

HOUSE FINANCE COMMITTEE  
February 22, 2022  
2:11 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:11 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen  
Representative Steve Thompson  
Representative Adam Wool (via teleconference)

MEMBERS ABSENT

Representative Ben Carpenter

ALSO PRESENT

Ruth Kostik, Administrative Services Director, Department of Environmental Conservation, Office of Management and Budget, Office of the Governor; Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Jason Brune, Commissioner, Department of Environmental Conservation.

SUMMARY

HB 281      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 281 was HEARD and HELD in committee for further consideration.

HB 282        APPROP: MENTAL HEALTH BUDGET

HB 282 was HEARD and HELD in committee for further consideration.

FY 23 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

OVERVIEW: GOVERNOR'S BUDGET AMENDMENTS

Co-Chair Foster reviewed the meeting agenda.

#hb281

#hb282

HOUSE BILL NO. 281

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 282

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making capital appropriations and supplemental appropriations; and providing for an effective date."

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^FY 23 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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JASON BRUNE, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (via teleconference), introduced a PowerPoint presentation titled "Department of Environmental Conservation: House Finance Committee," dated February 22, 2022 (copy on file). He reviewed the department's mission on slide 2:

Conserving, improving, and protecting Alaska's natural resources and environment to enhance the health, safety, and economic and social well-being of Alaskans.

Commissioner Brune addressed the Department of Environmental Conservation's (DEC) values on slide 3 including objectivity, accountability, integrity, collaboration, and customer service (with an emphasis on customer service for the regulated community). He stated the department wanted to ensure it was a partner in protecting human health and the environment and in advancing the state's economy. He turned to slide 4 and highlighted the department's focus on four primary components including air quality, water, environmental health, and spill prevention and response. He noted the department also had a Division of Administrative Services.

Commissioner Brune advanced to slide 5 and provided various metrics from 2021. He detailed the department had issued over 11,000 permits, approvals, certifications, and plan reviews. The department had conducted over 2,000 inspections and site visits. He noted approximately 25 percent of the inspections were virtual or had used technology. The department had focused on trying to limit its environmental footprint and reducing paper use as well. He elaborated that with nearly 85 percent of DEC's employees teleworking, the department wanted to make sure materials were accessible for people working from home. He relayed that nearly 200 filing cabinets had been eliminated and documents had been scanned, which made teleworking much easier. The department had provided nearly 350 presentations and trainings to Alaskans. Additionally, DEC was focused on employee retention and had put an emphasis on training for employees. The average employee had received about 50 hours of training in the past year.

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Commissioner Brune reviewed the department's five divisions and leadership positions on slide 6. He listed the names of individuals in leadership positions including, Emma Pokon, Deputy Commissioner; Ruth Kostik, Administrative Services Director; Christina Carpenter, Director, Division of Environmental Health; Alice Edwards, Director of the Division of Air Quality; Tiffany Larson, Director of the Division of Spill Prevention and Response; and Randy Bates,

Director of the Division of Water. He stated the individuals' combined state service exceeded 100 years.

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RUTH KOSTIK, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reviewed the department's operating budget funding history on slide 7, reflecting the governor's amended budget in the FY 23 column. She highlighted the DEC budget had been relatively flat over the past four years. The increase in FY 23 primarily reflected primacy initiatives that would be discussed later in the presentation. She noted the increase was accompanied by an increase in 37 positions. She added that the slide did not reflect any of the federal infrastructure bill funds, which would come in a separate appropriations bill.

Representative Johnson referenced the statement that the infrastructure bill would be in a separate appropriation. She asked if there would be additional personnel needed to ensure the state was spending the infrastructure money appropriately. She asked the presenters to highlight where the funds may be throughout the presentation.

Ms. Kostik answered that roughly \$65 million would come in through state clean water and drinking water revolving loan funds. She detailed that most of the \$65 million would go out as loans to communities for water and wastewater systems. The bill reauthorized the Village Safe Water Program and included \$40 million from the Environmental Protection Agency (EPA), which did not reflect an increase. The increase in Village Safe Water was largely with funds coming through the Indian Health Service (IHS) and for lead communities. The department was still working on what the staffing would look like with the administration.

Representative Johnson requested to know more when the department learned the information.

