

SCOMM

101:1

LONG RANGE FINANCIAL PLANNING COMMISSION
MEETING
APRIL 8TH,1995

The meeting was called to order by interim chair Representative Mike Navarre. All members of the commission attended. Brian Rogers was selected as commission chair and Judy Brady as commission vice-chair.

Discussed first by the commission were ground rules for operating as well as information needed by the Commission in order to complete the charge to the commission laid out in LR 6. It was decided unanimously that a simple majority vote would be sufficient to carry a motion although that discussion would be revisited for the final report. Minority reports are acceptable.

It was agreed that a base plan should be founded upon known information such as oil prices and production and that base plan could be built upon with possibilities, such as lifting of the oil export ban.

It was also agreed that revenue from sources other than oil should be considered such as fisheries, tourism, timber, & mining. In addition, other revenue inside the state should be considered, such as regional native corporations, non-profits, federal government and military spending.

The commission feels that it is necessary to pay attention to state spending for other than the funding of government. Those areas such as private sector jobs, the overall economy, and clearly understanding the secondary effects of recommendations are also items to be considered.

The commission discussed Legislative Resolve 6. The discussion centered around the materials needed for the members to

review as well as defining and identifying the elements of the charge to the commission in the resolution.

Legislative Resolve 6 directs the commission to:

(1) review and evaluate state fiscal policy and strategy recommendations and assumptions from similar efforts in the past. Commission staff is assembling and sending out information to commission members in response to this directive. A list of those materials is available upon request and there are library-only copies in the commission office at 716 West Fourth Avenue, Suite 380.

(2) identify and evaluate all current state income sources and assets, including recurring revenue, reserves, physical resources, and investments.

Commission members intend to review the various revenue projections, settlements paid and left to be paid, speculative revenue, and the status of different funds as well as collateral institutions such as AHFC and AIDEA.

(3) identify and prioritize systemic changes to stabilize the state's revenue stream.

Examples of systemic changes to be reviewed by the commission include the Cremo Plan, selling of oil futures, forward funding, and also include funds to help any transition needed for any such change.

(4) identify and prioritize major reductions in state expenditures, to include formula and nonformula programs, and to include proposed consolidation, transfer or elimination of governmental services or programs; the reductions identified and prioritized under this paragraph must at least equal the current fiscal gap between recurring revenue and recurring expenditures.

Among the items to be reviewed by the commission are potential losses in federal funds and unfunded mandates, the growth of government and how it has changed, and what defines state spending. In addition, the commission plans to review constitutional and statutory requirements for state obligations and expenditures. A subcommittee consisting of Commissioner Motley, Commissioner O'Conner, and Commissioner Brady was formed to examine spending reductions.

(5) *evaluate forward funding of the budget.* See subsection (3).

(6) *identify and prioritize new sources of revenue.* The commission plans to identify revenue sources at not only the state but local level, as well as examine the role of debt and debt policy.

(7) *project a sustainable long range financial plan for the next three years, five years, and ten years, based on a stable revenue stream.* The commission's short term work plan includes identifying major factors to be considered when projecting a sustainable long range financial plan.

(8) *evaluate constitutional, statutory, and regulatory language relating to the budget process and recommend changes.* Examples of the items the commission will review are program vs. agency budgeting, the executive budget act and the constitutional budget reserve. In addition, the commission will evaluate statutory changes that may be necessary such as funding for major and deferred maintenance.

(9) *consider the division of responsibility for providing services and raising revenue between the state and local governments and evaluate the effect of the long range financial plan on local governments.* The commission has asked the municipal league for a white paper on this subject. In addition, the commission will examine service delivery in the state as it relates to both local governments and non-profits.

(10) *submit a preliminary report to the Governor and the Legislature by July 15, 1995.* Commission members and staff are confident that there will be a substantive preliminary report by July 15th, 1995.

(11) *disseminate information and solicit public comment.* A public information and comment subcommittee was formed, has had one teleconferenced meeting and plans another for May 8th. It is this subcommittee's intention to have a plan outline for the full commission to review at its meeting on May 20th.

