

Changes from SB 213 CS0 to HB263 CS1

Mr. Chairman:

I am happy to report that the appropriations in this Committee Substitute, when combined with the spending agreements on the capital budget, you've met your target of budgeting at \$73 dollars a barrel of oil while also reserving \$50 million for supplementals next year

The CS in front of you appropriates the following amounts:

- \$6.21 billion Unrestricted General Funds
- \$1.04 billion Designated General Funds
- \$2.06 billion Other Funds
- \$4.52 billion Federal Funds
- \$13.83 billion Total Funds

Mr. Chairman, the CS incorporates all of the transactions adopted by the Finance Subcommittees. In addition, the following items were recommended by subcommittees and were incorporated into this bill

Department of Corrections Cost Driver Study - \$650.0 to the Legislative Budget and Audit Committee

It is the Intent of the Legislature that the Legislative Budget and Audit Committee issue a Request for Proposals (RFP) to procure an independent third-party study to identify, evaluate, and analyze the primary cost drivers within the Department of Corrections

Department of Administration

The Department of Administration Subcommittee recommended that we do not decentralize payroll and shared services. This Committee Substitute reverses the decentralization of those functions in all affected agencies

Office of the Governor

The Subcommittee recommended bifurcation of the Governor's budget. This is in line with what the legislature did last gubernatorial election. Approximately half of the Office of the Governor budget is contained in the numbers section, effective July 1, 2026, through December 31st. In addition, a new appropriation was created for the Lt. Governor. The remainder of the Office of the Governor budget is effective January 1, 2027, and is in the language section

Department of Health

The 'standard' abortion prohibition language that has been passed in the budget the past few years was added in the numbers section

Supplementals (FY 26 Appropriations):

Numbers section supplementals that are added can be found in section 4-6 of the bill

- Department of Family and Community Services – Pioneer’s Homes, payment assistance, \$5.2 million general funds
- Department of Law – Criminal Division, increase case costs, \$1.5 million general funds
- Department of Public Safety – Village Public Safety Operations, officer retention, travel, safety equipment, etc. \$1.25 million general funds
- Department of Revenue – Taxation and Treasury, Tax Division, add assistant chief economist and 2 commercial analysts, \$236.9 general fund program receipts
- See attached sheet (Handout A) from the legislative finance division for a one-pager of supplemental numbers and language items added to this bill

Language Section Supplementals

Supplemental Department of Law

Section 7 (a) - \$534 thousand general funds for judgments and settlements. (This is item 14 in Handout A)

Section 7 b – \$4 million general funds as a multi-year (FY26-28) appropriation to the Department of Law to defend the Vail v. State lawsuit, concerning inmates of the correctional system. (This is item 2 in Handout A)

Supplemental Debt and Other Obligations

Section 8 (12) and (13) - Governor’s amendment that was accepted which reduces the interest expenses due to bond refunding, saving the state \$1.251 million. (This is also items 12 and 13 in Handout A)

Supplemental Fund Transfer

Section 9 — Bulk fuel revolving loan fund payment for communities impacted by the West Coast storm (Kwigillingok) \$351.9 thousand. (This is item 15 in Handout A)

Supplemental Ratifications

Section 10 — these are various ratifications of past expenditures requested by the Governor

Supplemental Special Appropriations

Section 11 (a) (1) - \$150 dollars per person Energy Relief added to this October Permanent Fund Dividend - \$96 M general funds

11 (a) (2) – after the appropriation made in (a) (1), up to \$100 million of general funds to the Department of Education and Early Development to be distributed as grants to school districts following the adjusted average daily membership formula (granted like it is run through the Base Student Allocation formula but outside the formula as a one-time grant)

- If oil comes in at Spring forecast (\$91.09) ROFY, \$84.3 Million goes to BSA
- If oil averages \$95 ROFY, \$100 Million goes to the outside the formula BSA distribution and \$51 Million to Statutory Budget Reserve

Deleted former Section 4 of CS0 (Supplemental Fund Capitalization) - \$40 million UGF to the Disaster Relief Fund. This was included in HB 289 (the supplemental)

Fiscal Year 27 Appropriations

Alaska Court System

Sec 13 - Commission on Judicial Conduct – removed Estimated to be Zero- kept not to exceed \$75.0 for special counsel costs

