

SENATE FINANCE COMMITTEE  
February 7, 2022  
9:01 a.m.

[9:01:17 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

April Wilkerson, Director of Administrative Services, Department of Corrections, Juneau; Doug Wooliver, Deputy Administrative Director, Alaska Court System.

SUMMARY

^FY22 SUPPLEMENTAL OPERATING REQUESTS

[9:02:28 AM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the "FY 2022 Supplemental Summary" (copy on file). He stated that the Office of Management and Budget (OMB) introduced three different vehicles with supplemental appropriations: the "fast track"

supplemental bill that was introduced December 15, 2021; supplemental appropriations within the FY 23 budget; and the regular supplemental bill introduced on the fifteenth day of the legislative session. He explained the different sections within the spreadsheet, which detailed the various categories of supplementals.

Co-Chair Stedman asked for the definition of some of the terms such as "fast track supplemental."

Mr. Steininger replied that the terms were referred to the different ways that OMB referred to the specific supplemental item proposal. He explained that the "fast track supplemental" items introduced in December were known supplemental items that were an urgent need where operations could not occur without funding appropriated by the legislature.

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Senator Olson wondered whether there were items in the fast track supplemental that had penalties related to them without prompt funding.

Mr. Steininger replied that he did not believe so.

Mr. Steininger looked at the spreadsheet titled, "FY Supplemental Bill Summary - Operating" (copy on file). He looked at items 2 through 4, which were from the fast track supplemental bill. He stated that the Permanent Fund Dividend (PFD) Hold Harmless Program funding was for the completion of the fifty-fifty dividend to ensure that it does not cause anyone to be "knocked off" public assistance rules. He explained that item 3 was \$1.8 million for the Court System to address the trial backlog and restart jury trials. He stated that item 4 was \$2 million for per diem for legislators. He explained that items 5 through 10 were all negative supplementals, but were transfers from the Health and Rehabilitation Services in the Department of Corrections (DOC). He noted that the other side of the transfer would be addressed later in the presentation moving money into the institutions. He stated that there were lower costs in the Health and Rehabilitation Services, but higher costs in institution management.

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Senator Olson remarked that the per diem for legislators was included in the fast track supplemental because the governor vetoed the funding in the budget. He queried the amount of the line item veto.

Mr. Steininger replied that the amount was equal to the amount of the veto.

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Co-Chair Stedman asked for more clarification related to that answer.

Mr. Steininger stated that the \$1.99 million was vetoed from the FY 23 operating, so the supplemental request restored the veto.

Co-Chair Stedman queried the reasoning behind that.

Mr. Steininger replied that the supplemental request was to ensure that per diem could be paid to legislators.

Co-Chair Stedman queried the reason for the veto.

Mr. Steininger replied that the veto was made because there was not action taken on critical issues for the state, so the governor sought to draw attention to those issues through the veto. He noted, however, that in order to ensure per diem was paid, the request was included in the supplemental request.

Co-Chair Stedman asked that the veto reasoning be submitted in writing to the committee.

Mr. Steininger agreed to provide that information.

Senator Hoffman remarked that, in his tenure in the legislature, no governor had "messed with the legislative budget", and the legislature had not "messed with the budget of Governor's Office." He was dismayed that the veto action was taken. He hoped that it did not become a pattern, because it was an important unwritten precedent.

Senator Olson wondered whether there was similar veto action taken for the Executive Branch of government.

Mr. Steininger replied that there was not.

Senator Wielechowski asked for more information about the PFD Hold Harmless program.

Mr. Steininger replied that when the PFD was paid out, the asset was taken into consideration as income according to the federal government rules when determining eligibility for certain public assistance programs. He remarked that the PFD could make some people ineligible for those programs. He stated that there was a statutory requirement to "hold Alaskans harmless" for that action, which had a cost to the state.

Senator Wielechowski wondered why there was such a large discrepancy between the original number and the supplemental number.

Mr. Steininger replied that the supplemental number was because of the second dividend payment request.

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Senator Wilson wondered why the request was not considered in a different section.

Mr. Steininger replied that the organization of the spreadsheet was technical and tracked in bill order.

Senator Wilson wondered whether the administration looked at legislation to end the hold harmless provision.

Mr. Steininger replied that there was no intention to end the hold harmless provision.