(12) *submit a final report to the Governor and the Legislature by October 1, 1995, recommending a long-range financial plan for the state, including specific actions and legislation needed to implement and monitor the plan.* The commission will be discussing the final report in its subsequent meetings.

The next meeting of the Long Term Financial Planning commission will take place from 10 am to 5 pm, May 19th and 20th, 1995 in Anchorage at the Legislative Information Office, 716 West Fourth Avenue, Room . The schedule for the 19th of May includes briefings on revenue projections and budgeting. This is considered a work session and no public testimony will be taken. The schedule for the 20th of May will be an all day meeting of the commission. Public testimony will be taken as time allows.

First Meeting of the Long Range Financial Planning Commission Held in Juneau

On Saturday, April 8, the Long-Range Financial Commission held its first organizational meeting in Juneau. The Commission was established by legislative resolution during the current session and was charged with developing sustainable long range fiscal plans for the next three years, 5 years and 10 years. Members of the commission were chosen by the Legislature and Governor and consist of four Legislators, two from each house, two members of the Knowles administration and six public members. (List attached.) A preliminary report of the commission's findings and recommendations is due on July 15, with the final report due on October 1.

At the first meeting, commissioners chose Brian Rogers of Fairbanks as chair and J. y Brady of Anchorage vice chair. Two subcommittees were formed to deal with public outreach and expenditure reductions. Staff assignments were made and procedural ground rules discussed. Due to the demands of the legislative session on several members' time, the next meeting of the commission was tentatively set for May 19 and 20 in Anchorage. The lead staff person for the commission is Melissa Fouse, who can be reached at the Commission Office in Anchorage at 258-8170.

Post-It™ brand fax transmittal memo 7671 # of pages *

To	McLissa Fouse	From	Pence
Co.	FP Comm	Co.	MB
Dept.		Phone #	465-4677
Fax #	258-5511	Fax #	

TO: Brad
Pence

3470

Mike
Heatwork

Brad-
don't really have
much specific. If you
want me to cobble
something together I'll
be happy to if this is
too skimpy.

MF

Alaska State Legislature

House of Representatives

NEWS

State Capitol
Juneau, AK 99801- 1182
(907) 465-3439
Actuality line: 800-478-6540

Long Range Fiscal Planning Commission Begins Work

For Immediate Release:
April 10, 1995

Contact:
Mike Heatwole

JUNEAU -- The ¹⁵~~nine~~ Alaskans charged with creating a long term fiscal plan for the State began their deliberations on Saturday in Juneau.

The Long Range Fiscal Planning Commission selected Brian Rogers of Fairbanks as the chair of the group and Judy Brady of Anchorage as vice-chair.

The Commission spent the day establishing procedural guidelines for the group.

Following introductions, House Speaker Gail Phillips, one of the sponsors of the resolution establishing the commission, explained the purpose of the commission.

"I am very pleased that this group is up and running. Their responsibility is enormous but I really felt a strong sense of purpose among the members," Phillips said.

The Fiscal Planning Commission must submit a draft report to the Governor and the Legislature in July and a final report on October 1st. The commission must prepare three, five and ten year fiscal plans for Alaska.

Media Note: The staff contact for the Commission is Melissa Fouse and she can be reached in Anchorage at 907/258-8170.

#

Brad—

APPOINTMENTS TO LONG-RANGE FISCAL PLANNING COMMISSION**March 6, 1995****Appointed by Governor Tony Knowles:**

Bob Loescher of Juneau has been with Sealaska Corporation since 1978, most recently as vice president of natural resources. Loescher previously served in various positions with the Tlingit-Haida Central Council and with Alaska Legal Services.

Brian Rogers of Fairbanks former state legislator who worked with the statewide University system for 15 years, most recently as vice president for finance. Rogers has his Masters in public administration from Harvard University's Kennedy School of Government.

