

Thank you Mr. Chair-

The Committee Substitute in front of you for HB 268, the operating budget, incorporates all of the various finance subcommittee recommendations.

The funding totals, rounded are:

Unrestricted General Funds	\$5.96 billion
Designated General Funds	\$991.3 million
Other State Funds	\$1.73 billion
Federal Receipts	<u>\$3.. 53..billi on</u>
 Total Funds	 \$12.21 billion

A couple of items added to the numbers section are intent language in the Department of Education and Early Development which is a repeat of intent language in last year's budget requesting that school districts twice annually submit various school fund balance information to DEED.

- a. Informational -Add intent language in Sec. 1: It is the intent of the legislature that a school district report to the Department twice annually, once by the end of the count period set out in AS 14.17.500, and on February 1, 2025, the balance of each of the following funds: 1) school operating fund, 2) special revenue funds, 3) capital project funds, 4) other governmental funds. Additionally, each fund shall be reported based on the following classifications: 1) nonspendable fund balance, 2) restricted fund balance, 3) committed fund balance, 4) assigned fund balance, 5) unassigned balance. The Department shall provide these reports and associated data in electronic format to the Co- Chairs of Finance and the Legislative Finance Division by December 20, 2024 and by February 15, 2025.

The CS also includes a recommendation from the Department of Transportation and Public Facilities subcommittee to include a \$250 thousand Unrestricted General Fund appropriation to the Inter-Island Ferry Authority for operations. That appropriation occurs in the Department of Commerce, Community and Economic Development.

**Language section changes from the Governor's introduced version of the
Operating Budget, SB 186 to HB 268 the Amended bill in front of you**

1) Sec 28 The Alaska Industrial Development and Export Authority.

Sec 28, P 76 L 11-19 Clarifies that the AIDEA FY25 dividend of \$11 million includes capital match for the Grid Resilience and Innovation Partnership (GRIP) project.

2) Sec 29 The Alaska Permanent Fund

New subsection (c) on P 76, L 28-29. Appropriates the full Percent of Market Value (5%) draw of \$3,657,263,378 from the Earnings Reserve Account to the General Fund.

Informational - (\$3,657,263,378) - Governor appropriation was \$2.3 billion to the dividend fund, \$1.35 billion to the GF

Insert new (d) P 76, L 30 - Pays a 75/25 split Permanent Fund Dividend by appropriating \$914,315,845 from the general fund to the dividend fund (AS 43.23.045(a)).

Modifies subsection (f) on P 77, L 5-8 Changes the amount calculated under AS 37.12.145 (c) for inflation proofing the principal of the Permanent Fund from an estimated to be amount of \$1.47 billion to not to exceed \$2 billion.

3) Sec. 30 Bonuses for Certain Employees of the Executive Branch

Sec 30, P 77 L9 Authorizes legislative approval of Letters of Agreement between the state and collective bargaining units under 2 conditions: 1) within 30 days of the Dept. of Administration entering into an LOA, the Office of Management and Budget shall send a copy of the LOA to the Legislative Finance Division (LFD) and 2) in addition OMB will send a copy of the cost estimate to LFD.

OMB is also to produce two reports and send them to the Legislative Finance Division which summarize all payments made under the letters of agreement no later than Feb. 1, 2025 (for the first half of the fiscal year) and the second report no later than September 30, 2025 that summarize all payments in the second half of the fiscal year.

4) Sec. 31 Department of Administration

Sec. 31 (g) P 78, L 26-29 Clarifies that the dollar amount needed for actuarial cost analysis of legislation residing in either Finance Committee will be paid from the General Fund to the Dept. of Administration for any actuarial analysis performed.

Sec 31 (h) P 78, L 30 ADDS an appropriation: The balance of the abandoned motor vehicle fund (ETB \$110K) is appropriated to the division of motor vehicles to reimburse municipalities for the costs associated with abandoned vehicles.

5) Sec. 32 Department of Commerce, Community, and Economic Development

Sec. 32 (former subsection f) Deleted from the language section and moved to the numbers section: A \$296,500 appropriation from the civil legal services fund to the Alaska Legal Services Corporation. (this makes the total appropriation for Alaska Legal Services Corporation \$695,500)

Sec 32 (i) P 80, L 19-23 \$340 thousand of Statutory Designated Program Receipts received by DCCED are appropriated to the division of community and regional affairs for natural hazard planning assistance.

