

HOUSE FINANCE COMMITTEE
March 23, 2022
9:02 a.m.

9:02:22 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division;
Neil Steininger, Director, Office of Management and Budget,
Office of the Governor; Kelly O'Sullivan, Fiscal Analyst,
Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Marie Marx, Legal Counsel, Legislative Legal Services.

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.

Co-Chair Foster reviewed the agenda for the meeting. The committee would continue the amendment process on the operating budget. He relayed the committee would pick up where it left off the previous day.

#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."

[9:03:09 AM](#)

^AMENDMENTS

Co-Chair Foster noted the committee would begin with Amendment L12.

[9:03:31 AM](#)

AT EASE

[9:16:43 AM](#)

RECONVENED

Representative Thompson MOVED to ADOPT Amendment L12, 32-GH2686\R.3 (Marx, 3/16/22) (copy on file):

Page 102, following line 15:

Insert a new subsection to read:

"(e) Notwithstanding (a) - (d) of this section, the operating budget appropriations made in sec. 1 of this Act do not include amounts to

(1) pay a bonus or other financial incentive to an employee of the executive branch

(A) who is subject to the salary schedule in AS 39.27.011 or whose compensation is based on the salary schedule in AS 39.27.011; or

(B) who is a member of a bargaining unit; or

(2) implement the payment of a bonus or other financial incentive to a member of a bargaining unit under a collective bargaining agreement or other agreement entered into under AS 23.40.070-23.40.260."

Representative Josephson OBJECTED.

Representative Thompson explained the amendment with a prepared statement:

This amendment proposes a new subsection in the language section and multiple transactions in the numbers section of the operating budget. The purpose of this amendment is to eliminate bonuses for recruitment and retention where it appears within the bill. Bonuses have been included in the budget of the Department of Commerce, Community and Economic Development, the Department of Family and Community Services, the Department of Health, and in the Criminal and Civil Divisions of the Department of Law.

An opinion from our Legislative Legal, which is attached and very lengthy, to this amendment, basically said providing such bonuses would probably be found in violation of state statutes and the state constitution. Under Article IX of the state constitution, it states: "No money shall be withdrawn from the Treasury except in accordance with appropriations made in the law. No obligation for the payment of money shall be incurred except as authorized by law." The legal opinion goes into great detail as to why bonuses to these employees who are covered by a union shall have a letter of agreement between the union and the department in order to implement a bonus.

For noncovered employees, substantive legislative must be enacted before bonuses or other monetary agreements can be approved for appropriation. Then it is a matter of fairness as to why some employees, covered or noncovered, would receive a bonus while other employees within the same agency do not. In addition, if salaries are deemed not to be adequate, then salary studies may be needed to be undertaken rather than giving a bonus. It's a more equitable way to distribute pay increases and not discriminatory towards other employees within the same classification. It should also be noted that in 2005, the legislature passed a bill which was signed into law, prohibiting legislative employees from being awarded or paid a bonus as found in Alaska Statute 24.10.220; therefore, I'm offering this amendment.

Representative Thompson listed individuals available to answer questions.

[9:20:13 AM](#)

Representative Josephson stated there were many different ways to try to tackle the proposal. One was to query Ms. Marie Marx [with Legislative Legal Services] whom he had spoken with about her legal memo. First, he did not believe the amendment was written well because it would be very disruptive. He stated he had been told there were 16 bonuses paid that would be very disrupted, many of which extended into the new fiscal year. He detailed that the specific bonuses related to health practitioners at the Department of Health and Social Services (DHSS), Department of Corrections (DOC), the Department of Public Safety (DPS), Alaska State Troopers, the Department of Transportation and Public Facilities (DOT), and more. Additionally, the amendment expanded beyond bonuses and prohibited any incentives at all.

Representative Josephson highlighted that the administration had new bonuses it wanted to offer to the Office of Children's Services (OCS). He stated that the FY 22 [finance budget] subcommittee had recommended bonuses for social workers, which had been passed by the legislature to help acknowledge the trauma social workers went through. The subcommittee had been told that the [OCS] social workers were transformed by their experience and

came out damaged. Additionally, the legislature had appointed a new clinician for the social workers. He elaborated that the governor had struck all of the items, but to his credit he had brought them all back.

Representative Josephson noted that the items had already been scheduled to happen through a letter of agreement with ASEA to the tune of \$1,000. The governor had said more was needed. He expounded that the turnover was chronic. He explained that the amendment would disrupt the bonuses, which would impact children's safety. He prefaced his statement by acknowledging Ms. Marx for her work for Legislative Legal. He stated that ultimately her memo specified specific appropriations were necessary (which the budget had), letters of agreement, and a temporary act for workers in the partially exempt category.

[9:23:57 AM](#)

Representative Josephson remarked that he could not imagine a union would object to the state wanting to pay its workers more. He believed the memo to be premature because the legislature could sew up the loose ends and accomplish its objectives prior to the end of session. He stressed that the current system was arcane and "just churns."

Representative Josephson relayed that typically if it was possible to establish a rational basis for an action, the courts would sign off. For example, was there a rational basis for arguing a trooper may be more vital than an administrative assistant. He believed so. He recognized that administrative assistants were needed, but the ramifications were greater with troopers. He opposed the amendment.

[9:25:31 AM](#)

Representative Wool referenced discussion on bonuses for Alaska Permanent Fund Corporation (APFC) investors. He remarked it was standard in the industry to give bonuses based on investment performance. He highlighted that the legislature had agreed to those bonuses both the past year and in the current year. He asked if the bonuses would be ruled illegal. He pointed out there were recruitment and retention issues. He relayed that the City of Fairbanks was giving police officers signing bonuses to try to recruit officers. He stated the practice was standard in the real

world. He thought it seemed logical for the state to use the practice as well. He reasoned it was within the legislature's purview if it was necessary to change some laws or make adjustments. He asked if the APFC bonuses would be eliminated and ruled against the law.

Representative Thompson asked Representative Wool to repeat the end of his question.

Representative Wool complied.

Representative Thompson deferred to Legislative Legal Services.

Representative LeBon responded to the question as a cosponsor on the amendment. He relayed that the bonuses paid to APFC investment officers were based upon exceeding guidelines or measurements agreed upon before the bonuses were paid. He clarified that the bonuses were only paid based on a formula of measured performance that exceeds the minimum. He relayed that bonuses were stepped up as performance improved or exceeded the minimum; it was necessary to earn the bonus by performing at a higher standard.

[9:27:52 AM](#)

Representative Wool asked about a signing bonus. He used DOC as an example. He did not know whether DOC offered a signing bonus. He wondered if it was considered a bonus that would be eliminated.