Lee Gorsuch of Anchorage is the chancellor at UAA who formerly served as director of the Institute of Social and Economic Research, and president of Commonwealth North. Gorsuch has long been involved in studies of strategies to address the state's "fiscal gap."

Pat Pourchot currently serves as Knowles' Legislative director. Pourchot served two terms in the state House and one term in the Senate. He also has served as director of Commonwealth North, a non-profit, bi-partisan public policy organization.

Annalee McConnell serves as director of the Office of Management and Budget. She previously served as OMB director for Knowles during his second term as Mayor of Anchorage, and was director of the Stone Soup Group, a program for children with developmental disabilities.

Appointed by Speaker Gail Phillips:

Judy Brady of Anchorage is the executive director of the Alaska Oil and Gas Association and past executive director of the Alaska Municipal Bond Bank Authority and Commonwealth North. She has been Commissioner of the Department of Natural Resources and chief administrative judge for the Alaska Native Claims Appeals Board of the U.S. Department of the Interior.

Bruce Ludwig of Juneau has held various positions with the Alaska state AFL-CIO including secretary-treasurer and vice president. Currently, he is the business manager and trustee for the Alaska Public Employees Association. Previously, he was trustee of the Northwest Marine Retirement Trust and Northwest Marine Benefits Trust.

Mary Nordale of Juneau, is an attorney in private practice. She was formerly the Alaska Commissioner of Revenue, a past Trustee of the Permanent Fund Corporation and past board member of the Alaska Housing Finance Corporation and Alaska Industrial Development and Export Authority.

Long Range Planning Commission Members
page 2

Rep. Mike Navarre (District 9-E) is a businessman from Soldotna. He has served in the State House since 1984. He is a former chairman of the House Finance Committee.

Rep. Sean Parnell (District 17-I) is an attorney from Anchorage. He was first elected to the State House in 1992.

Appointed by Senate President Drue Pearce:

Mike O'Connor is the president and chief executive officer of Peak Oilfield Service Company. A civil engineer, O'Connor has been president of the Petroleum Club and the Special Olympics. He has been active in United Way, the Alliance and the Resource Development Council.

Marie Westfall is the former director of Revenue and Assessing for the Ketchikan Gateway Borough. She is also a former member of the Ketchikan Borough Assembly. Currently, she and her husband operate Westfall Nursery.

Hugh Motley of Cooper Landing is a retired tax vice president for ARCO.

Sen. Georgianna Lincoln (District R) is a commercial fisherwoman and administrator from Rampart. She served in the State House in 1990 and was elected to the Senate in 1992.

Sen. Steve Rieger (District I) is a financial manager from Anchorage. He was served in the State House from 1984 through 1990, and was elected to the Senate in 1992.



STATE OF ALASKA

LONG RANGE FINANCIAL PLANNING COMMISSION

AGENDA

Saturday, 08 April 1995

11:00 am:

Call to Order
Introductions
Speaker Phillips: discussion of HCR 1 and its charge to the
Commission (depending upon session schedule)
Strategy Session: How to Achieve the Goals of HCR 1

1:00 pm:

Break for Lunch (Sandwiches to be sent in)

2:00 pm

Reconvene
Elect Chair
Discussion of Work Plan, Timelines, & Staff Assignments
Budgeting Briefing:
Sources of Revenue/Revenue Projections
Five-Year Projections

04/08/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

14:27:16

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:50539

SCHEDULED FOR:04/08/95 11:00 TO 17:00

FOR:ANC

PUBLIC HEARING

REPRESENTATIVE PHILLIPS

LOCATION:ANCHORAGE

ORGANIZATION M MR.

THOMAS

WILIAMS

OBSERVE

ORGANIZATION M MR.

CHARLES

MCKEE

OBSERVE

ORGANIZATION M MR.