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Vice-Chair Ortiz referred to Infrastructure Investment and Jobs Act (IIJA) funds for clean water. He asked if it looked like the resources would significantly address the existing clean water issues in rural areas.

Ms. Kostik answered there was about \$3 billion going to IHS nationwide. The state anticipated receiving \$2 billion to \$2.1 billion of the total over the next five years. She explained the number was based off of what was documented in the sanitation deficiency system used by IHS to document rural needs. She noted that DEC entered projects into the system as well. The number was based off of the calculated need when the [federal] bill had passed. She stated that more projects may arise and costs may increase with inflation over time, but the incoming funding should be able to address or come close to addressing the need in underserved and unserved communities in rural Alaska.

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Ms. Kostik turned to slide 8 and discussed the transfer of the Exxon Valdez Oil Spill Settlement Trustee Council (EVOSTC) administrative budget from the Department of Fish and Game (DFG). She expounded DEC would assume the responsibility to provide accounting and procurement support for the council. The change was technical and would not impact the EVOS operations. She noted the six trustees (three federal and three state members) had unanimously agreed on the transfer. She added that Commissioner Brune was currently the chair of the council.

Ms. Kostik turned to slide 9 and highlighted an increment to DEC Administrative Services to cover the costs of administering the EVOS budget. She noted the item had been inadvertently missed in the governor's original budget and was included in the amended budget. There was a similar amount decremented from the DFG budget.

Representative Edgmon stated that a couple of committee members were on the DFG subcommittee. He stated the increment had come up as a discussion item in the past couple of weeks. He recalled the subcommittee had been told the change seemed like the right thing to do. He relayed the subcommittee had not heard a concrete reason the transfer should take place. He asked for more detail.

Ms. Kostik deferred to the commissioner.

Commissioner Brune answered that he had been spending significant time with the EVOSTC staff working on the winding down. He detailed that the council had allocated funds to approximately \$150 million for projects over the

past year. There was approximately \$160 million in funds remaining. He had been spending a lot of time day to day that DFG Commissioner Vincent-Lang had not been able to spend. He reported it made sense to move the council to DEC where the oversight would be occurring. He relayed that the budget and transfer was approved unanimously by the council. He explained that the council believed it was appropriate make the transfer to DEC.

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Representative Edgmon asked if there were operational efficiencies to be gained by the move.

Commissioner Brune replied that he would not characterize the change as resulting in operational efficiencies. He was personally spending the most time on the subject and it made sense to have the council fall under the DEC budget if his position was leading the state's efforts. In that regard, he believed it resulted in efficiencies.

Vice-Chair Ortiz asked if it was accurate to say that the remaining resources would be spent on projects related to fish and fish resource issues.

Commissioner Brune answered in the negative. There were all sorts of injured resources from the spill including herring. He shared that over \$30 million had been funded for mariculture projects. There had been additional funding for marine mammals and anthropological resources. He highlighted two projects receiving approximately \$8 million to \$10 million for a cultural resource museum in Kodiak and Anchorage. He was happy to provide the list of projects funded at the October meeting. He noted that some of the projects were fish related, but not all.

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Vice-Chair Ortiz clarified that he had meant the council related more to aquatic resources than land issues related to DEC.

Commissioner Brune answered that DEC dealt with water quality and impaired water bodies, which was one of the recently funded projects. He elaborated there was a habitat subaccount where land acquisitions had occurred and upgrades to lands had occurred on the Kenai and in other

spill impacted areas. He expounded there had been efforts to try to improve habitat for species that were impacted by the spill to ensure species could recover or remain recovered.

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Ms. Kostik moved to slide 10 and discussed building maintenance and operations. The department owned one building, the environmental health laboratory in Anchorage. The building maintenance and operations appropriation funded the maintenance and utilities for the building including two maintenance staff. She relayed that the building utility rates had increased. She noted the appropriation had not received an increment since FY 12. She highlighted that utility costs had increased across the board: water and sewer were up 66 percent, electricity was up 59 percent, natural gas was up 35 percent, solid waste was up 64 percent, and biohazard waste was up 211 percent. The department was just finishing up an energy efficiency project that was providing a large reduction in utility cost, but savings were paying off a loan that paid for the improvements. She explained that it had been based on utilities at a point in time. While savings would occur over the years, utility rates would continue to go up. She stated the increment was a much needed increase to the base budget.