Representative LeBon answered that a signing bonus was different than a performance bonus. He noted that Representative Wool's initial question had been about a performance bonus. His answer had been about APFC and the investors earning a bonus based on performance. He stated that a signing bonus was common in the private sector. He noted that professional athletes received signing bonuses. He added that he had also received a signing bonus at one point. He stated it was a different type of discussion.

Representative Wool was trying to understand what would be eliminated by the amendment. He understood the difference between performance and signing bonuses.

MARIE MARX, LEGAL COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), prefaced her comments with a statement that it was a policy choice to prohibit or approve bonuses/financial incentives through letters of agreement and Legislative Legal Services did not make those policy choices. In response to Representative Wool's question, she relayed that the amendment language would prohibit paying a bonus or other financial incentive. She believed reading that in context would include any kind of money outside of regular pay. She added that the language would also be read in context with the background documents the Legislative Finance Division (LFD) receives in order to document what it meant to remove the bonuses from the numbers section of Section 1 [of the budget].

Ms. Marx elaborated that the amendment would prohibit paying a bonus or any financial incentive (i.e., retention, performance, or any kind of bonus) to an employee of the executive branch who were subject to the salary schedule under AS 39.27.011. She explained that the statute addressed classified employees and partially exempt employees who were not members of a union. The specific subparagraph addressed nonunion employees under subsection (e)(1)(a). She noted that subsection (e)(1)(b) talked about members of a collective bargaining unit.

Ms. Marx relayed that the language would not prevent APFC employees from receiving a bonus. She explained that executive branch employees could be broken into categories: employees who were members of a collective bargaining unit, employees who were subject to a salary schedule in statute (AS 39.27.011) or whose compensation was based on that salary schedule (including partially exempt and classified employees who were not members of a bargaining unit), and fully exempt employees. She elaborated that under AS 39.25.110, the salary of fully exempt employees (including APFC employees) was not based on a salary schedule set in statute. Therefore, it was the opinion of Legislative Legal Services that those bonuses would not be prevented by the amendment. She expounded that the legislature could authorize the bonuses by including background documentation to explain the appropriation made in Section 1 of the numbers section [of the budget]. She noted the payment had been made in the past, she believed in 2021.

[9:32:57 AM](#)

Representative Wool stated his understanding that APFC received bonuses, yet the amendment would eliminate bonuses for executive branch positions that were desperately needed like corrections officers, troopers, nurses, and physician's assistants. He did not know why the bonuses needed to be eliminated. He understood the argument that the bonuses were not legal. He noted legislators were lawmakers and the bonuses had already been occurring.

Vice-Chair Ortiz stated his understanding based on Ms. Marx's comments. He asked for verification that Ms. Marx was saying the bonuses addressed by the amendment were illegal but could quickly be made legal if the committee added language to the budget explaining or justifying the bonuses or increases in pay.

Ms. Marx agreed. Under statutes and court decisions highlighted in her memo, payments of bonuses for union employees created a new monetary term of agreement that was ineffective without a specific legislative appropriation for the bonuses. She explained that the legislature could make the policy call to make the monetary terms effective by including the money for the bonuses in the numbers section [of the budget] and making it clear in the numbers section through background documentation, a list of letters of agreement, or at a minimum, a list of the bargaining units that had entered into letters of agreement. She explained the action would clarify there was no question the legislature was specifically funding the bonuses for union employees. For nonunion employees it was more complicated. She explained that because their pay was set in statute and because statute could not be changed through an appropriation bill, she recommended enacting temporary or substantive law to allow bonuses in addition to the employees' pay scale compensation. She noted the method had been used in 2005 for legislative employee bonuses. There were pathways to pay the bonuses and it was the legislature's policy call to make.

[9:36:32 AM](#)

Representative Josephson repeated Ms. Marx's statement that it was absolutely possible to pay bonuses as long as the legislature followed the path she had outlined.

Ms. Marx agreed.

Representative Josephson quoted from page 6 of the Legislative Legal memo: "Where the legislature has intended to pay bonuses to state employees, it has done so through either express language in the budget or through the background documents for an appropriation." He asked for verification it was the sort of thing Ms. Marx was referring to.

Ms. Marx agreed.

Representative Josephson stated there had been reference to a legislative prohibition on bonuses. He asked if there was any comparable prohibition in the law for everyone else in the government.

Ms. Marx replied, "No, there is not." She highlighted existing statute referenced in her memo that addressed how to pay more money to nonunion (partially exempt and classified) employees subject to the pay scale under AS 39.27.011. There was a statute that provided a mechanism for paying the employees outside of their pay scale. She relayed that it seemed clear from the legislative history that the governor and legislature intended AS 39.27.011(k) to be the mechanism a department must use to compensate employees covered by the statute outside the pay plan. She added it seemed clear the provision was intended to only allow flexibility for partially exempt employees. She informed committee members there was no express prohibition like the one mentioned by Representative Josephson under AS 24.10.220.

Representative Josephson asked if Representative Wool was correct that if the legislature did none of the things Ms. Marx suggested it could do, the net result would be bonuses for financial investors at APFC who he suspected already made \$200,000 or more, while no other employee could receive bonuses. He asked if it was Ms. Marx's concern.

[9:39:20 AM](#)

Ms. Marx asked for clarity on the question.

Representative Josephson asked if the legislature did not secure and agree to letters of agreement, the only state employees who could be confident their bonuses would hold would be employees at APFC, while troopers, correctional

officers, nurses, and all other employees would be ineligible.

Ms. Marx answered that she had discussed the issue with LFD and had been told that currently none of the background documentation indicated that the legislature knew it was funding the bonuses. There was documentation that the legislature made the decision to pay APFC bonuses. She stated that the legislature could make the policy decision to fund bonuses from past years such as FY 22 through a supplemental appropriation. She explained that the legislature was aware of the funded APFC bonuses, whereas it was her understanding the legislature had not been aware of the other letters of agreement and they were never specifically funded. She stated the legislature could make the policy call to make a supplemental appropriation for FY 22 or a current year appropriation for FY 23 if it chose to do so.

[9:41:40 AM](#)

Representative Josephson remarked that there were many smart people who worked for the legislature, the Department of Law, and the Office of Management and Budget. He looked at a document (copy not on file) showing that in July 2019, the state was paying health practitioners \$7,500 sign-on bonuses to take care of prisoners through DOC. Additionally, the employees had received another \$7,500 for sticking it out for a year. He observed the employees must have been desperately needed. He asked if Ms. Marx was saying that someone could litigate, and it could be decided the individuals may need to pay the bonuses back because the legislature did not rubber stamp them.