Alaska Industrial Development and Export Authority

Sec 15(b) – Matches language from FY26 budget that appropriates AIDEA receipts back to AIDEA to be used at the discretion of AIDEA’s Board of Directors. This language is necessary to avoid an unconstitutional dedication of funds – all receipts received by the State must be appropriated to be spent

Permanent Fund

Sec 16 (c) – moved the full FY27 Percent of Market Value (POMV) transfer to the general fund (\$3.997 billion)

Sec 16 (d) - pays a permanent fund dividend of \$1,000 (estimated to cost \$674.1 million)

Sec 16 (g) – an informational item stating the estimated amount of investment fees paid, estimated to be \$734.8 million, come from the Permanent Fund

Sec 16 (h) – an information item providing the estimated portion of investment management costs attributable to the PCE fund and the Mental Health Trust Fund

Alaska Technical and Vocational Education Program

Sec 17 –Technical fixes to the lead in language in sections (a), (b), and (c)

Subsection 17 (d) – added to comply with statute (AS 23.15.830) appropriating any lapsing balance to the unemployment compensation fund

Bonuses for Certain Employees of the Executive Branch

Section 18 – Letters of Agreement

Added standard language used in the past few years laying out the process by which the Office of Management and Budget must follow when letters of agreement are implemented

Department of Administration

Section 19 (d) – capped at not to exceed \$18.5 million the amount of lapse DOA can use to target a reserve balance of 1.5 times of the amount of claims in the group health and life benefits fund

Added intent that Department of Administration only use this appropriation for unanticipated costs and further states that DOA set the employer contribution rate to cover the full actuarial cost of the AlaskaCare employee health plan

Subsection 19 (g) – added clarification that the appropriation for actuarial analysis of legislation is for bills in the Finance Committees

Department of Commerce, Community, and Economic Development

Section 20 (d) – Power Cost Equalization – appropriates the updated estimated full cost of the PCE program (\$56.1 million)

Subsection 20 (e)– Backstop of prior PCE earnings to pay for the FY27 program costs, estimated to be \$8 million

Former subsection 20 (i)– deleted and moved an appropriation of \$9,491 for the Arctic Winter Games to the numbers section in DCCED

Subsection 20 (J)– added \$10 million from the general fund to the community assistance fund to increase the FY27 community assistance payout to \$30 million

Subsection 20 (k) – new subsection - \$20 million from the general fund to make additional community assistance ‘base’ payments in FY27 with the intent of helping communities with the high cost of fuel and shipping

Department of Education and Early Development

Section 21 (d) – adds language to the Alaska State Council on the Arts license plate appropriation to clarify that the Arts Council can use the money collected from license plates (\$80.0) for the purposes described in statute (AS 44.27.050)

Subsection 21 (e) – new subsection adds \$29.1 million general funds to school district grants for the purpose of energy relief. Legislative Finance looked at the school district

reported cost spent on energy and we took the highest reported cost from each district over the past 3 years and multiplied that amount by 30% (Handout B)

Department of Family and Community Services

A Statutory Designated Program Receipt Authority appropriation for the Pioneers' Homes pharmacy program was moved from language to the numbers section. The deleted language section was estimated to be \$3 million; the CS increases it to a flat \$4 million to match the FY26 budget

Department of Health

Section 23 (b) – \$272.2 million federal receipts multi-year (FY27-29) appropriation for the federal rural health transformation program.

Department of Labor and Workforce Development

Section 24 (e) - new lead in language to clarify that the appropriations made in the language section for the Alaska Workforce Investment Board State Training and Employment Program and the Workforce Services Job Center State Training and Employment Program come after appropriations made in sec 1 (the numbers section) of this Act

New subsection 24 (f) – appropriates any lapsing balance of the state employment assistance and training programs in subsection (e) to the unemployment compensation fund (AS 23.20.130)

Department of Transportation and Public Facilities

Section 28 – added \$3.5 million general funds to the Alaska Marine Highway for maintenance of effort and salary adjustments. Deleted reference to 'calendar' year budgeting for the Alaska Marine Highway System as we have moved to a multi-year budgeting approach

Subsection 28 (b) – added AMHS backstop funding of \$49.5 million general funds in the event that no operating AMHS federal dollars are received in FY27. This appropriation is expected to be zero

Office of the Governor

Section 29 (c) – the Office of the Governor subcommittee recommended bifurcation of the Governor's budget. Subsection (c) appropriates approximately half of the Governor's budget effective January 1st, aligning with the legislature's action for the Governor's budget during the last gubernatorial election.