Ms. Kostik turned to slide 11 and discussed an increment related to primacy over the Resource Conservation and Recovery Act (RCRA), a federal law covering the management of solid waste. She highlighted that Subtitle C was the management of hazardous waste. She elaborated that in 2000, DEC received approval from the EPA to oversee Subtitle D, the management of nonhazardous waste. The department already had statutory authority to assume primacy over Subtitle C. She noted that Alaska and Iowa were the only two states without primacy over the program. She stated that Alaska would benefit from instate oversight of RCRA. She elaborated that EPA staff in Seattle were heavily focused on enforcement, whereas DEC would focus on technical and compliance assistance. She stated that DEC staff were instate and understood Alaska's unique challenges. She added that DEC would have greater regulatory flexibility than EPA. The request was for \$830,000 and six staff. The department did not anticipate adding additional staff in future years. She relayed the

amount was the anticipated base for the program once the state achieved primacy. After the anticipated two-year application process, there would be federal grant funds available to offset \$400,000 undesignated general funds (UGF) with federal receipts.

Representative Josephson referenced Ms. Kostik's statement that the federal focus was on enforcement and the state's focus would not be on enforcement. He asked what was wrong with enforcement.

Ms. Kostik replied there was nothing wrong with enforcement, but the department would rather help entities get better and do better while providing compliance assistance rather than using fines and penalties.

Commissioner Brune clarified that the department would enforce when needed. The department wanted to work collaboratively with the regulated community on a daily basis to ensure human health and the environment were protected and that hazardous waste was handled in the appropriate way.

Representative Rasmussen asked if the department had any other authorities when it came to reprimanding mismanagement of hazardous waste or other DEC infractions. She asked if the department's only existing mechanism was to fine people and report it to law enforcement. She wondered if the department had any policing ability.

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Commissioner Brune replied that with the exception of limited circumstances, the department did not have ticket writing authority. He explained that notices of violation were typically referred to the Department of Law.

Representative Johnson looked at slide 11 and stated her understanding it was a two-year process for the state to get primacy over Subtitle C. She stated her understanding the cost was \$830,000 and the state would receive \$400,000 back. She asked if it was the full amount over two years or if there would be additional cost to the state in the next couple of years.

Commissioner Brune answered it was an annual cost of \$830,000 paid fully with general fund dollars in the first

two years as the state pursued primacy. Once the state received primacy from the EPA, the state would receive \$400,000 annually from the EPA which would replace \$400,000 in general funds.

Representative Johnson wondered why the state would want to take over primacy if it would cost the state \$430,000 per year.

Commissioner Brune emphasized the importance of local control of local permitting. He stated the department wanted people who understood Alaska and the importance of the environment, handling hazardous waste, and the wetlands, rather than having people out of state in charge who rarely visit. The department believed local expertise was important to be able to give counsel to people applying for permits. He wanted to provide accessibility to Alaskan regulators on a daily basis to help protect human health and the environment. He believed it was a good investment of state general funds.

Representative Johnson provided a scenario where a local government had an issue with the EPA. She asked if the EPA could supersede the state and do its own enforcement. She thought it seemed to be that way currently. She did not know how it would work when the state assumed the proposed level of primacy.

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Commissioner Brune answered that as with any federal primacy program, federal laws were passed by Congress (e.g., Clean Air Act, Clean water Act, and RCRA) and the programs were designed to be assumed by states. He stated that with respect to RCRA Subtitle C, 48 of 50 states had chosen to do so. He confirmed that at any point the federal government could come and ensure the states were doing things appropriately and provide enforcement when necessary. He explained that when a state had primacy, the federal government was required through cooperative federalism to consult and work with the state on any concerns. The likelihood of the federal government coming in was far less if the state had primacy and was done in collaboration with the state if it happened.

Representative LeBon remarked it appeared the change would give the state more flexibility related to permitting,

appeals, and enforcement. He stated, "As an advantage for the cost benefit analysis, it would pay for the state in that sense."

Commissioner Brune agreed.

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Ms. Kostik moved to slide 12 and relayed that ocean ranger fees were collected from cruise ships. She elaborated that a recent lawsuit against the City and Borough of Juneau had determined paying for fish tissue testing was not an appropriate use of the funds. Consequently, the administration was requesting to change the fund source for fish tissue testing from ocean ranger fees to UGF. She noted there had been a similar fund source change the previous year for commercial passenger fees for the commercial shellfish testing program. The fund source change on slide 12 provided the last funding cleanup associated with cruise ship fees used for things other than cruise ship activities.