Ms. Marx answered that she would not try to assume what would happen for past bonuses. She thought it would be unlikely that a court would make employees pay those bonuses back. She relayed that the Alaska Supreme Court would say that the monetary terms were ineffective without a specific legislative appropriation for the bonuses. She stated whatever that meant for the union employee and the bargaining unit, it was something outside of the legislature's power to make appropriations; the power did not reside with the executive branch or bargaining units. The court had stated that the agreements were ineffective without a specific appropriation for the bonuses. She relayed that the court had specified that if the state was

free or required to reallocate its present appropriation, the appropriation power of the legislature would be frustrated. She explained it was the issue at hand: the legislature had the power to decide whether to fund the bonuses in an appropriation bill. She stated the law required the Department of Administration (DOA) to submit the letters of agreement to the legislature for funding approval. She reiterated that the Alaska Supreme Court had said the monetary terms were ineffective without a specific legislative appropriation for the bonuses.

[9:44:20 AM](#)

Representative LeBon stated that the bonus program for APFC investment officers was performance-based. He clarified the performance measures required exceeding the benchmark. He detailed that the bonus was paid out of the higher return for the Permanent Fund; therefore, he reasoned in a sense, the bonuses were self-funded. He stated if the benchmark was not exceeded set by the APFC Board of Directors, no bonus was received.

Representative Thompson stated his understanding that letters of agreement for bonuses needed to be presented to the legislature for approval.

Ms. Marx cited statute AS 23.40.215 and agreed.

Representative Thompson stated he was not against bonuses, but he felt they needed to be done according to law. He remarked the legislature had not properly followed the law to approve the bonuses.

[9:46:22 AM](#)

Vice-Chair Ortiz appreciated the prior comment by Representative Thompson. Additionally, he appreciated the amendment because it highlighted some of the issues the legislature would have in the manner it was attempting to forward, which appeared to be illegal without addressing the issue. He did not want to handcuff the ability for agencies such as OCS and troopers to recruit and retain people. He thought the amendment would likely slow up the process. He asked if the amendment would handcuff the ability for agencies like OCS and DPS from hiring. He stressed the state had a real problem with recruitment and retention. He was unclear on how to vote on the amendment.

He reasoned that voting in favor of the amendment would be voting in favor of the law; however, at the same time, it was necessary to address recruitment and retention problems facing the state.

[9:48:03 AM](#)

AT EASE

[9:56:59 AM](#)

RECONVENED

Co-Chair Foster relayed that the committee would roll the Amendment L12 to a later time to give Legislative Legal Services time to work on contingency language.

Representative Wool reviewed his earlier question about following the law. He clarified he had not meant to be glib about following laws. He knew that in the current and previous budgets, the legislature had often included bonus language drafted by Legislative Legal Services. He hoped the issue could be resolved without getting rid of the bonus program that he believed was much needed. He stated that a trooper hired the previous month received a sign-on bonus and another bonus in a year's time. He did not want to be the one to renege on the bonus.

Representative Josephson believed the trooper Representative Wool had spoken of would have a claim in restitution, reliance, and equitable remedies. He stated that the employee had signed a contract in reliance on those things and would likely to win the contract. He believed the other body was aware of the issue and working on it. He pointed out that the legislature frequently wrote budgets with "these sorts of curative fixes and triggers." He shared the governor's grave concern about the 60 percent turnover at OCS.

Co-Chair Foster noted the committee would come back to Amendment L12 at a later time.

[9:59:25 AM](#)

Representative Wool MOVED to ADOPT Amendment L13, 32-GH2686\R.17 (Marx, 3/17/22) (copy on file):

Page 81, line 11:
Delete "50,000,000"

Insert "57,000,000"

Representative Rasmussen OBJECTED.

Representative Wool highlighted that the current budget added \$50 million as a one-time increment to education. There was a proposed Base Student Allocation (BSA) increase bill the committee had heard that would raise the BSA by about \$57 million. He believed the BSA had not been increased since 2017. He elaborated that when adjusted for inflation from 2017 to 2022, the increase was approaching \$100 million. He believed the bill sponsor only went back to the last one-time increment of \$30 million, which was more recent than 2017. He stated the contingency language in the budget bill for \$50 million was included in the event the BSA bill did not pass. He spoke to the desire to increase education funding because school districts were in desperate need for funding, primarily because flat funding did not account for increases in expenses. He explained the amendment would increase the \$50 million in the current budget with \$57 million to be equivalent with the BSA bill.

Representative Wool provided wrap up on the amendment. He stated that education was a primary core service that had been flat funded for a long time. He elaborated that the committee had heard from educators, principals, and superintendents that schools were having a tough time. He highlighted increased fuel costs. He remarked that school districts did not receive a supplemental energy check. He relayed that his school district had a \$17 million to \$19 million deficit at present. He noted that the \$57 million increase would mean his district would still have a large deficit it was working to overcome. He thought the amendment was a small ask to equal the BSA bill increase.

Representative Rasmussen saw another upcoming \$450 million proposal [in the amendment packet]. She was trying to understand whether the proposals were related in any way. She asked if they were both for education funding.

Co-Chair Foster confirmed there were two separate amendments both addressing education funding.

[10:03:15 AM](#)

AT EASE

[10:04:56 AM](#)

RECONVENED

Representative Wool stated the amendment was a one-time increment of \$57 million to education to go toward BSA-type expenditures for students, classrooms, and teachers. He stated the amendment contained the same funding amount as the BSA specific legislation. He stated that schools needed the funding. He did not want to include language micromanaging exactly how the funds would be spent. He believed schools had enough needs and the schools knew what those needs were.

Representative Rasmussen supported the \$50 million [currently in the budget]. She opposed the amendment to increase the number to \$57 million.

Representative Rasmussen MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, LeBon, Ortiz, Thompson, Wool, Edgmon, Foster

OPPOSED: Rasmussen, Carpenter, Johnson, Merrick

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment L13 was ADOPTED.

[10:07:15 AM](#)

Co-Chair Foster reviewed the schedule for the day.

Vice-Chair Ortiz MOVED to ADOPT Amendment L14, 32-GH2686\R.28 (Marx, 3/19/22). [Note: due to the length of the amendment it has not been included. See copy on file for detail.]

Representative LeBon OBJECTED.

Vice-Chair Ortiz explained the amendment with prepared remarks:

This amendment is to address the potential high cost of fuel associated with high crude oil prices. If the fiscal year average price of Alaska North Slope crude oil exceeds \$70 per barrel for the period from July 1, 2022 to December 1, 2022, money will be transferred from the General Fund to the Office of the Governor to

be distributed to state agencies to offset increased fuel and utility costs for the fiscal year ending June 30, 2023.

Vice-Chair Ortiz pointed to page 1, line 12 through page 3, line 19 (subsection (c)), which outlined the amount to be transferred given the average per barrel of oil price rounded to the nearest dollar. He explained it was a sliding scale scenario. He continued reading from prepared remarks:

For example, if the average price of oil from July 1 to December 1 is \$125 or more per barrel, the amount transferred to the Office of the Governor would be \$27 million. That would be the maximum amount transferred with the adoption of this amendment. However, if the average price is \$80 per barrel, then \$4.5 million will be transferred (a sliding scale depending on what the average price per barrel ends up being).