CHERYL

FRASCA

OBSERVE

ORGANIZATION M

JO

FENETY

SEN PEARCE'S OFFOBSERVE

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 1(STA) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Amended: 2/10/95

Offered: 2/8/95

Sponsor(s): REPRESENTATIVES Phillips, B.Davis, Green, Rokeberg, Navarre, James, Williams, Bunde, Kohring

A RESOLUTION

1 Creating the Long Range Financial Planning Commission.

2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 WHEREAS state spending has exceeded recurring revenue to the state; and

4 WHEREAS the state must eliminate the fiscal gap; and

5 WHEREAS the state is currently forced to deal with an unpredictable and declining
6 revenue stream; and

7 WHEREAS the state must find a means of stabilizing revenue and expenditures at a
8 sustainable level; and

9 WHEREAS the state's system of budgeting and spending must be analyzed and
10 reevaluated by the legislature; and

11 WHEREAS the citizens of the state should have an opportunity to consider these
12 topics, offer comments, and participate in developing a long-range financial plan for the state;
13 and

14 WHEREAS it would be beneficial to the state and its citizens to implement a long-
15 range financial plan to promote economic stability by diversifying the state's economy and
16 lessening dependence on oil revenue;

1 **BE IT RESOLVED** that the Alaska State Legislature establishes the Long Range
2 Financial Planning Commission in order to develop and recommend to the governor and the
3 legislature a long-range financial plan for the state; and be it

4 **FURTHER RESOLVED** that the commission shall consist of the following voting
5 members:

6 (1) nine members of the public, not to include members of the legislative,
7 executive, or judicial branches; the Speaker of the House of Representatives, the President of
8 the Senate, and the Governor shall each appoint three of these members;

9 (2) two members of the House of Representatives appointed by the Speaker
10 of the House; one member shall be a member of the majority and one a member of the
11 minority;

12 (3) two members of the Senate appointed by the President of the Senate; one
13 member shall be a member of the majority and one a member of the minority; and

14 (4) two members of the executive branch appointed by the Governor; and be
15 it

16 **FURTHER RESOLVED** that the commission shall select a chair and vice-chair from
17 among the public members of the commission, shall meet as frequently as the commission
18 determines necessary to perform its work, may meet during the interim, and may meet and
19 vote by teleconference; and be it

20 **FURTHER RESOLVED** that the public members of the commission shall serve
21 without compensation but are entitled to travel expenses and per diem as authorized under
22 AS 39.20.180 for boards and commissions; and be it

23 **FURTHER RESOLVED** that the commission shall

24 (1) review and evaluate state fiscal policy and strategy recommendations and
25 assumptions from reports and publications from similar efforts in the past made by the
26 executive branch, the legislative branch, the University of Alaska, nonprofit organizations, and
27 private individuals and organizations;

28 (2) identify and evaluate all current state income sources and assets, including
29 recurring revenue, reserves, physical resources, and investments;

SCS CSHCE 1(STA) am S

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HCR001D

AHFC
Social
Program
vs.
Capitalization

Report due 2 wks prior to meeting
(2a) projections

* How treat speculative
generally? (AM)

Debt Policy
Reserve Policy

50-100M
Investment
against state i.e. corrections

↑ Settlements
\$ paid
\$ left to
be paid
corrections

Some food for thought from Jack Fargnoli of OMB

4/8/95

To date, efforts addressing the fiscal gap problem have focused on asking the question, "How can we solve it?"

It might be more fruitful, however, to ask the question, "Why has it been difficult to solve it?"

Responses to such a question might include:

- It's not because we don't know the nature and size of the fiscal gap.
- It's not because we don't know the nature and size of the tools available for filling the fiscal gap.
- Rather, it's because of dilemmas such as:
 - the "Moving Target" problem - - viz., the fact that the revenue "cliff" is always 4-5 years off in the future, which has made it difficult to develop political will
 - the "Sheriff With One Bullet" problem - - viz., the fact that no one wants to go first, and take the political bullet, on proposing specific budget cuts, taxes, or uses of the Permanent Fund
 - the "Which Tool First" problem - - viz., the question of whether spending cuts must precede the use of taxes or the Permanent Fund, and how much in spending cuts
 - the "Sleeping Giant" problem - - viz., the fact that the public has not to date been truly engaged in the fiscal gap debate (engaged the way a clutch is engaged, i.e., put into play)
 - the "How Much Is Enough?" problem - - viz., the failure to address "needs" in the fiscal debate, and thus falling into a war of words about whether there is too much or too little revenue, or whether too much or too little has been cut from spending
- These are essentially problems of process - - specifically, a problem of impediments in the public decision process.