University of Alaska

Section 30 — new section adding \$15 million of federal receipts and \$750.0 of university receipts for the creation and operation of a critical mineral accelerator program. Section 43(b) makes this appropriation contingent on UAF receiving the federal grant

Debt and Other Obligations

Section 32 (L) – technical and conforming to a Governor amendment of \$100.0 increase from the school fund and \$100.0 decrease in general funds for school bond debt reimbursement

Federal and Other Program Receipts

Section 33 (e) – added a prohibition that the Alaska Gasline Development Corporation cannot use the Revised Legislative Program (RPL) process. This prohibition has been in the budget for the past few years.

Fund Capitalization

Section 34 (c) – increases the appropriation to the Disaster Relief Fund from \$24 million to \$48 million. We don't know the FY27 nor final state cost to respond to the Halong and other recent disasters, but it will certainly be in the tens of millions. This appropriation is meant to address some of those future expected, yet undefined, costs

Subsection 34 (g) (1) and (2) – technical adjustment of \$848.8 decrease in public school trust funds and an increase of a like amount from the general fund going to the public education fund for state aid to school districts (fully funds the Base Student Allocation). This corrects the Public School Trust Fund draw to account for investment costs, which by statute should be included in the Trust's Percent of Market Value calculation.

Subsection 34 (s) - \$50 million to the community assistance fund, (\$4.8 million from the PCE fund and \$45.2 million from the general fund) to bring the community assistance fund FY27 end of year balance back to \$90 million so the FY28 community assistance payout will be \$30 million

Subsection 34 (u) – Fire Suppression – increases the general fund appropriation from \$47.5 million to \$60.6 million to bring the fund up to the five-year average of the cost of fighting wildfires. Deleted the Governor's supplemental fire suppression request in this section as that was funded in HB 289 (the supplemental).

Fund Transfers

Section 35 (a) – if there is any lapse of National Petroleum Reserve Alaska funds after grants are made to impacted communities, subsection (1) directs 25% first goes to the permanent fund. This CS inserts a new subsection (2) directing that 70% goes to the Regional Education Attendance Area (REAA) fund, subsections (3) and (4) direct .5% to the public school trust fund and 4.5% to the power cost equalization endowment fund

Subsection 35 (k) – a \$5.3 million general fund appropriation to the renewable energy fund. These funds have been appropriated to projects in the capital budget

Subsection 35 (L) – repayment of Washington, Wyoming, Alaska, Montana and Idaho (WWAMI) loans, estimated to be \$425.0, are appropriated to the Alaska Higher Education Investment Fund

Subsections 35 (o) and (p) – adds FY27 appropriations to the Oil and Hazardous Release Prevention and Response Funds. The timing on this item shifted a few years back to June 30, making this a supplemental; the intent of this FY27 appropriation is to “catch up” so this appropriation is not a supplemental item going forward.

Retirement System Funding

Section 36 (a) increases the on-behalf Public Employees Retirement System (Pers) payment paid by the state for the Pers unfunded liability from \$75.3 million to \$106.3 million of general funds to meet the actuarial determined contribution recommended by the Alaska Retirement Management Board

Subsection 36 (b) increases the on-behalf payment for the Teachers Retirement System (TRS) from \$157.2 million to \$164.1 million of general funds to meet the actuarial determined contribution recommended by the Alaska Retirement Management Board

Salary and Benefit Adjustments

Section 37 — added new contracts for approval in subsections:

- (10) – the Alaska Correctional Officers Association, representing the correctional officers unit
- (10) (b) 4 – the Alaska Higher Education Crafts and Trades Employees, Local 6070
- (10) (b) 5 – Fairbanks Firefighters Union, IAFF Local 1324

Also references section 28, the AMHS section, acknowledging salary adjustments for several AMHS associated unions

Deleted Constitutional Budget Reserve FY26 and FY27 deficit-filling sections, as they are not needed

Section 40 – retained ‘reverse sweep’ CBR provision for FY26

Retroactivity

Section 42 – subsections (b), (c) and (d) - added standard retroactive clauses for the supplementals in the bill

Contingencies

Section 43 (a) – standard contingency added related to approval of Letters of Agreement

subsection 43 (b) – the appropriation in section 30 (for the creation and operation of a critical mineral accelerator program) is contingent on the National Science Foundation awarding a grant in calendar year 2026 to the University of Alaska Fairbanks

Provided by the office of Senator Hoffman