The governor is directed to distribute that money in a subsection of this amendment, page 3, line 22 through page 4, line 1 in the following manner: DOT would get 65 percent of the total that's put forward or minus 10 percent; the University of Alaska gets 15 percent of the total plus or minus 3 percent; the Department of Family and Community Services gets not more than 5 percent of the total, the Department of Corrections gets not more than 5 percent of the total; and any other agency, like for example, Fish and Game, gets not more than 4 percent of the total.

Vice-Chair Ortiz explained that the amendment tried to address would acknowledge high fuel costs and the impacts on agencies. He explained it was similar to the proposed energy rebate that would go to residents in recognition of higher costs at home. He wanted agencies to be able to do what they were asked to do and did not want them to be handcuffed by rising costs.

[10:11:09 AM](#)

Representative Johnson asked how many years a payment would have been triggered in the past 15 years based on the amendment specifications. She thought the average price of oil per barrel had been close to \$72 the previous year, which meant money would have been paid that year.

Vice-Chair Ortiz answered that during previous times when energy prices had spiked, the legislature had adopted a fuel trigger process. He did not know how many times it had occurred in the past.

Representative Johnson asked if the legislature would have been required to pay the money the previous year [if the amendment had been in effect]. She was trying to recall the average fuel price the previous year.

Vice-Chair Ortiz answered there had been no fuel trigger appropriation put forward in the last budget.

Representative Johnson understood. She clarified she wanted to know if the amount would have paid [if a fuel trigger had been in place]. She remarked that oil prices had been hanging around \$70 per barrel. She thought the fuel trigger seemed close to what prices had been.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, thought the average oil price was below \$70 per barrel the past year. He explained that \$70 had been chosen because the projection had been \$71 per barrel in the fall forecast. He explained that if oil prices were above the fall forecast that the governor's budget was built on, the fuel trigger would take effect. Likewise, if the price was below what the governor's budget had been built on, the fuel trigger would not go into effect. He relayed that in the past, when there had been fuel triggers, the range varied significantly in terms of the starting point and the maximum ceiling. The justification in the current year was to start at the fall forecast due to the way the governor's budget was constructed.

[10:14:47 AM](#)

Representative LeBon asked if it would be a logical approach to deal with a higher fuel cost among different agencies in a supplemental budget the following January after the first six months of the fiscal year had played out to know how budgets had been impacted.

Mr. Painter answered that the timing of the amendment was based on prices through December. He explained that if agencies still needed more money, additional funding could be included in the supplemental. He relayed that in recent

years there had rarely been supplementals that had been effective until June. He elaborated that giving agencies funding in June for the fiscal year that was nearly over, did not necessarily address a shortfall during the year. In particular with the Alaska Marine Highway System (AMHS) that had moved to a calendar year schedule, its operations in calendar year 2022 would be complete by the time the legislature came back [into session]. He detailed that if AMHS was impacted by high fuel cost in the current budget that had been appropriated the previous year under lower oil prices, there would not be an opportunity to address the situation in a supplemental because its appropriation was effective during the calendar year.

Mr. Painter relayed that other agencies may be able to adjust during the year. He referenced historical fuel triggers and explained there had often been multiple distributions in the year. He expounded that in the last one in FY 15, there had been a distribution based on prices through the end of July and another one in December. The fuel trigger had been structured so it would happen multiple times throughout the year so that as prices went up, agencies did not have to adjust their operations based on oil prices. He stated it was the rationale behind including the trigger at present versus later on.

[10:17:21 AM](#)

Representative Josephson asked if the funds according to intent language (on pages 1 and 3 of the amendment) would be constrained to their intended purpose. He had read the Knowles v Legislative Council decision a couple of times. He asked if Mr. Painter believed the agencies would do what the legislature was asking them to do or if they would do something entirely different.

Mr. Painter stated it was difficult to predict. He used AMHS as an example and explained that it had budgeted on fuel in the range of over \$2.00 based on where prices had been several months previous. He explained that if AMHS saw much higher fuel bills, it would use additional money (it had previously been appropriated) to offset the fuel bills because it was a real cost to the agency. He stated there may be other agencies where fuel was perhaps not a major cost. He would hope the governor's office would distribute the money according to fuel need rather than other goals.

Representative Carpenter asked if there was a way to tie a spending increase to cost versus the price of oil. He highlighted the amendment was an automatic spending increase when oil prices went up that was not tied to actual cost. He asked if there was another way to approach the issue.

Mr. Painter replied that the price of oil had been used in the past because it was an easy to identify and consistent number. He relayed that it could be tied to the price of fuel, but it would differ by location and type of fuel, which would be significantly more legwork by the Office of Management and Budget (OMB). He suggested perhaps the OMB director could speak to the issue. He reiterated the advantage of using the ANS [Alaska North Slope] price is it was a single known number, instead of trying to track down fuel prices throughout the state, but he could imagine the option.

Representative Wool liked the amendment because although high oil prices were good for the state budget, anyone who used fuel felt the adverse effect. He remarked that the energy checks to individuals were intended to offset the high cost. He highlighted that DOT was the number one recipient under the amendment because it burned a lot of fuel on ferries, snowplows, and other. He assumed the numbers were not made up and tracked the price of oil. He presumed the amendment was based on history of fuel consumption. He remarked that \$71 per barrel was the base number and as price increased each of the recipients would have a higher fuel bill. He thought the amendment likely used a calculation that added a percentage to an agency's prior fuel cost.

Mr. Painter replied that the amendment used the historical calculation that had been used the last time it was in the budget. He elaborated it was \$500,000 increments per \$1 of ANS in addition to the percentages used in the historical calculation. He could not say whether the numbers were still the right ones to use; the numbers had been used eight years earlier. As far as he knew, there was not a recent study of fuel consumption by agency to provide updated numbers.

Representative Wool noted he supported the amendment.

[10:21:38 AM](#)

Representative Thompson used DOT as an example because it was likely the largest consumer of fuel within state departments. He assumed the ferry system had long-term contracts for purchasing fuel for ferries. He did not know whether there were price escalators included in the contracts. He did not know how much fuel the department consumed and how much it stored in expectation of prices going up. He did not know where it fit if there was any kind of contract with a set price and amount for a given period of time.

Mr. Painter responded that he did not know the process for DOT.

Co-Chair Foster noted that DOT was not online. He asked to hear from OMB. He briefly restated the question.