Sec 32 U) P80, L24-27 \$10 million from the General Fund to pay for community assistance payments to bring the total payment to communities in FY25 up to \$30 million.

6) Sec. 33 Department of Education and Early Development

Sec. 33 (d) P 81, L 18 A change extends by one fiscal year language that provides for proceeds of the sale of the Stratton building, owned by the Department of Education and Early Development, are appropriated to the Alaska state libraries, archives and museums maintenance and operations for the fiscal years 25 AND fiscal year 26.

Sec. 33 {f) P 81, L25 Adds a \$11.9 million unrestricted general fund appropriation to comply with the fiscal year 22 maintenance of equity requirement as prescribed by the federal Dept. of Education.

Anchorage School District	\$6.4 million
Kenai Peninsula Borough School District	\$5.5 million

Sec. 33 (g) P 82, L3-8 Estimated \$174.7 million UGF appropriation outside the Base Student Allocation formula to be distributed to school districts as if it were distributed in the same manner as the BSA. The language provides that the total amount distributed to districts is equivalent to a BSA of \$6,640, an additional \$680 on top of current statute.

Deleted: \$1 million UGF Governor's request for a grant to Alaska Resource Education to expand statewide workforce development initiatives.

7) Sec 34 Department of Fish and Game

Sec. 34 P 82, LS-12 Change a \$300 thousand appropriation of commercial fisheries entry commission receipts to \$450 thousand of CFEC receipts for information technology upgrades and makes it effective for fiscal years 25-27.

Sec 34, P82, L 23-26 ADD a new subsection (b) of Statutory Designated Program Receipts for fisheries disasters. This is intended to speed up the process of getting disaster funds from the federal government to those impacted by fishery disasters.

8) Sec 38 Department of Natural Resources

Deleted former subsection (d), estimated to be \$20.5 million of federal receipts for fire suppression activities and moved to the fire suppression activities fund appropriation in section 44 (u).

9) Former language Sec 25 Department of Public Safety

Deleted and moved from the language section to the numbers section a \$500 thousand UGF appropriation to Troopers and a \$300 thousand UGF appropriation to Wildlife Troopers for law enforcement supplies and equipment. These were modified from FY25-27 Multiyear appropriations to One-Time increments.

10) Sec. 26. Department of Transportation and Public Facilities

Sec 26, P84, L17-23 Added a new subsection (b) At the recommendation of the DOTPF finance subcommittee, a \$20 million UGF 'back-stop' appropriation was added to the Alaska Marine Highway System in the event that less federal funds than anticipated are available for AMHS operations.

11) Sec. 43. Federal and Other Program Receipts

Sec 43, P90, L25-29 Added a new subsection (e):

The language added prohibits the Alaska Gasline Development Corporation from using the Revised Program Legislative (RPL) process for additional (1) federal receipts; or (2) statutory designated program receipts.

12) Sec. 44. Fund Capitalization

Sec 44 (d) on P91, L17 Increased the appropriation to the disaster relief fund from \$5 million to \$20.5 million to bring the fund balance to the average of yearly disaster expenditures.

Sec 44 (m)(2) P92, L27-28 Modified the appropriation for the UGF amount necessary to match federal receipts for the Alaska clean water fund, from an estimated to be amount to a not to exceed amount of \$1,247,500.

Sec 44 (o)(2) P93, L9-10 Modified the appropriation for the UGF amount necessary to match federal receipts for the Alaska drinking water fund, from an **estimated to be** amount to a **not to exceed** amount of \$2,105,500.

Sec 44 (q) P93, L15-19 Modified a \$991,300 appropriation to \$1,189,600 of restorative justice funds (the old PFD criminal funds) to the crime victim compensation fund for the purposes of the crime victim compensation fund. This was a Governor's amendment to match the percentage use of the restorative justice funds in the FY24 budget.