Co-Chair Stedman looked at item 4, and wondered whether the veto of the per diem was due to inaction by the legislature on the governor's proposed policies.

Mr. Steininger replied in the affirmative.

Co-Chair Stedman wondered whether the governor would repeat the veto of per diem if the legislature did not agree with all the governor's proposals.

Mr. Steininger replied that there was no proposal of an overdraft in the FY 23 budget, so that would not occur in the current proposed budget. He stated that there was still

interest in enacting a constitutional amendment to repair the issues surrounding the PFD.

Co-Chair Stedman wondered whether the budget would be vetoed if there was not agreement to a constitutional amendment to limit the appropriating power of the legislature.

Mr. Steininger replied that the intention was to draw attention to the issue that had gone without resolution.

[9:20:26 AM](#)

Co-Chair Stedman understood that the message of the veto was that the legislature must agree to the governor's proposed budget, or there would be retaliation.

Senator Hoffman remarked that in addition to the constitutional amendment, the governor also wanted to rewrite the formula with a fifty-fifty plan. He stated that in special session, the Senate passed the plan in the long-term.

Mr. Steininger responded that the administration saw that the feedback from the people of Alaska who want a constitutional amendment was a key aspect to the proposal.

[9:25:23 AM](#)

Co-Chair Stedman remarked that the governor had some concerning proposals, which would potentially change the balance of power among the three branches of government. He asked about the stability of the constitution if the governor and future governor's asked for constitutional amendments.

Mr. Steininger replied that he could not speculate on the actions of future administrations, but merely was restating the objectives of the current administration.

Co-Chair Stedman stressed that there was concern about the proposed imbalance of the three branches of government.

Co-Chair Bishop remarked that there was a precedent when enacting budgets, and there was professional courtesy between the legislature and administration by not playing politics with the money in the branches of government. He

felt that it was a "dangerous road to go down." He felt that disagreement on topics should not result in cutting of the legislators' per diem.

Senator Olson remarked that it was puzzling when examining the administration's goals. He queried the next plan of the administration because it seemed like a more totalitarian perspective and "Trump-onium" in style. He wondered whether there should be another "January 6<sup>th</sup>, insurrection" outcry from the people that did not win the election.

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Co-Chair Stedman remarked that the legislature had worked to enact the governor's amendments in the year prior, while ensuring that the PFD did not result in an ad hoc draw of the permanent fund. He queried the amount of money in FY 22 in extra cash, where the funds originated, and whether there was discussion regarding the intention of the extra funds.

Mr. Steininger stated that there had been a significant change in the revenue picture of the state between spring 2021 and December 2021.

Co-Chair Stedman remarked that in 2021, the savings accounts had been depleted, the budgets closed out, there was an \$1100 PFD, but now there was revenue increased by \$1 billion. He asked how the numbers "lined up."

Mr. Steininger stated that the increase in projected revenue was how there was ability to redivert some of the percent of market value (POMV) draw to the PFD, because the PFD was based on 50 percent of the POMV. The increase in traditional revenues allowed for government funding without any additional savings draw.

[9:36:08 AM](#)

Co-Chair Stedman stated that all the money had been spent, there was suddenly an additional \$1 billion, the new spending plan was roughly \$2 billion, so he asked how the obligation would be met without overdrawing the permanent fund.

Mr. Steininger replied that the total supplemental request was \$955 million in general funds.

Co-Chair Stedman asked for a cash flow diagram because he looked at \$1.7 billion.

Mr. Steininger looked at the Supplemental Summary which showed the total of all bills.

Co-Chair Stedman stated that he had his "wires crossed", and remarked that the proposal was slightly under \$1 billion. He wondered whether there was a backfill of any savings.

Mr. Steininger stated that there would be approximately \$200 million deposited into the CBR.

Co-Chair Stedman queried the number that would be withdrawn from savings in 2022.

Mr. Steininger replied that there was \$410 million spent out of the SBR, which was pulled from surpluses in FY 21.

Co-Chair Stedman surmised that then the state would be "down \$300 million."

Mr. Steininger replied in the affirmative.

[9:40:21 AM](#)

Co-Chair Stedman stated that it was probably closer to \$650 million down in savings.

