Medicaid grow at 4.5% like the Senate scenario does.

Mr. Painter noted that the 5 scenarios could be viewed in the House Finance March 5, 2025, budget documents.

[9:05:55 AM](#)

Mr. Painter displayed slide 7, "HFIN Co-Chair FY26 Budget Scenario 5 - \$1,000 BSA Increase, Balanced Budget PFD," which showed \$1,000 BSA increase and a PFD amount that would balance the budget - \$736 per recipient.

Co-Chair Hoffman asked Mr. Painter to remind the committee of the previous year's dividend.

Mr. Painter recounted that the previous year's dividend had been a combination of an energy relief payment and PFD. The dividend portion was a 75/25 split, the combined effect resulted in a PFD totaling \$1,702.

Co-Chair Hoffman estimated that the proposed scenario on slide 7 had a PFD that was \$1000 less than the previous year.

Mr. Painter agreed.

[9:07:03 AM](#)

Mr. Painter highlighted slide 8, "House Finance Co-Chairman's FY25-28 Scenario 5 - Modified by SFIN to Add Medicaid Growth of 4.5% from MESA Report and full," highlighted that there was \$1,000 BSA increase as well as an additional \$22 million for reading grants. He explained that the result of that was a reduced PFD - \$700 per recipient.

Co-Chair Hoffman relayed that the committee would be hearing from DOR next, and whatever that presentation reflected would result in an update to LFD's current slides.

Mr. Painter relayed that he would be happy to bring the updated information back to the committee.

[9:08:50 AM](#)

Mr. Painter looked at slide 9, "FY26-28 Senate Finance Scenario":

- Assumes existing schedules for statewide items, adds \$7.8m placeholder for new school bond debt starting in FY27.
- Agency operations and the capital budget grow with inflation (2.5%) over FY26 levels (from scenario on previous page), except Medicaid is shown with a 4.5% growth rate.
- Adds additional \$66.5 million for AMHS in FY28 to replace expired federal funds.
- \$50.0 million supplemental budget placeholder in FY26 and beyond.

[9:09:22 AM](#)

Mr. Painter addressed slide 10, "Senate Finance FY25-28 Scenario - \$680 BSA Increase, 75/25 PFD," which showed a table reflecting a deficit of approximately \$4 million in FY2026, growing to \$6 million in FY2028.

[9:09:44 AM](#)

Mr. Painter advanced to slide 11, "House Finance Co-Chairman's FY25-28 Scenario 5 - \$1,000 BSA Increase, Balanced Budget PFD," which showed a balanced budget before supplementals, which increased the deficit to \$50 million. He noted that the FY2026 \$746 dividend decreased in the out years.

Co-Chair Hoffman reiterated that the dividend continued to decline in the out years. He assumed that in a decade or so, the PFD would be completely eliminated. In talking with members in the House and Senate from both parties, there was a strong desire to have a PFD continue into the future.

[9:11:27 AM](#)

Mr. Painter looked at slide 12, "House Finance Co-Chairman's FY25-28 Scenario 5 - Modified by SFIN to Add Medicaid Growth of 4.5% from MESA Report and full HB 69 Cost (\$275.9 million)," which showed a table that reflected a modification requested by the co-chairs. He pointed out that the higher cost for the K-12 bill as well as the faster growth of the cost of Medicaid. The change

collectively reduced the amount of the balanced-budget PFD to \$450 in FY2028.

[9:12:08 AM](#)

Senator Merrick asked whether Mr. Painter had an idea of how much the state paid the federal government out of the PFD.

Mr. Painter believed that it was approximately 15 percent to 20 percent.

Co-Chair Hoffman thought it was clear that the direction of Scenario 5 gave the state, which caused some concern regarding the PFD. He reiterated that the committee expected an update on the slides after the release of the DOR Spring Revenue Forecast.

^PRESENTATION: SPRING REVENUE FORECAST - DEPARTMENT OF REVENUE

[9:13:53 AM](#)

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, relayed that he was going to present the Spring 2025 Revenue Forecast. He relayed that the UGF forecast for 2025 was essentially unchanged from the fall forecast.

[9:15:09 AM](#)

DAN STICKEL, CHIEF ECONOMIST, ECONOMIC RESEARCH GROUP, TAX DIVISION, DEPARTMENT OF REVENUE, discussed a presentation entitled "Spring 2025 Forecast Presentation - Senate Finance Committee" (copy on file). He relayed that the outline of the presentation was like what was presented in January 2025. He thanked his staff for their work on the forecast.