Sec 44 (t) P93, L26-30 Modified the community assistance appropriation so that \$50 million is appropriated to the community assistance fund. \$20 million from the general fund and \$30 million from the power cost equalization fund. The effect of this subsection, when added to the \$10 million community assistance

appropriation in section 32 O), is that \$30 million will be paid out to communities in FY25 and there will be a \$90 million fund balance at the end of FY25 so \$30 million will be available for the community assistance payments in FY26 also.

Sec 44 deleted former subsection (u) which was a \$3,086,100 UGF appropriation to the Alaska liquefied natural gas project fund.

Sec 44 new section (u) on P93, L31 This Committee Substitute resurrects the use of the Fire Suppression Activity Fund (AS 41.15.210). The CS removes fire suppression numbers section appropriations and moves those numbers section appropriations to the fire suppression fund. By adding \$35.1 million in UGF to the \$14.4 million UGF and \$1.5 million of SDPR moved from the numbers section, this appropriation brings the state fire suppression activity funding to the recent average yearly UGF spend on fire suppression.

Appropriations included in new subsection (u):

- a. Federal receipts received for fire suppression during the fiscal year ending June 30, 2025, estimated to be \$20,500,000, are appropriated to Fire Suppression Fund (AS 41.15.210) for fire suppression activities for the fiscal year ending June 30, 2025.
- b. Statutory Designated Program Receipts **\$1,500,000**
- c. Unrestricted General Funds **\$49,341,000**

13) Sec. 45. Fund Transfers

Sec 45 modify subsection (m) on P 96, L 16 Change the amount of UGF going to the renewable energy fund from \$5,000,000 to \$4.._QOOJLO_Q, to match the capital budget.

Sec 45 new subsection {o) on P 96, L 22-24 The amount received by the Alaska Commission on Postsecondary Education as repaymentforWWAMI medical education program loans, estimated to be \$575,000, is appropriated to the Alaska higher education investment fund (AS 37.14.750).

14) Sec. 47. Salary and Benefit Adjustments

Sec 47 P 97, L15 Delete", including monetary terms of any letters of agreement". The language conflicts with the CS added LOA and is therefore deleted.

15) Former Sec. 38. CONSTITUTIONAL BUDGET RESERVE FUND

- a. Delete the entire CBR section

16) New Section 51. Special Appropriations

Sec 51, P 101, L3-18 is new 'waterfall' language addressing any potential surplus revenue in FY25.

The Spring Revenue forecast equaled \$6,448,500,000 Unrestricted General Funds at an average annual price of \$78 per barrel of oil. That amount, plus \$90 million of additional revenue, which is roughly equivalent to an average annual price increase of \$2 per barrel (or an annual price of \$80 per barrel) equals \$6,538,500,000 of UGF revenue.

The next tranche of UGF revenue above \$6,538,500,000 (or roughly \$80 per barrel), up to \$645 million, will be split 50/50 between an FY26 energy rebate and the Statutory Budget Reserve (SBR). If the \$645 million of additional revenue is realized, that would add \$500 dollars as an energy rebate to next year's dividend check, and \$322.5 million would be added to the SBR.

Any UGF revenue above \$7,183,500,000 would be appropriated to the Constitutional Budget Reserve, or CBR.

Spring Revenue Forecast	\$6,448,500,000	\$78/barrel
Plus \$90 million of surplus	\$90,000,000	equivalent to \$BO/barrel
Revenue before split	\$6,538,500,00	
Next tranche of revenue	\$645,000,000	to be split 50/50 between energy rebate and the SBR
Revenue above	\$7,183,500,000	goes to the CBR

17) Sec. 52. Repeal Section

Sec 52 P 101, L 19 This repeals section 55(b), ch. 1, FSSLA 2023.
(The AIDEA Dividend informational section from last year about transferring the road)

18) Sec. 54. Retroactivity

Sec. 54 P 101, L23 Added a retroactivity clause in case of failure of the effective date clause.

19) Sec. 55. Contingencies

Sec. 55, P 102, L 3 Adds conditional language to the legislative approval of Letters of Agreement contingent upon OMB: 1) within 30 days of the Dept. of Administration entering into an LOA the Office of Management and Budget shall send a copy of the LOA to the Legislative Finance Division, and 2) in addition to a copy of the cost estimate.