Representative Josephson stated that frequently there were discussions on the House floor about the dividend formula not being complied with and that the school bond debt program [statutory language] used the word "shall." He asked if the state still had a law in place that anticipated having actual ocean rangers on vessels.

Commissioner Brune replied that the law was still on the books. He relayed that ocean rangers could be DEC employees. He detailed DEC employees had been on every ship that entered Alaska waters in the past year. He referred to a bill recently introduced by the administration related to ocean rangers. The administration believed DEC staff did a better job and could do a better job incorporating the oversight as well as using technology to oversee cruise ships in Alaska waters.

Ms. Kostik advanced to slide 13 and relayed that Title I air quality permits were issued for construction projects, whereas Title V permits were operating permits. She detailed that Title I fees were collected as general fund program receipts and Title V fees were collected as clean air protection funds. She explained that EPA guidance had changed so that moving forward, projects that would ultimately be operating permits or projects would be

classified as Title V from the beginning. The change resulted a change in the fund source for incoming fee revenue. Consequently, the department was requesting a fund source change from general fund program receipts to clean air protection funds. Additionally, the item cleaned up some hollow federal authority.

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Ms. Kostik turned to slide 14 and explained the prevention account of the Oil and Hazardous Substance Release Prevention and Response Fund was funded by a \$0.04 per barrel surcharge on crude oil as well as a \$0.95 per gallon surcharge on refined fuel. There was also cost recovery from responsible parties. The department did not anticipate collecting sufficient revenue to cover the base budget for FY 23 and would no longer have a fund balance to help make up the difference. She detailed that SPAR had taken budget cuts in recent years to try to address some of the annual shortfall in revenue collection. The department was requesting holding the budget steady without further cuts. As such, the budget included a fund source change from the prevention account to UGF to make up the difference for what was collectible. She noted the governor's original request was \$1,275,200 and the governor's amended budget increased the number by \$43,000 based on an update made after the release of the fall revenue projections. The increment ensured SPAR would be held harmless in the coming year.

Representative Josephson appreciated the UGF dollars for the SPAR account. He asked if the SPAR account balance of close to \$8 million had been swept into the Constitutional Budget Reserve (CBR).

Commissioner Brune replied affirmatively.

Representative Josephson spoke to the sustainability of the fund and remarked that the fund had been depleting even with the \$8 million. He asked if the fund's sustainability had been partially eliminated due to the sweep. He noted that theoretically, groups like the Prince William Sound Regional Citizens Advisory Council that cared about SPAR's solvency and health could come back every December or January requesting UGF.

Commissioner Brune agreed. He relayed he had focused on bringing sustainability to SPAR over the past three years. He characterized the UGF component as exciting and was pleased there would be general fund dollars for SPAR. He highlighted the way to increase SPAR's budget was to increase [oil] production because SPAR was funded at \$0.04 per barrel. He was glad to see there were general fund dollars after the monies had been swept. He noted the department had been on the record the past couple of years supporting an increase to the refined fuel surcharge from \$0.95 per gallon to \$1.05 per gallon.

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Representative Josephson emphasized the statement that the administration was on the record for supporting an increase in the surcharge from \$0.95 per gallon to \$1.05 per gallon for SPAR.

Commissioner Brune confirmed the statement.

Ms. Kostik discussed the assumption of 404 primacy on slide 15. She explained that Section 404 of the Clean Water Act regulated the discharge of dredged and fill materials into waters and wetlands. Activities permitted under Section 404 may include site improvement fill for residential, commercial, or recreational development; construction of breakwaters, levies, dams, dikes, or weirs; and placement of fill material for roads, airports, or buildings. She elaborated that Alaska's wetlands covered approximately 174 million acres or about 43 percent of Alaska's surface area. She asserted that Alaska would benefit from instate oversight.