From this perspective, the relevant question is: How can a governor, a legislature, and a public, deal with problems like these? What options exist?

- This topic - - the impediments facing the public decision process on the fiscal gap issue - - arguably should be a central part of the Commission's agenda.

Interpretation
ideas
ie. legal laundry list of what means
1 (3) identify and prioritize systemic changes to stabilize the state's revenue
2 stream; *ie. census, oil futures selling, food funding, transition #, lease mms, Bureau PE (existing #)*
3 (4) identify and prioritize major reductions in state expenditures, to include
4 formula and nonformula programs, and to include proposed consolidation, transfer, or
5 elimination of governmental services or programs; the reductions identified and prioritized
6 under this paragraph must at least equal the current fiscal gap between recurring revenue and
7 recurring expenditures;

8 *See (5)* evaluate forward funding of the budget;

9 (3) (6) identify and prioritize new sources of revenue; *ie. Municipal Sales Taxes, etc.*

10 (7) project a sustainable long-range financial plan for the next three years, five
11 years, and 10 years, based on a stable revenue stream; *2012 military (no fed participation at all)*

12 *20 identify major factors to be considered* (8) evaluate constitutional, statutory, and regulatory language relating to the
13 budget process and recommend changes; *relates to CBR. Also should be aware of program receipt questions*

14 **MAINTENANCE** (9) consider the division of responsibility for providing services and raising
15 revenue between the state and local governments and evaluate the effect of the long-range
16 financial plan on local governments; *service delivery local govt vs. non-profits* *Ask Municipal League for WHITE PAPER*

17 (10) submit a preliminary report to the Governor and the Legislature by
18 July 15, 1995;

19 *McConnell Subcommittee* (11) disseminate information and solicit public comment;

20 (12) submit a final report to the Governor and the Legislature by October 1,
21 1995, recommending a long-range financial plan for the state, including specific actions and
22 legislation needed to implement and monitor the plan; and be it *concepts vs. specific bills*

23 **FURTHER RESOLVED** that the commission is authorized to begin work immediately
24 upon the appointment of its full membership or March 15, 1995, whichever date is earlier, and
25 is terminated upon the convening of the Second Regular Session of the Nineteenth Alaska
26 State Legislature.

- * Look at federal \$ and potential losses. + unhindered mandates*
2. Growth of Govt, background and how has changed.
3. What defines state spending
ie. dividends etc. as well as general \$
tr
targets, municipalities, etc.
Criteria

** Our has projections of growth and will provide*

④: Areas of exp vs. specific

• ~~BA~~ deferred maintenance will send
facilities

~~looper~~

Investments that will generate
\$ long run.

Administrative

Regulatory

Enterprise

Role of
Debt

Game

⑧ program vs. agency budgeting SKC

revisir Spending limit

Executive Budget act

* incl in packer

revolving loan funds

↓
recommendations for further pursuits
dedicated funds / Crenos plan

Brady

PROPOSED AGENDA

MEETING OF THE ALASKA LONG-RANGE FISCAL PLANNING COMMISSION

April 8, 1995

TODAY'S OBJECTIVES:

- o To organize ourselves and how we will conduct business
- o To make decisions today about the action items below, OR to set up a process for making those decisions
- o For each action that we set up a process for, to decide what is the end-product to be delivered by that process, to identify who is responsible for delivering it, and to set a fixed date when it is to be delivered

- I. Call to Order
- II. Naming of Interim Chair
- III. Approval of Agenda
- IV. New Business — Action Items