Representative Thompson restated his question.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, recalled that the AMHS contract for ferry fuel was based on the market rate sold at the pump specifically in the Port of Bellingham, W.A. He elaborated the contract to purchase the fuel did not set a fuel price in advance and was based on the daily price of fuel purchased at the time. He relayed there could have been a change in the process, and he would follow up with DOT for clarification.

[10:24:37 AM](#)

Representative LeBon considered that if a private sector transportation company such as Alaska Airlines paid more for fuel, the company had to look at its business model and decide how much to pass on in ticket prices. He asked if AMHS looked at its ticket prices and what it charged users to help offset an increase in the fuel cost.

Mr. Steininger answered that he did know the specific answer. He relayed that all of the different cost factors of the AMHS were part of setting the rates. He elaborated that DOT had moved to some level of dynamic rate setting for the farebox charges and he believed there was some level of incorporation of fuel cost, but he did not know how it specifically impacted ticket price.

Co-Chair Foster asked if the money lapsed if it was not used by AMHS for fuel within a year.

Mr. Steininger confirmed that if money for fuel in the AMHS budget was not spent it would lapse back to the appropriate account, either the General Fund or the Marine Highway System Fund.

Representative LeBon MAINTAINED the OBJECTION.

Vice-Chair Ortiz provided wrap up on the amendment. He stated the process was imperfect and reflected the process used in the past. The amendment recognized that oil prices were higher than when the governor submitted his original budget. The amendment would allow agencies to adjust to the higher prices.

[Note: The first roll call was VOIDED, and a second roll call was taken.]

A roll call vote was taken on the motion to adopt Amendment L14.

IN FAVOR: Ortiz, Wool, Edgmon, Johnson, Josephson, Foster
OPPOSED: LeBon, Rasmussen, Thompson, Carpenter, Merrick

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment L14 was ADOPTED.

[10:28:40 AM](#)
AT EASE

[10:42:19 AM](#)
RECONVENED

Co-Chair Foster noted that Amendment L15 would be taken up a bit later. He relayed the committee would move to amendments to the numbers section of the bill.

Representative Josephson asked if the committee would go to numbers amendments and then back to supplemental language amendments.

Co-Chair Foster clarified that the committee would hear the amendments in the following order: language section, numbers section, supplemental numbers section, supplemental

capital section, capital, and handful of additional amendments.

[10:44:33 AM](#)

Representative Wool did not offer Amendment H DOA 1 (copy on file).

Representative Wool did not offer Amendment H DOA 2 (copy on file).

[10:45:53 AM](#)

Representative Josephson MOVED to ADOPT Amendment DOA A (copy on file):

Department: Administration
Appropriation: Legal and Advocacy Services

Allocation: Public Defender Agency
Add: \$1,381,500 UGF (1004), Personal Services - IncOIT

Allocation: Office of Public Advocacy
Add: \$968,400 UGF (1004), Personal Services - IncOIT

Explanation:

The Public Defender Agency and the Office of Public Advocacy have serious recruitment and retention problems. Without a skilled and qualified workforce, these agencies that are essential to our criminal justice system have decreased ability to effectively serve Alaskans.

The additional funding will be used to provide retention bonuses to Public Defender Agency and Office of Public Advocacy staff who are employed on June 30, 2022, and continue to be employed on May 31st 2023. The bonuses should be allocated as follows:

- \$10,000 for attorney positions
- \$5,000 for associate attorneys, paralegals, investigators, and similar positions
- \$3,000 for law office assistants, public guardians, and general office personnel.

It is not the intent of the amendment to provide bonuses to the Public Defender, OPA Division Director, or nonpermanent positions.

Representative Carpenter OBJECTED.

Representative Josephson explained the amendment. He stated that Representative Thompson had discussed the importance of equity and avoiding discrimination in hiring practices. He noted it was his strong understanding and the opinion of Legislative Legal Services that it could be done if a rational basis was established. He stated that DOA had not been his subcommittee, but the previous year he had successfully introduced increases to the Public Defender Agency, which may or may not have held after the [governor's] veto. He believed they had been designed to parallel other increases in the Department of Law (DOL) that may have been introduced by the administration. He had not personally recommended bonuses to DOL. His amendment was designed to be the other side of the debate on salary increases for attorneys currently in the committee substitute. He noted there was an amendment partly offered by Representative LeBon and separately later on [in the packet] to strip out prosecutor and other attorney salary increases. The current amendment was designed to parallel the DOL increases.

Representative Josephson continued to explain the amendment. He had heard second hand that the Public Defender Agency and the Office of Public Advocacy, both housed under DOA, had an increased caseload making retention challenging. Additionally, the agencies' attorneys were being poached by the private sector. He remarked that some of the issue was likely a defined benefit problem. He elaborated that because the agencies had a recruitment and retention problem they had to contract with private counsel, which had always been the case. He recalled when he was a prosecutor, the Office of Public Advocacy would sometimes contract with private counsel. He stated it was more costly than holding their own staff. He highlighted that Alaska had a shortage of attorneys and state agencies were competing for the same small candidate pool.

Representative Josephson reiterated that he had not been on or attended the DOA subcommittee meetings. He shared that DOL had been demonstrative and effusive about the problem

without endorsing the increases. He had not directly heard from the Public Defender Agency or Office of Public Advocacy on the topic. He relayed he was offering the amendment in the interest of fairness.

Co-Chair Foster acknowledged Representative Mike Cronk in the audience.

Co-Chair Merrick referenced Representative Josephson's statement that the increase the previous year may or may not have survived veto. She asked OMB if the amount was vetoed the previous year.

Mr. Steininger replied that there had been no vetoes to legal and advocacy services the previous year.

[10:51:10 AM](#)

Representative Thompson asked if the amendment was contingent upon the passage of language authorizing the bonuses.

Co-Chair Foster stated that it likely was connected to the other amendment offered earlier by Representative Thompson, which had been held. He suggested perhaps he should have held Amendment DOA A to be taken up after Representative Thompson's amendment [Amendment L12].

Representative Josephson responded affirmatively to Representative Thompson's question. He noted that the numbers had been painstakingly reviewed by looking at page after page of PCNs. He elaborated that some of the employees were likely in bargaining units, while many - certainly if they were attorneys - were not. He stated in the former case there would have to be a letter of agreement and in the latter case there would have to be a temporary act.

Co-Chair Foster held Amendment DOA A until the other related contingency language the Legislative Legal Services was currently working on had been received.

[10:52:48 AM](#)

Representative Johnson MOVED to ADOPT Amendment H CED 1 (copy on file):

H CED 1
Department of Commerce, Community and Economic
Development
Executive Administration

Delete small business grants for small business
innovation research or small business technology
transfer grantees. No impact on DCCED.
1004 General Fund (UGF) -\$250,000

Vice-Chair Ortiz OBJECTED.