Ms. Kostik explained that a state-run program was accountable to Alaskans and the legislature and would assure Alaska had control of its permitting priorities. She continued that primacy enabled the state to integrate the dredge and fill program with other land and water related management programs. She stated the results would be faster permitting and stable risk-based enforcement. She relayed permits issued under 404 primacy would reflect Alaska's unique conditions with Alaska-specific program guidance. She explained that a state-run Section 404 would reduce the uncertainty resulting from shifting national priorities. The change would build on work done by DEC in 2014 and 2015 when the legislature gave the department statutory

authority to pursue primacy. Similar to RCRA, the department anticipated a two-year application process to achieve primacy. The request was \$4.9 million UGF and 28 positions. The department anticipated adding funding for an additional four positions in FY 24.

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Representative Rasmussen asked what type of work the 28 positions would do until the 404 primacy was approved.

Commissioner Brune answered that the process had started in 2012/2013 when the legislature gave statutory authority for DEC to pursue primacy. He relayed the process would continue where it left off. In conjunction with the EPA and Corps of Engineers, the department had to determine which lands were assumable for permitting. He elaborated there would be certain lands maintained by the corps and EPA. He noted the state wanted as much as it could get. The department would also work with the Fish and Wildlife Service and the National Marine Fisheries Service on doing the biological opinion on how the state would handle Endangered Species Act consultations going forward. He continued that if the state was granted primacy, it was possible National Environmental Policy Act (NEPA) analyses would not be done because there would not be a federal nexus. He clarified it was not to say that what was done as part of NEPA would not be overseen by DEC. The department would have to have an agreement with federal agencies like the NMFS and Fish and Wildlife Service on how consultation for endangered species would occur.

Commissioner Brune continued to address slide 15 and 404 primacy. He explained that other work would be done trying to get the expertise for overseeing the state's wetlands and permitting. He relayed the application process would be lengthy. He highlighted there were three states with primacy. He detailed that New Jersey and Michigan had primacy for a couple of decades and Florida had just recently been granted primacy in the past year and a half. He had a number of conversations with Florida's former secretary of environment to talk about Florida's process and look at its application.

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Representative Rasmussen asked what could be expected in terms of the time expedited on permits if the proposal passed and was implemented.

Commissioner Brune answered that depending on the complexity of a project, certain projects would not have to go through NEPA if the state had primacy. He elaborated there was significant time savings when projects did not have to do an environmental impact statement or environmental assessments. He spoke about the advantage of the ability to coordinate the functions of the 404 program with the 402 program or National Pollution Discharge Elimination System (NPDES) permitting. He detailed that currently the department had to go back and forth between the EPA, Corps of Engineers, and DEC for the 401 certifications. There would be significant time savings. He noted that there may not be much of a difference for some projects and others would result in a significant time save savings.

Representative LeBon asked if the permitting for fill material into waters and wetlands was primarily done through the Corps of Engineers. He recalled having clients who had been frustrated with the permitting process timeline. He stated the subjectivity of defining what constituted wetlands had also been a high level of frustration. He suggested it had been so frustrating for construction developers and project managers that they had decided to move forward and ask for permission later.

Commissioner Brune confirmed that the Corps of Engineers oversaw the 404 permitting. He clarified the EPA was responsible for granting primacy and had the final say. He relayed the EPA had been helpful throughout the process and had met with the department a number of times. He explained the programs were designed to be assumed by the state because states knew their wetlands and geography better than anyone. He emphasized that having the expertise developed within the state would be vital and would help decrease the timeframes, especially as people cycled in and out of the state in the Corps. He believed the change would help bring predictability and would help mitigate the impact on wetlands during proposed projects.

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Vice-Chair Ortiz referenced the requested increments for 404 primacy and RCRA totaling \$5.7 million UGF and 32 additional state positions. He thought it seemed to be in the opposite direction from the administration's past budgeting process efforts. He asked why the administration was pursuing the idea at present.

Commissioner Brune answered the department had mandates to pursue primacy for RCRA and 404 as directed in law passed by previous legislatures. He stated the timing was expedited as the state wanted control and oversight over its permitting processes. The administration wanted Alaskans permitting Alaska projects (as opposed to individuals permitting projects from out of state). He and the governor believed timing was of the essence. He stated that no one knew the state's wetlands and how to handle hazardous waste like Alaskans did. He believed the present was the ideal time.

Vice-Chair Ortiz highlighted the bullet point on slide 15 that one of the benefits would be to provide streamlined permitting and greater certainty to the regulated community. He asked if there had been a recent backlog of projects that had not received permits. He asked for an example of a project that may be permitted more quickly if the state assumed 404 primacy. He asked if the goal was to move certain projects along and if so, what type of projects.