[9:16:08 AM](#)

Mr. Stickel looked at slide 2, "Agenda":

- 1.Forecast Background and Key Assumptions
- 2.Spring 2025 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
- Petroleum Revenue by Land Type

[9:16:37 AM](#)

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

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

- Released March 12, 2025
- 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

Mr. Stickel noted that the spring forecast was an update to the Revenue Sources Book (RSB) that was published in the fall.

[9:17:11 AM](#)

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:
 - Investments: Stable growth in investment markets, 7.90% for remainder of FY 2025 and 7.65% for FY 2026+
 - Federal: The forecast incorporates known funding as of March 1, 2025. FY 2027+ assumed to grow with inflation
 - Petroleum: Alaska North Slope oil price of \$74.48 per barrel for FY 2025 and \$68.00 per barrel for FY 2026
 - Non-Petroleum: Continued economic growth. 1.6 million cruise passengers, five-year recovery for

fisheries taxes, minerals prices based on futures markets

Mr. Stickel pointed out that the information was a scenario within a range of uncertainty and made a note of volatility in the market. He noted that the non-petroleum forecast was predicated on a stable and growing economy.

[9:19:37 AM](#)

Mr. Stickel considered slide 6, "Relative Contributions to Total State Revenue: FY 2024," which showed a graphical representation of state revenues. Due to the lack of a statewide income or sales tax, the state's revenue was concentrated in federal funds, investments, and petroleum revenue. The three sources accounted for over 93 percent of state revenue.

[9:20:31 AM](#)

Mr. Stickel displayed slide 7, "Relative Contributions to Total State Revenue: FY 2025," which showed a similar graphic to the previous slide, but for FY2025. All other revenue sources were forecast to contribute under 9 percent of total revenue for FY2025.

[9:20:54 AM](#)

Mr. Stickel displayed slide 8, "Spring 2025 Revenue Forecast."

Mr. Stickel looked at slide 9, "Unrestricted Revenue Forecast: FY 2024 and Changes to Two-Year Outlook," which showed a table of oil price, oil production, the Permanent Fund transfer, and unrestricted revenue for FY 2024 through FY 2026. He pointed out that the oil price forecast, compared to the fall forecast, was increased by .62 cents per barrel for FY 2025, and decreased by \$2 per barrel for FY 2026.

Mr. Stickel noted that the futures market as of that morning forecasted \$68 per barrel oil. He cited that there was essentially no change to in the permanent fund transfer to the general fund. He said that the total unrestricted revenue did not change for FY2025 but saw a \$70 million decrease for FY2026.

Co-Chair Hoffman queried whether the change in FY 2025 of .4 was due to the timing in the fiscal year.

Mr. Stickel looked at FY 2025 numbers and made note of a variety of changes in the different components of the revenue forecast. He said that the zero change was coincidental.

[9:23:46 AM](#)

Mr. Stickel addressed slide 10, "Total Revenue Forecast: FY 2024 to FY 2026 Totals," which showed a table of revenue types broken out into four categories of restriction, shown through FY 2024 to FY 2026 with columns showing the percent of change.

[9:25:16 AM](#)

Mr. Stickel advanced to slide 11, "Unrestricted Revenue Forecast: FY 2024 to FY 2026 Totals," which showed a table breaking the state's Unrestricted revenue into the three categories of investment revenue, petroleum revenue, and non-petroleum revenue. He cited that the investment revenue was the primary source of unrestricted revenue. That source contributed \$3.7 billion in FY 2024 and was projected to contribute \$3.8 billion in FY 2025 and \$3.9 billion in FY 2026. Petroleum Revenue contributed \$2.5 billion in FY 2024 and was projected to contribute \$1.9 billion in FY 2025 and \$1.6 billion in FY 2026. Non-Petroleum revenues were forecasted to contribute \$4 million in FY 2025 and approximately \$600 million in FY 2026.

[9:26:31 AM](#)

Mr. Stickel looked at slide 12, "Unrestricted Investment Revenue: FY 2024 to FY 2026 Totals," which showed a table showing the percent of market value (POMV) transfer and the PF investment revenue. He said that the transfer contributed \$3.5 billion in FY 2024. The transfer was expected to be \$3.6 billion in FY 2025 and \$3.8 billion in FY 2026. He stated that the remainder of the unrestricted general fund revenues would be primarily earnings on cash balances of the general fund.

[9:27:11 AM](#)

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

- Permanent Fund total return for FY 2024 of 7.90%
- \$80.8 billion fund value as of 1/31/25
- 7.90% return assumption for remainder of FY 2025
- Long-term total return expectation of 7.65% for FY 2026+
- 5.0% annual POMV transfer

Mr. Stickel noted that the bar graph on slide 13 showed the POMV transfer forecast from 2025 through 2035. He explained that the forecast was based on a 7.76 percent long-term assumption for the fund and a draw of 5 percent.