Representative Johnson explained the amendment. She explained that \$250,000 had been put in the budget in subcommittee to support innovation and technology grants for businesses. She remarked that the biggest challenge was ensuring existing businesses had support. She elaborated there were hundreds of businesses trying to recover from the pandemic and some had shut down. She believed the state needed to help impacted businesses first and encourage innovation through other means. She did not oppose the goal, she was merely prioritizing. She noted that the money [added in subcommittee] was in addition to the work DCCED already did. She stated it was not necessarily supported or opposed by DCCED, but it added to the department's workload because it would add a programmatic component related to the federal program as well.

[10:54:39 AM](#)

Representative Wool stated his understanding that the funding included by the subcommittee was intended for businesses that had already applied successfully for federal grant funding. He believed the increment was the last dollar in by the state to complete the funding process. He elaborated that the federal government often wanted to see the state or other entities put "skin in the game." He did not think including the funding would inhibit any other aid to business the department was already doing or had done. He stated the funding was for innovation and new businesses. He remarked it was not at the detriment of existing business; the funding was intended to create new businesses and innovation. He detailed that a business would apply to a federal grant and use the state dollars to complete the deal. He thought the businesses themselves would be doing much of the work. He wanted to encourage new innovation and new businesses. He noted that Alaska ranked

near the bottom with federal business support grant money. He supported the program and opposed the amendment.

Representative Rasmussen thought there was a lot of relief for government programs in the public sector in the budget bill. She did not see as much emphasis on the private sector as she would like. She saw the need for trying to leverage federal grants. She stated that \$250,000 was a decent amount but relatively minor compared to many other appropriations. In an effort to support the private sector and help businesses secure some of the federal grants, she opposed the amendment.

[10:57:25 AM](#)

Representative Wool stated the funding did not take away businesses that needed help. He stressed that the grants were not intended to help businesses hurting from COVID or any other reason. He stated the grants were aimed at starting new, innovative technology businesses and other things. He pointed out that \$250,000 was small in terms of the budget. He stated the funds would leverage much larger federal grants.

[10:58:21 AM](#)

AT EASE

[10:59:25 AM](#)

RECONVENED

Representative Wool clarified that he had misunderstood Representative Rasmussen who had spoken in support of maintaining the funding in the budget. He agreed with Representative Rasmussen on [opposing] the amendment.

Representative Carpenter stated that \$250,000 in the larger scheme of the budget was fairly insignificant, but it was still \$250,000. He was philosophically opposed to the concept that handing out free money to startup businesses was in a business's best interest. He stated that the struggle was real, and the struggle was valuable. He opposed to using government money for startup. He stated there were plenty of opportunities for businesses to seek funds from the private sector. He did not support spending \$250,000 on seed money for businesses.

Representative Johnson provided wrap up on the amendment. She clarified she did not oppose innovation, technology, startups, or any of those things. She highlighted that her district had some of the most innovative business, recognized federally and recently by the governor. She expected she would know people who would apply for the grant. She stated that \$250,000 was still a lot of money to not have a plan to go forward with. She thought deleting the money was prudent and vigilant.

Vice-Chair Ortiz MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon

OPPOSED: Ortiz, Rasmussen, Thompson, Wool, Edgmon, Josephson, Merrick, Foster

The MOTION to adopt Amendment H CED 1 FAILED (3/8).

[11:03:10 AM](#)

AT EASE

[11:04:11 AM](#)

RECONVENED

Representative Rasmussen MOVED to ADOPT Amendment H DOC 1 (copy on file):

H DOC 1

Department of Corrections

Population Management

Four additional drug dogs to combat contraband

Adds authority for four (4) additional drug dogs to combat contraband at all the department's facilities. Drug dogs are used for module and cell searches; they attend and screen visitor events and are used for staff searches as needed. Finding contraband greatly increases the safety of inmates and staff.

There are vacant CO positions within the department that can be reclassified as handler for these new dogs. If the department is able to secure the dogs in FY23, the department estimates additional annual maintenance costs of 47.5 per dog.

One time first year start-up costs include:
Initial Purchase Price
Initial Veterinary Costs
Initial Set-up, Crates, Gear, Fencing, etc.
Basic 6-week Training (increased OT - 2 Cos full-time
for 2 months)
Vehicle with K9 upfitting/maintenance

1004 General Fund (UGF) \$568,000

Representative Josephson OBJECTED for discussion.

Representative Rasmussen explained the amendment would add authority for four additional drug dogs within the DOC for \$568,000. The committee had recently seen a presentation from DOC highlighting work the department was doing to combat contraband in the department facilities. She elaborated that dogs were used for module and cell searches, screening visitor events, and staff searches as needed. She thought it was a great safety mechanism for inmates and staff. She acknowledged that \$568,000 was a good sum of money, but believed it was money well spent to increase inmate and staff safety.

Vice-Chair Ortiz tended to think he would be supportive of the amendment. He asked if the amendment gave receipt authority or was a General Fund appropriation.

Representative Rasmussen answered that the amendment would reclassify a couple of positions for the dog handlers and there was some GF to pay for the initial purchase of the dogs, veterinary cost, set up and gear including crates and fencing, six-week training, and the vehicle necessary to incorporate the canine upfitting and maintenance.

[11:06:32 AM](#)

Vice-Chair Ortiz asked if the amendment had been addressed at the subcommittee level.

Representative Rasmussen answered that the amendment had not been done at the subcommittee level. She elaborated that the amendment had been written after the committee had heard a presentation by DOC, which had taken place after subcommittees had concluded.

Representative LeBon asked if the department had requested additional dogs. He asked if DOC had specifically requested funding for four dogs.

Representative Rasmussen answered that the department discussed the success of the program. She was open to adding to the four dogs proposed in her amendment if someone wanted to propose a conceptual amendment. She had landed on four, which would increase the total number from three to seven. She thought they would want dogs in all corrections facilities if possible.

Representative LeBon thought he had been reading the amendment incorrectly as adding four additional dogs. He asked for the number of additional dogs the amendment would add.

Representative Rasmussen clarified that the amendment would bring the current number of three dogs up to seven dogs. She stated one of the current dogs was going through training. She referenced documentation showing the current number of dogs. The amendment would add the additional dogs to continue the success of the program.

[11:08:34 AM](#)

Representative Edgmon liked where the amendment was going. He stated that with every drug dog came a handler that was with the dog around the clock. He asked if the \$568,000 included in the amendment encapsulated the cost for the additional positions.

Representative Rasmussen answered that she had worked with the department to reclassify four existing unfilled positions to work with the dogs. She elaborated that if the program continued success, perhaps several positions could be added to bring the program to full capacity in all DOC facilities.

Representative Josephson thought it sounded like Representative Rasmussen had consulted with the department. He stated his understanding the department was not necessarily requesting the additional dogs. He wondered if the department agreed there was need.

