

Intro to CS HB289(FIN) work draft 34-GH2638\G

- The Committee Substitute before you merges supplemental items in several bills:
 - HB263 (Operating) and HB264 (Capital), submitted on 12/11/25. These items were brought together in committee bill HB283 introduced 1/27.
 - HB289, Governor's supplemental, introduced by Director Sanders 2/4
- As a first CS to a Gov bill, it also does the work of making the technical and stylistic conversion between an administration-submitted bill and a Legislative Legal bill.
- Hope is to walk committee through the bill using "redline" version.
 - In this, much of the "new language" (red) is the items from the governor's December budget.
 - I will call out any divergence from that.
- Two items from the Governor's December budget submission were removed that you won't see in this document:
 - The standard annual sweep language to put associated tax revenues into the "SPAR" oil spill prevention and response accounts. This will be added to the operating budget
 - DCCED \$650.0 reappropriation to match USDOE state energy program. This will be added to the capital budget.

Walk-Through of Bill

- Page 1, the bill title adds reference to the CBRF draw. This is a good example of items "new to this bill but not new to the governor's supplemental." There was a supplemental CBR draw in Gov Operating HB263.
- Pages 2-14 of the bill, Operating Numbers sections 1-3, are identical to original version other than the stylistic changes. A few words are different, a few items have been re-sequenced, but the dollars and agencies are all exactly the same.
- Pages 15-23, Cap Numbers sections 4-6, is likewise the same as the capital section of the governor's submitted bill. The big change is on p.16: you can see the addition of the \$70 mil DOT item, match money for federal highway funds. This is shown as a redline "addition" because it was brought in from the Gov's capital budget, HB264.
- **Page 24, language.** Sec. 7 and 8 are just technical changes to items in orig. HB289.
- Sec. 9 also has technical changes but also in (d) and (e) makes minor corrections to the numbers identified by Legislative Legal.
- Sec. 10 removes a "statehood defense" appropriation to the Dept. of Law. This was a policy call of the chair and is the only discretionary deletion in this budget.
- Sec. 11 is just a technical rewrite.
- Page 26, Sec. 12 is redline language because it comes from HB263. This is amending the current year's Marine Highway budget, from last year's HB53, to

extend the appropriation by six months from 12/31/26 to 6/30/27. This is to conform with the Governor's changes to the Marine Highway budget in the proposed FY27 operating budget, changing it from a calendar year to a multi-fiscal-year structure.

- Sec. 13 is just a technical change.
- Sec. 14 has no changes from the Governor's proposal.
- Sec. 15 is fund capitalizations.
 - Sec. 15(a) is straight from the Governor's bill, non-GF fire spending.
 - Sec. 15(b) \$40 mil to the disaster fund, is from HB263, the operating budget.
 - Sec. 15(c) is new, an additional \$35 mil to the disaster fund. This subsection has a contingency in Sec. 24, that says these funds are conditional on the state losing its appeal with FEMA and having to cover a full 25% of the costs resulting from Typhoon Halong. If FEMA changes their mind and Alaska gets 90% reimbursement, this second \$35 million appropriation will not occur.
 - Sec. 15(d) is the \$55 million capitalization to the fire fund, which was talked about in discussion of the committee's supplemental on 1/27. This number is in OMB's reports and tables, but hasn't yet appeared in a budget document from them. It is the best currently available number but could change as this bill moves through the process. If and when OMB provides us with an updated number, the committee may want to consider amending this item.
- Page 27, Sec. 16. This is paying back the Higher Education Investment Fund, which was used in last year's supplemental to pay for the budget shortfall. In the Governor's HB263, this was a separate direct appropriation from the CBRF. Instead, this CS has made it a "fund transfer," moving general funds to this fund, which is then funded with a single CBRF draw that covers the full budget deficit.
- Sec. 17, the redline looks a little complicated but what's actually happening here is subsection (b), which is a small federal disaster grant, is a technical rewrite, while subsection (a) is removed from the bill. Part (a) was a reappropriation of a state grant from last year to help with the organization of the proposed new borough in Hoonah. The problem with that is, according to Leg Legal, is that the original appropriation had a contingency to it, that it only took effect if the borough was organized by the end of last year. Since that didn't happen, the original appropriation is dead and can't be used as a source for a reappropriation.
- Sec. 18 and 19 are just technical rewrites
- Sec. 20, starting middle of page 28, has a lot of technical rewrite but also a few substantive changes. These are all reappropriations, proposed by the governor, using leftover funds from old capital projects.
 - Bottom of p28, #2 and #3 are being deleted. Those were just re-sequenced, and are back in the bill on p31 as #19 and #23.
 - Likewise #14 is deleted and replaced by #24. The dollar amount is the same, but the project we're taking it from is different because the leftover funds

from this project were previously reappropriated. The funds were still there in the second destination, and we needed to amend the bill to reflect that.

- Item #15 was removed from the bill. Legislative Legal found that these funds had previously been reappropriated to the capital income fund, and spent. We removed it because the funds are no longer available. Removing this \$99,000 item also reduces the “sum total” for Sec. 20, seen on p.28, line 19.
- Sec. 21 is the CBRF draw.
 - Subsection (a) describes what is being paid for. The whole subsection is one very long sentence. But in plain English: if approved, we will pay for the UGF appropriations in this bill, plus any shortfall from the three budget bills that passed last session. The line items in the committee substitute total about \$408 million. Based on the fall forecast, the existing budget is in deficit by about \$52 million. That number will shift based on a couple of variables, mainly the price of oil between now and June 30 which impacts our actual revenue, as well as whatever is determined in the dispute with the federal government over the “disparity test” for education funding. If the forecast holds, the draw will be about \$460 million.

Then, at the end of the sentence, you can see the words “plus an additional \$30 million.” This is what is referred to as “headroom,” leaving space for additional supplemental items that could later be added to another budget bill this year. That would bring the CBRF draw to about \$490 million.

 - Subsection (b) references Art IX Sec 17(c) of the constitution, which says the draw in Subsection (a) requires a ¾ vote of both bodies.
- Sec. 22 is a technical cleanup related to capital projects. New language is being added because the rest of the bill has new capital sections.
- Sec. 23 makes most of the bill retroactive to March 1, 2026, with the reappropriations retroactive to June 30, 2026.
- Sec. 24 is the contingency that controls the additional \$35 million disaster appropriation in Sec. 15(c). This funding only occurs if, by this June 30, the state is still expected to contribute a full 25% to the Typhoon Halong recovery costs.
- Sec. 25 and 26 are the effective dates, which are redone according to the conventions of Legislative Legal

Sum totals (UGF):	Forecast Deficit	\$52 million
	Gov Supps from 12/11/25	\$294 million
	Gov Supps from 2/3/26	\$79 million
	Additional Disaster Funding	\$35 million
	<u>CBRF Headroom</u>	<u>\$30 million</u>
	Total	\$490 million