[9:28:02 AM](#)

Mr. Stickel referenced slide 14, "Unrestricted Petroleum Revenue: FY 2024 to FY 2026 Totals," which showed a table with the four main sources of unrestricted petroleum revenue including taxes and royalties. He detailed that the taxes included the Oil and Gas Production Tax, the Petroleum Corporate Income Tax, and the Petroleum Property Tax. In all, there was just under \$900 million in petroleum taxes in FY 25, and approximately \$800 million in FY 2026. The Oil and Gas Royalties were the largest source of petroleum revenue to the state, bringing in \$1.15 billion in FY 2024, and forecasted \$990 million in FY 2025, \$857 million for FY 2026. The royalty numbers only reflected the unrestricted general fund portion of the royalties, and additional 20 to 25 percent were deposited in the permanent fund and one-half of one percent was deposited in the school fund.

Senator Kiehl noticed a bump in petroleum property tax in the current year, but not in the coming year. He observed that there were a couple of large projects underway, which gave him the impression that property tax revenue would increase.

Mr. Stickel pointed to the increase in property tax from FY 2024 to FY 2025, which was a significant increase in the state share. He detailed the process of forecasting property tax. He said that the largest source of revenue to the state was Trans-Alaska Pipeline because the state received a significant share of its property tax from the pipe that ran through unorganized boroughs. He noted that

much of the large spending for new fields such as Pikka and Willow came from the North Slope Borough. The state received a small share of the property tax, but much of the tax in organized boroughs went to those boroughs.

[9:31:32 AM](#)

Senator Kiehl calculated that the net increase from FY 2025 to FY 2026 was \$5 million.

Mr. Stickel relayed that DOR had detailed backup to support the numbers on the slide that could be provided to the committee.

[9:32:18 AM](#)

Mr. Stickel turned to slide 15, "Unrestricted Non-Petroleum Revenue: FY 2024 to FY 2026 Totals," which showed a table some additional detail for the unrestricted non-petroleum revenue. The largest source forecast was taxes. Corporate income tax in FY 2024 brought in a little over \$177 million with \$210 million forecasted in FY 2025, and \$235 forecasted in FY 2026. The forecast was predicated on continued economic growth and the projections were broad based across different industries and incorporated some recovery from certain industries that suffered Covid-19 losses. The fall version of the presentation showed a negative number for the Mining License Tax for FY 24, which was due to a variety of factors including one-time adjustments and weak base metal prices in calendar year 2023. He noted that DOR was forecasting a recovery in mining prices. Other than the taxes, there was a variety of different revenue sources such as licensing and permits, fines, and dividends from state corporations.

Senator Kiehl asked Mr. Stickel to provide positive indicators about the state's economy.

Mr. Stickel relayed that when discussing economy in terms of the forecast, DOR mostly referenced the national economy and how it drove corporate income tax and tourist information. Putting the forecast together, the general assumption was continued economic growth. He thought there had been discussion in the public sphere related to a "recalibration" of sorts.

Co-Chair Hoffman spoke to a potential recession under the current federal administration. He asked for Mr. Stickel's opinion and how a recession might impact the forecast.

Mr. Stickel relayed that the forecast did not include consideration of a recession but was predicated on stable economic growth. He thought there was increased probability of a 35 percent chance of recession in the coming year.

[9:36:39 AM](#)

Senator Kiehl was interested in the revenue projections and how the projections reflected the growth of Alaska's economy.

Mr. Stickel noted that the Department of Labor and Workforce Development had projected a very slight growth in the population base. He said that the department assumed stability in the tourism sector at high levels, operation and development at the major mines, and expanding business profits. He made note of an assumption related to the fishing industry, which had suffered greatly in the last few years; the department could not predict how that would play out but had touched based with stakeholders outside of state government to develop the five-year time horizon for revenue recovery. He related that the consensus had been that the industry was likely to continue suffering.

Senator Kiehl thought it was intriguing that predictions of a growing economy in the state was good for four-tenths of a percent.

[9:39:28 AM](#)

Mr. Stickel showed slide 16, "Petroleum Forecast Assumptions Detail." He noted that the final portion of the presentation focused on key assumptions around the petroleum revenue forecast and how those assumptions had changed.