Representative Rasmussen replied that based on a conversation with the department she understood it was an

amendment DOC could implement and it would not cause a major burden on the department. The department had highlighted the success of the program. She noted the committee had heard the commissioner state that if there were more canine officers added, the department would happily be able to put them to work.

Representative Wool clarified that he was not anti-dog. He stated the department had presented and he understood that one of the dogs had died somewhat recently. He thought replacing one with two would be an improvement. He was concerned there was a shortage of corrections officers, and that the reclassification of positions would mean fewer officers. He did not know what the recruitment of canine staff was like currently and he did not know the number of dogs available. He thought the funding included in the amendment seemed like a large amount for four dogs. He remarked that DOC no longer allowed inmates to get their own mail in the interest of discovering drugs; inmates received a photocopy of their mail. He stated that the request had been denied in subcommittee a couple of years earlier and the department had made the change anyway. He considered that perhaps dogs sniffing mail would be better so that inmates could receive handwritten letters from their families. He would support a conceptual amendment for two dogs and half the amount.

Representative Rasmussen thought the proposal to reduce the number to two additional dogs would be going backwards if the goal was to have dogs in all DOC facilities. She stated the retention efforts appeared to be better when there were canines in the facility. She elaborated that the handler was still in the facility and the amendment would not eliminate a correctional officer from any facilities. She highlighted that DOC's dog Koda had died in 2021 and had identified 25,263 grams of heroin, 22,484 grams of methamphetamine, and 16,434 grams of cocaine. She believed less than \$150,000 was well worth the accomplishments of the one dog's efforts. She thought the more that could be done to identify [drugs] and improve safety for inmates and correctional officers was money well spent.

[11:13:56 AM](#)

Representative Wool believed a corrections officer would handle the dog and would be taken off the floor. He thought their job description would change and they would not

necessarily be doing their previous job as a corrections officer. He believed whatever unit they were taken from would need to replace them. He thought adding two dogs when one was lost was adding and not going backwards. He had not heard the department say its goal was to have a dog in every facility. He thought perhaps if there was a dog at every facility a vehicle would not be needed because the dogs could live at each facility. He MOVED to ADOPT conceptual Amendment 1 to H DOC 1 to reduce the number of additional dogs to two and half the cost.

Representative Rasmussen OBJECTED.

Representative Thompson stated the issue could get complicated. He highlighted a scenario where a correctional facility was having a problem but there was no dog on site. He reasoned it meant they would be looking at taking a dog from another location. He reasoned it would mean added transportation cost to take the dog between facilities. He supported the original amendment that would add four dogs.

Representative Rasmussen MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Wool, Johnson, LeBon, Merrick
OPPOSED: Rasmussen, Thompson, Edgmon, Josephson, Ortiz,
Foster

The MOTION to adopt conceptual Amendment 1 to Amendment H DOC 1 FAILED (5/6).

[11:17:28 AM](#)

Representative Rasmussen wrapped up the amendment. She believed the need for the dogs had been highlighted and she asked for members' support on the amendment.

Representative Josephson WITHDREW the OBJECTION.

Representative LeBon OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Edgmon, Johnson, Josephson, Ortiz,
Rasmussen, Merrick, Foster
OPPOSED: Wool, Carpenter, LeBon

The MOTION PASSED (8/3). There being NO further OBJECTION, Amendment H DOC 1 was ADOPTED.

[11:18:34 AM](#)

Representative Carpenter MOVED to ADOPT Amendment H DOE 1 (copy on file):

H DOE 1
Department of Education and Early Development
Education Support and Administrative Services

Reverse increase in temporary increment for Pre-Kindergarten Grants (FY2023-FY2024)

1004 General Fund (UGF) -\$2.5 million

Vice-Chair Ortiz OBJECTED.

Representative Carpenter explained the amendment would remove \$2.5 million for Pre-K grants from the budget. He stated it was a policy call to remove the increment added in the subcommittee.

Vice-Chair Ortiz considered that the committee was pretty good at appropriating resources towards an end problem. He clarified the committee was good at (and should be good at) putting resources towards law enforcement, corrections, and public safety. He stated the state's task of helping to provide for public safety was outlined in the state constitution. He pointed out that the legislature was not as good at trying to prevent problems from happening. He underscored that Alaska ranked 49th in the country in providing access to Pre-K. He elaborated that the administration spoke about its goal of children reading by third grade. He believed everyone on the committee believed it was a valuable goal. He remarked it was one thing to set a goal and another thing to put policies in place to achieve the goal. He discussed that the subcommittee had put in \$2.5 million to try to promote more opportunity for some students across the state to have access to Pre-K.

Vice-Chair Ortiz emphasized that 90 percent of a child's brain development happened before the age of five. He stressed the relatively small investment resulted in substantial positive benefits including school readiness,

stronger social skills, parent involvement in their child's education, and early intervention for at-risk behaviors. He emphasized that better outcomes required investment. He stated that the \$2.5 million had been included in the budget in recognition that the Reads Act may not get passed, which was another way to address Pre-K opportunities. He stated the increment matched the amount included in prior budgets before the recent years of economic hardship. He added that the increment had been included in the budget the previous year and it had been vetoed by the governor. He stated the increment was not growing government. He stressed it was a small amount to provide opportunity for better education and life outcomes. He strongly opposed the amendment.

[11:23:31 AM](#)

Representative LeBon stated that when he had served on a school board in the past, the board had been concerned with accepting grants. He elaborated that board members had wanted to know the duration of the grant. He stated that many of the grants were short-term. He expounded that the proposal did not expand the BSA formula to include four-year-old children. He recalled that years back the Fairbanks School Board had been given a grant opportunity to expand a program to four-year-old children. The board had passed on the opportunity because the four-year-old was not brought into the BSA formula and the funding had been on the district to absorb the cost or to ask the borough to cover the expense. He believed the current debate needed a bigger discussion at a bigger level to include the BSA formula. He supported the amendment to reduce the funding.

Representative Thompson agreed with Representative LeBon. He stated it was only a one-time grant for a year. He detailed that a school district would start a Pre-K program and the following year the district would be expected to continue the program and figure out how to pay going forward. He supported the amendment.

[11:25:52 AM](#)

Representative Josephson opposed the amendment. He stated committee members had all met with the Association of School Boards, Association of Superintendents, and other related associations. He emphasized they had never been asked to cut Pre-K because it was a problem. He stated that

unfortunately he was not able to follow the Reads Act and he noted there were likely differences between the two chambers. He stated that even though there would still be some descent, it was not the direction they wanted to go; they wanted to go in the opposite direction. He reiterated his opposition to the amendment.