A. Procedural Matters

1. Organization of the Commission

- a. The Chair — role; election of permanent chair at 4th regular Commission meeting
- b. How the Commission takes an action — majority vote, ^{simple} super majority, unanimous vote? different levels for dif-ferent types of decision?
- c. Role of Commission members vs. staff
- d. Committees vs. "committee of the whole" — getting work done between Commission meetings
- e. Assistance from state agencies
- f. Assistance from private-sector organizations

*motion, vote by
simple
majority
unanimous
report*

*Loeber
material "quality"
needs lots
Chair, work
staff
Subcommittees
need to break
into
need technical
director*

Nordale (subcommittee)
• Local govt / Education

Parnell

SPC FOR EACH charge
prepare reports to present
to full committee

Schedule

workshop 1-2 days May
meetings
assumptions, etc.
revenue projections

July Report

workplan / tools
tent. rec. > Aug. Sept Roadshow - amend / finalize
list issues / identify choices / options
assumptions working under.

30 years
3 choices
- 10 choices

1. assumptions
2. workplan
3. options
4. public opinion

List (Perrot)

- IBER Reports
- Arkel Summit report
- Commonwealth Summit Summary
- Fiscal Policy Transition
- Labor
- Debt Report
- Cambridge Report
- Census
- Perm Fund Report

Grasuch

- Income tax assumptions & models
- SES data for income tax modeling
- 40:30:30?
- Johnson Assumptions Rpt

1/10/88
Summary

g. Meeting schedule for full Commission meetings

- private #?
to help start
graphics
communication
↓
identifying needs
work plan
2. Decide what the Commission's finished product will be (see accompanying proposal)
 3. "Ground rules" for economic models (e.g., oil price scenarios, production rates, real dollars vs. nominal (inflated) dollars, etc.)

4. ~~Panel~~ ^{delete} of experts to test the reasonableness of proposed recommendations & the analysis of them "Munder Committee"

5. Identification of tasks & the schedule for their completion

B. Moving Forward on Substantive Matters

1. Establish process to determine the size and nature of the "fiscal gap"
 - a. Review work already done (e.g., ISER studies)
 - b. Examine sensitivities to oil price levels; identify oil price scenarios to be used for analysis of options
 - c. Establish a true base-line forecast of petroleum production and revenue based only on production from investments already made
2. Establish process to review the 5 identified measures Alaska could take to solve the fiscal gap — spending cuts, use of state cash reserves, new economic development, new taxes, use of Permanent Fund income
 - a. How much each option could contribute to a solution, and when
 - b. Sensitivity of each option to the timing and/or sequence when it is taken
 - c. Priorities among options
3. Establish process to examine plans previously proposed for chances of success and possible downside risks
 - a. Revise existing constitutional spending limit
 - b. Forward funding
 - c. Cremo plan
 - d. Senator Rieger's proposal

Ground Rules

\$ Gorsuch real \$ (today's \$)

Locals

population driven
ie. school ch
not the real \$

Oil Price Scenarios

range vs. single point

what size of gaps?

oil exp. per

draw

Gas Pipeline } Im position paper
high, low, mid case scenarios

"Unique events"

Base plan founded upon knowns

built upon w possibilities

* current taxation changes
change recoverable reserves

Lincoln

also look at fisheries revenue

tourism

Nordale

timber +
mining

Commerce
DNE

Lincoln
Regional Corps

Non-profit sector

↓
state & fed
declining

Military - \$

Gorsuch

- need to pay attention to
other than funding govt.

* i.e. employment, jobs,

economy

understanding of options

+ secondary effects of recommendations

Rogers

Sources other than govt for
information.

Lincoln

Regional corporations
Village corporations

Best
10am - trail
@ Middlehead

- e. 40:30:30 plan of the late 1980s
 - e. Statutory plans
- 4. Establish process to communicate Commission's preliminary findings and actions to the public and to receive public comment back before taking final action
- C. Public Comments
- D. Other New Business
- V. Review of Decisions Taken & Assignments Made during Today's Meeting
- VI. Adjournment