Commissioner Brune answered it had been a steady buildup. He detailed that with respect to RCRA, 48 of 50 states had assumed primacy. He believed it was time for Alaska to do so. With respect to 404, he believed having the expertise gleaned from the State of Florida had demonstrated that things could be done and overseen by people in Alaska. He did not think a specific project had driven the state to the current point. He highlighted the administrations' overall goal of having Alaskans in charge of permitting the projects and protecting Alaskans' human health and the environment.

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Representative Josephson stated that the Clean Water Act was a Nixon era law that was updated under the Carter administration. He asked for verification that only three states had assumed 404 permitting primacy.

Commissioner Brune confirmed there were three states with primacy over 404. He believed the law had been put in place during the Nixon administration. He stated that Alaska had 175 million acres of wetlands. He pointed out that the Lower 48 used to have 200 million acres of wetlands and the number had been reduced to 100 million. He remarked that those in charge of overseeing wetland permitting in the Lower 48 had chosen to pave their states and not pay attention to the ecological value of wetlands. He stated that less than one quarter of one percent of the state's wetlands had been impacted. He continued that the state was the best judge to understand how its wetlands were protected, to allow projects to go forward when appropriate, and to mitigate the impact of the dredge and fill activity. He thought it was the right time.

Representative Josephson stated it was the seminal act in the dispute over the Pebble headwaters. He stated that if Alaska assumed primacy, the litigation would no longer be captioned "EPA versus X" but Alaskans challenging DEC.

Commissioner Brune thought the Pebble project was complex and likely would have had a federal nexus one way or the other. He had worked on the project and noted there had been discussions of a port, LNG import facilities, and a number of things that would have a federal nexus and would require federal permitting. There were certain areas where the state would assume primacy and other areas where the Corps of Engineers would maintain them. He relayed that the department would opt to receive 100 percent of the 404; however, the law was written to ensure navigable waters, ports, harbors, and others were maintained by the Corps of Engineers. He believed there was a high likelihood the federal nexus would have remained for the Pebble project, a NEPA analysis would have been conducted, and litigation against the project would have been with the federal government as well.

Co-Chair Foster thanked the presenters.

^OVERVIEW: GOVERNOR'S BUDGET AMENDMENTS

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Co-Chair Foster noted that the meeting would recess at 3:30 p.m. until the following morning at 9:00 a.m. if not completed.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, referenced several spreadsheets showing governor's proposed amendments for the operating, capital, and supplemental budgets. He began with a spreadsheet titled "FY23 Operating Governor Amended," dated February 14, 2022 (copy on file). Item 1 was \$75,000 in retirement system funds within the Department of Administration (DOA) for educational outreach for members of Teachers' Retirement System (TRS) to inform them of their ability to enter into the Social Security system if they chose. Item 2 was a \$5 million increment, of which \$1.6 million came from unrestricted general funds (UGF). He detailed there had been multiple components in the budget related to salary and benefit adjustments negotiated with the Labor, Trades, and Crafts bargaining unit. Item 3 was a reduction of \$400,000 in the Division of Corporations, Business and Professional Licensing (CBPL). He elaborated the governor's budget had included \$1.5 million to ensure the division did not have to raise license fees to licensees. Since that time in December, the department determined it only needed \$1.1 million in order to accomplish the goal. The item reflected a reduction in the authority.

Mr. Steininger moved to a technical correction on line 4. He detailed there was an associated \$7 million increase in the language section on the last page in the packet. He relayed the transaction associated with the language section was flagged as non-language in the budget system which caused it to end up in the bill.

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Mr. Steininger moved to item 5 pertaining to multiple components within the Department of Corrections (DOC). The item was \$4.8 million including \$4.4 million UGF for a 2 percent cost of living adjustment (COLA) for the Correctional Officers Association. Item 6 was a technical correction to the description of an item in population management related to the geographic distribution of positions added in the governor's budget. Item 7 was a small adjustment to the Technical Vocational Education Program (TVEP) funding. He noted there were several of the

items throughout the amendment packet. He explained the program [funding] was based on an estimate updated throughout the year. The item reflected an update to the current estimate done by the Department of Labor and Workforce Development (DLWD). Item 8 within the Department of Environmental Conservation (DEC) was \$200,000 associated with the Exxon Valdez Oil Spill Trustee Council administrative costs. He noted the council had been moved from the Department of Fish and Game (DFG) to DEC.