Mr. Stickel displayed slide 17, "Petroleum Detail: Changes to Long-Term Price Forecast," which showed a line graph reflecting the spring 2025 oil price forecast compared to the fall 2024 forecast. He noted that DOR used the median futures data for the first five trading days in March 2025. He mentioned that he glanced at the futures market earlier in the morning, and there had not been significant change

to the outlook beyond what was shown on the slide. He said that the FY 2024 prices came in a \$.62 per barrel above predictions and the FY 2025 prices were \$62 per barrel above the fall forecast at \$73.86 per barrel. FY 2025 price was reduced to \$68 per barrel. Prices stayed just under the \$70 range over the time horizon of the forecast.

[9:41:07 AM](#)

Mr. Stickel highlighted slide 18, "Petroleum Detail: Nominal Brent Forecasts Comparison as of March 11, 2025," which showed a line graph that compared the previous forecast on slide 17 with other sources of forecasts and had been updated on March 11, 2025, using data from that day.

[9:41:58 AM](#)

Mr. Stickel looked at slide 19, "Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2026," which showed a graph with an updated sensitivity analysis showing how revenues could change if prices did not come in as forecasted. He pointed out that the forecasted price for FY 2026 would contribute \$2.3 billion in unrestricted general fund revenue (outside of the POMV). He noted the assumption assumes official forecasted North Slope production of 466,600 barrels per day. Near the forecasted ANS price, per Spring 2025 forecast, a \$1 increase or decrease in price leads to an approximately \$35 million change in UGF revenue.

Co-Chair Hoffman asked by how many million how the forecasted numbers reduced the revenue from the current year.

Mr. Stickel explained that the oil price forecast for FY 2026 compared to the fall forecast was a reduction of \$2 per barrel. It reduced the UGF revenue forecast by \$70 million.

[9:43:27 AM](#)

Mr. Stickel addressed slide 20, "Petroleum Detail: North Slope Petroleum Production Forecast," which showed a graph depicting DOR's forecast for the next decade as well as a high case and a low case. He noted that the forecast was prepared by DNR. Generally, there was a picture of

stability for the next several years as natural declines in mature fields were offset by additional drilling and development. Once in 2029, and beyond, assumptions for increased in production were incorporated.

[9:44:25 AM](#)

Mr. Stickel advanced to slide 21, "Petroleum Detail: Changes to North Slope Petroleum Production Forecast," which showed a comparison of the updated 2025 spring forecast with the fall 2024 forecast. He noted that DNR had incorporated the most recent production information by field. Updated information for drilling and development at the different fields had also been updated. He summarized that generally the production forecast between fall and spring had not varied.

[9:45:22 AM](#)

Mr. Stickel looked at slide 22, "Petroleum Detail: North Slope Allowable Lease Expenditures," which showed the history and forecast for allowable lease expenditures, which were the capital and operating costs for oil companies doing business. Capital expenditures were \$4.2 billion in FY 2024, which represented a high-water mark. There was an expected increase for FY 2025, with continued high levels of capital expenditures stabilizing at \$3.4 billion per year. The big increase in FY 2024 and following years represented large amounts of spending and activity in fields like Pikka and Willow. He said that there was a lot of money currently being spent on the North Slope. He said a general modest and stable trend in operating expenditures was expected.

[9:46:59 AM](#)

Mr. Stickel spoke to slide 23, "Petroleum Detail: North Slope Transportation Costs," which showed a bar graph with a similar history and forecast but for transportation costs. The average transportation cost was \$10.53 per barrel in FY 2024. The cost represented the total cost of getting oil onto a tanker and to market. The three largest sources of cost are marine costs, TAPS tariff, and other. He was expecting transportation costs to remain very stable over the next decade. Any costs of operating pipelines were

expected to be offset by increased throughput in the pipeline.

[9:48:38 AM](#)

Mr. Stickel referenced slide 24, "State Petroleum Revenue by Land Type," which showed a table depicting land lease status by revenue component. He reminded that the state revenue received from different fields varied by location. All taxes applied to any production within the state and up to the state's three-mile limit, while royalty tax contributions varied depending on landowner.

Co-Chair Hoffman thanked Commissioner Crum and Mr. Stickel for the presentation. He thought the takeaway was the deficit had increased by \$70 million.

Commissioner Crum commented that the most incorporated data had been incorporated into the presentation.

[9:50:45 AM](#)

Senator Merrick asked whether the administration had any revenue sources to consider due to the current deficit.

Commissioner Crum referenced conversations. He stated that he could not speak on behalf of the governor's office.

Co-Chair Hoffman discussed the agenda for the following day.

#

ADJOURNMENT

[9:52:02 AM](#)

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