Representative Wool asked if the \$2.5 million was in addition to other monies designated for Pre-K. He understood there had been various Pre-K pilot programs for a decade or more. He asked how many children were in Pre-K currently.

Co-Chair Foster noted that Vice-Chair Ortiz was the education subcommittee chair.

Vice-Chair Ortiz answered that the [\$2.5 million] increment was the only money being put forward for Pre-K in terms of state resources [this statement was corrected by Vice-Chair Ortiz at 11:40 a.m.]. There were federally funded Head Start programs across the state. He shared that the state used to put in significantly more funding towards Pre-K. He emphasized that statistically, children who received Pre-K were seven times less likely to be incarcerated. He highlighted there were serious long-term expenses associated with incarceration. He stated that anything the state could do on the upstream was money saved in the long-term.

Representative Rasmussen shared that she currently had a child in Pre-K. She thought eliminating the funding created more challenges for teachers when kids entered kindergarten and first grade because they had to catch up to the kids who had the opportunity to participate in a Pre-K program. She thought there was likely a pool of kids in the middle without the means to pay for Pre-K. She relayed that Head Start was a needs-based program and could not accept all applicants. She believed disparity was created for one group of students who were caught in the middle. She wanted to ensure the state created every effort possible to have students start their K-12 education on the best foot possible and allow teachers to teach students who were on the same level academically as much as possible. She opposed the amendment. She observed that the budget added \$57 million to the K-12 budget and she believed it would be an error not to fund the increment for Pre-K.

11:30:29 AM

Representative LeBon thought the legislature needed to have its eyes open when it came to the funding. He asked about the duration of the funding. He asked how the money was spread out. He asked about the formula and whether the Fairbanks School District received a portion of the funding. He asked if the funding would be targeted to see how well a program worked in model schools with a requirement to report back to the legislature. He thought it was a bigger discussion. He did not know who the beneficiary of the program was. He thought there were numerous holes in the proposal.

11:31:37 AM

AT EASE

11:40:26 AM

RECONVENED

Vice-Chair Ortiz made a correction to his previous statement that the \$2.5 million was the only state funded increment in the budget for Pre-K. The budget also included \$3.2 million for Pre-K. He provided a handout from the Department of Education and Early Development showing current Pre-K recipients funded by the \$3.2 million (copy on file).

Representative LeBon appreciated the information because he had been led to believe the [\$2.5 million] increment was for a new program. He asked if the additional \$2.5 million was added to the existing program and the money was allocated based on a formula. He asked if the funding was equally distributed to everyone or based on the number of students. He asked how the additional \$2.5 million would be allocated across the current recipients.

Vice-Chair Ortiz asked to hear from the Legislative Finance Division. He added that the \$2.5 million had been included in the budget in previous budget cycles, but it had been eliminated in recent budgets. He clarified that the \$2.5 million restored funding for programs that had been available in the past.

KELLY O'SULLIVAN, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, answered that it was a competitive application process awarded to school districts.

Representative LeBon observed that the most common dollar amount appeared to be around \$150,000 given to districts. He pointed out that the number of students in the program varied widely in districts receiving the funding. For example, the Fairbanks North Star School District received \$150,000 for 120 students, while the Juneau School District received the same funding with half the students. He wondered why the dollars did not match up the number of students. He thought it appeared to be an oddity. He highlighted that the Anchorage School District had 85 students and received \$810,000. He did not understand the formula. He thought the issue required a bigger discussion.

Ms. O'Sullivan did not know what each districts' proposal was and why some were more expensive than others.

Representative Wool agreed with Representative LeBon there was more going on than met the eye. He referenced the program in Fairbanks receiving \$150,000 for 120 students. He stated that traditional Pre-K cost around \$1,000 per month per student. He reasoned there had to be more money from another source. He did not know where 120 Pre-K kids were in Fairbanks and did not believe they were in the K-6 schools. He believed the legislature needed to take a comprehensive look at Pre-K and have a bill that dealt with the issue. He supported the direction they were going but believed it was inadequate.

[11:45:43 AM](#)

Representative Rasmussen observed that FY 22 was the second of the third year and FY 23 would be year three of the program. She stated that Anchorage had several schools with Pre-K students in classrooms. She believed there were testing requirements that a student had exhibited enough disparity in their skill level compared to peers in order to qualify. She thought a deep dive into Pre-K was needed. Additionally, she hoped a separate reading bill would pass the legislature. She stated the funding was for an existing program and funded the third year of the grant program. She explained that cutting the increment would cut off the program.

Representative LeBon referenced the three-year program and surmised the funding for the program was already in place.

He asked if the \$2.5 million was on top of the funding that was already in place.

Ms. O'Sullivan answered that it was a two-year increase to an existing \$3.2 million. She explained that the \$2.5 million would be each year for two years on top of the \$3.2 million.

Representative LeBon stated his understanding it was the third year of a two-year Pre-K program. He asked if the legislature would know the results of the Pre-K grant program for selective school districts to see whether it had been successful. He wondered if the legislature would hear from the department on whether the funding was money well spent. For example, he wondered if the legislature would hear if the money should be added to, rolled into the BSA, or if the new education model should be Pre-K-12. He stated it was the bigger discussion.

Ms. O'Sullivan clarified that \$3.2 million was included in the base budget.

Representative Carpenter provided wrap up on Amendment H DOE 1. He had not intended to muddy the water. He thought Representative LeBon summed it up appropriately that more discussion was needed. He remarked it was very easy to say the increment was only \$2.5 million. He pointed out that small increments led to larger budgets and expectations of continued funding. He elaborated they had talked about \$3.2 million in funding in a previous year and now the committee was talking about adding another \$2.5 million. He reasoned they would be talking about continuing the increment in the next budget cycle. He stated that a small increment in the current year would lead to policy change over time.

Representative Carpenter highlighted that the legislature had not reached agreement yet on a policy change to include Pre-K in the education system. He stressed it was an additional year of school in the state's education system and the legislature did not have agreement on the topic. He thought adding the funding was an effort to get in the back door to make the policy. He did not know the base budget sent \$75,000 to the Sitka School District for two projected students, while his district would receive \$20,000 for seven projected students. He stated that Fairbanks received \$1,200 per student for 120 students. He did not understand how the numbers were determined. He did not believe the

numbers reflected an even playing field for students across the state. He stated that the average funding per student for a projected 714 students was \$4,481. He thought they needed a larger conversation about the topic.

Vice-Chair Ortiz MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon, Thompson

OPPOSED: Edgmon, Josephson, Ortiz, Rasmussen, Wool, Merrick, Foster

The MOTION to adopt Amendment H DOE 1 FAILED (7/4).

Co-Chair Foster relayed that the committee would continue with amendments at the afternoon meeting.

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

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

#

ADJOURNMENT

11:53:00 AM

The meeting was adjourned at 11:52 a.m.