Mr. Steininger moved to item 9 within DEC totaling \$125,000 of federal indirect costs (the allowable indirect rate billed to federal programs) that could be used to support the operational and maintenance costs of the environmental health laboratory. Item 10 was a correction to the general funds needed to ensure the operations of the Spill Prevention and Response (SPAR) program within DEC. He noted the prior presenter had discussed the calculation to ensure the program was fully funded and some of the changes that occurred after the release of the December budget, which required an additional \$43,000 in general funds. Item 11 pertained to the Office of Children's Services (OCS) under the Department of Family and Community Services for workforce stabilization bonuses totaling \$3.5 million, including \$2.2 million UGF. The funding was intended to address recruitment and retention challenges facing OCS in the past several years.

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Mr. Steininger moved to page 2, item 12 including \$169,700 UGF to address traumatic stress issues experienced by OCS frontline social workers. He added that the previous item and upcoming items [items 11 through 19] were part of a package to address staff and children at OCS and needs brought up as part of the governor's People First initiative. Item 13 was \$900,000 and four temporary positions within [OCS] frontline social workers. He elaborated the positions were long-term nonpermanent supervisory positions to help the organization work through some of the recruitment and retention issues. Item 14 was a field training compensation program to provide additional training opportunities to OCS staff. Item 15 was 26 additional staff for OCS including support staff and direct workers in addition to workers to help support and ensure the success of the Tribal Welfare compact. The item totaled \$2.8 million and \$1.8 million UGF.

Mr. Steininger moved to item 16, \$100,000 to increase support for vocational opportunities and training for youths exiting the foster care system. Item 17 was \$200,000 for a partnership with the Alaska Impact Alliance to work on evidence-based program development for OCS. Item 18 was \$700,000 for the foster care special needs program where costs above and beyond the base rate paid to foster parents were accounted for. The funding was to address some of the youths with more complex life situations that needed to be dealt with by foster parents. Item 19 included \$1 million for OCS supporting foster children from 18 to 21 years of age.

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Representative LeBon looked at item 13 and asked what long-term nonpermanent positions were. He asked if there would be a similar request for the next several budget cycles.

Mr. Steininger answered that long-term nonpermanent was one of the main state position categories. Other categories included permanent full-time, temporary, and seasonal positions. He explained that long-term nonpermanent positions were temporary in nature with a longer term outlook. He elaborated the specific situation included a project to address some of the recruitment, retention, and support needs within OCS. There was not a precise deadline when the need for the positions would cease. He furthered that the needs were not permanent; therefore, it was not fair to hire a position advertised as permanent when the need may not go on indefinitely. The position category aimed to signal the position was for a project or something of that nature that had an expiration whether that expiration was known or not.

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Representative LeBon asked if a long-term nonpermanent position became automatically permanent at some point time if the situation persisted for more than two to four years.

Mr. Steininger answered there was no time frame when the classification of position became permanent. He detailed that because the position was flagged differently than a permanent full-time position, it was easier to check in with the department to see how the project was progressing

and whether the position could be removed from the budget. In some situations, long-term nonpermanent positions became permanent (e.g., positions that had been around for a decade).

Representative LeBon asked if the success of the positions lead the administration to someday determine to keep the positions long-term. He wondered if the label long-term nonpermanent would continue for several years. He decided it was possible.

Mr. Steininger replied that the goal was for a surge in support to stabilize OCS and its recruitment and retention issues. The idea was to help the agency become a better place where staff stayed longer. He stated that hopefully the positions would not be needed long-term.

Representative Rasmussen asked if other states had implemented a similar strategy. She wondered about the rationale behind the method. She was not certain how temporary nonpermanent positions would lead to stability and help for OCS.

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Mr. Steininger responded that long-term nonpermanent positions were used to staff up larger than the long-term need, especially when there was significant staff attrition. The hope was to be able to stabilize some of the workflow and the pressure put on staff. He elaborated when there was significant attrition, the workload was put on the shoulders of existing staff and the situation started becoming unsustainable. Having a surge in staffing could help alleviate some of the workload concerns. There would continue to be some attrition naturally due to retirement or people moving on or up. The goal was to stabilize and land at a lower level of staffing dictated by the permanent long-term workload. The idea was to relieve some of the workload and make the job more doable.

Representative Rasmussen stated it appeared the item was for a supervisory unit. She did not know how the department expected to fill the new positions when there was currently difficulty with recruitment. She imagined the work was specialized and required a social work background. She wondered how the department planned execute the plan.

Mr. Steininger replied that the department could follow up with more information. He pointed to an increment for workforce stabilization bonuses aimed at addressing some of the recruitment and retention issues. The administration was hoping the combination of all of the various support items would help address some of the recruitment issues.

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Mr. Steininger moved to page 3, line 20. The governor's December 15 budget included the addition of two positions to support the new Department of Family and Community Services including a new department technology officer and a new administrative services director under the Office of Information Technology and the Office of Management and Budget respectively; however, the money to pay for the positions had inadvertently been left out. The increment on line 20 would pay for the positions. Item 21 was \$550,000 in federal grants for DFG subsistence research. Lines 22 and 24 under the Department of Health relocated a mental health trust Crisis Now continuum of care grant. Item 23 was \$200,000 UGF under the Department of Health associated with a multi-partner partnership to expand the Master of Social Work degree program at the University of Alaska. Partners included the state and private entities to expand the capacity at the university.

Mr. Steininger moved to line 25, a new item from the Alaska Mental Health Trust Authority (AMHTA) that would add \$285,000 for the Open Beds program. The increment would go to a software system supported by the trust. Item 26 was an adjustment to TVEP under DLWD. Item 27 was \$1.7 million in federal receipts for increases to existing federal grants for DLWD. He noted that the \$550,000 on line 21 was not associated with the federal infrastructure bill. The grants were existing outside the federal investment. Item 28 was another adjustment to TVEP.

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Mr. Steininger moved to item 29 for the Department of Natural Resources. The item was \$262,000 and two positions related to working on power diversification and renewable energies in the State of Alaska. Items 30 and 31 were adjustments to add detail on how the Department of Natural Resources (DNR) would manage its partnership with the Future Farmers of America group.

Mr. Steininger turned to page 4, line 32 including approximately \$171,000 for the Department of Public Safety (DPS). He elaborated that 36 positions had been added in the FY 21 budget but were only funded at 75 percent. As more trooper positions were filled, the state was completing the remaining 25 percent funding for the positions. Item 33 was a change to the description for the missing and murdered indigenous persons addition to the Alaska State Trooper detachments. The increment would add more clarity as a result of conversations during the subcommittee process. Item 34 was a fund source change in the DPS Bureau of Investigations. He explained that as the department looked at its state homeland security grant awards, it realized the funds had been budgeted as IA [interagency] but should have been CIP [capital improvement program]. Both fund sources were "other" funds; therefore, the increment reflected a net zero change. Item 35 included an adjustment to the description to clarify the location of some additional Wildlife Trooper positions. Item 36 was for the Department of Revenue and corrected a rate reduction that had inadvertently occurred twice [in FY 22 and FY 23].

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Mr. Steininger shared that rows 37, 39, and 40 were adjustments to ensure federal funding for the Silver Tip, Chitina, Birch Lake, and Dalton Highway maintenance stations was accurately reflected. He explained that as the administration worked through the scenario to maximize the use of federal funds in the Department of Transportation and Public Facilities operating budget, a couple of maintenance stations added back to the budget the previous year had dropped off of the analysis. The federal funds would support the opening of the maintenance stations. Rows 38, 41, and 42 were related to COLAs for the Labor, Trades, and Crafts bargaining unit and ensured the correct fund source was assigned. Item 43 corrected fund source usage from designated general funds to other funds. Item 44 was another adjustment to TVEP. Item 45 was a small adjustment requested by the Court System.

Mr. Steininger turned to page 5, line 46 showing the opposite side of a technical correction shown on page 1 related to Alaska Seafood Marketing Institute (ASMI) and federal funding received by the agency the previous year.

Co-Chair Foster believed the total FY 23 operating budget change was \$14.8 million.

Mr. Steininger agreed.

Co-Chair Foster noted the committee would hear a review of the governor's supplemental and capital amendments the following morning.

HB 281 was HEARD and HELD in committee for further consideration.

HB 282 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

^RECESSED until February 23, 2022 at 9:00 A.M.  
3:30:04 PM