Mr. Steininger looked at page 2 of the spreadsheet, which outlined the numbers section of the regular supplemental bill on February 1.

Senator Wielechowski queried the reason for the shortage of staffing in DOC.

Mr. Steininger deferred to DOC.

[9:44:51 AM](#)

APRIL WILKERSON, DIRECTOR OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, JUNEAU (via teleconference), stated that DOC had a large amount of staff out associated with COVID. There were strict COVID screening requirements to ensure the safety of the institutions, so as individuals

were unable to pass screening there were increased vacancies and overtime in the institutions.

Senator Hoffman wondered how COVID was managed in the institutions themselves. He asked whether the inmates were isolated in the institutions.

Ms. Wilkerson replied in the affirmative, and agreed that it was a challenge in the institutions.

Senator Wilson wondered whether there were any other items, other than the items outlined on page 1, that the administration vetoed and were then asking for reinstatement.

Mr. Steininger replied that the only item he knew of was the item on page 1 related to per diem.

Co-Chair Stedman asked that there be an examination of the other budgets on that issue.

Mr. Steininger looked at page 3 and outlined the supplemental requests.

[9:50:01 AM](#)

Senator Wilson wondered whether some of the monitoring had previously been contracted out before DOC took over that practice.

Mr. Steininger deferred to Ms. Wilkerson.

Ms. Wilkerson replied that there was a contract with a vendor that provided the equipment and monitoring services, and then the DOC staff oversaw the supervision of the individuals.

Senator Wilson recalled that SB 91 had instituted the move to have DOC monitor the individuals.

Ms. Wilkerson agreed.

Senator Wielechowski queried the number of people incarcerated who had not yet faced conviction.

Ms. Wilkerson replied that the current unsentenced population was approximately 55 percent.

Senator Wielechowski queried the administration's efforts to lower that number.

Mr. Steininger replied that it was a concern, so that was the reason for the \$1.8 million supplemental request for the Court System to reopen trials.

Senator Wielechowski stressed that the additional money would not have a large impact on the issue.

[9:55:37 AM](#)

Mr. Steininger responded that he could not speak to policy. He felt that root cause issues should be addressed like prevention services, public safety, and investments throughout the budget that were impactful to DOC.

Senator Wielechowski asked whether there was a representative from the courts online.

[9:58:10 AM](#)

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM (via teleconference), said that socially distancing in existing courtrooms was a challenge and the money would allow for jury trials to be executed safely. He said that once jury trials could begin the backlog would disappear and settlements would be more rapid. He thought that the vast majority of cases would plea out or be dismissed. He stated that the percentage of inmates incarcerated without conviction would decline. He mention SB 91 and that the legislation had tried to reduce the number of incarcerated pre-trial. He

Co-Chair Stedman asked why the request had not been in the original budget.

Mr. Wooliver asked for clarification.

Co-Chair Stedman clarified.

Mr. Wooliver said that the funding had not been requested because the need had not been anticipated. He shared that the courts

Senator Wilson understood that covid had delayed pre-trial and backlog services. He asked whether any lawsuits had been brought to the system because of delays in the system.

Mr. Steininger agreed to provide that information.

Co-Chair Stedman spoke of a cast in Sitka that involved a reduced settlement because of the backlog.

Co-Chair Bishop said that SB 91 had not had a chance to prove its worth. H

10:06:00 AM

Mr. Steininger turned to Page 4 and detailed the line items by row. He spoke to rows 41 through 45.

Mr. Steininger turned to Page 5 and discussed the line items 46 through 56.

Co-Chair Stedman asked for a timeframe when the PERS issues would be negotiated.

Mr. Steininger replied he believed that Department of Fish and Game (DFG) was on a three-year cycle, and agreed to provide more information.

Co-Chair Stedman asked when the federal level review would occur related to the transfers.

Mr. Steiniger said it depended on the federal program timeline.

10:10:02 AM

Mr. Steininger turned to Page 6 and discussed line items 57 through 65.

Co-Chair Bishop spoke to lines 61 and 62, and wondered whether the additions would be paid to the recipients per the formula percentage.

Mr. Steininger replied in the affirmative.

Senator Wilson asked about line 59, and wondered whether the grants went to every behavioral health agency that used AKAIMS.

Mr. Steininger replied that the \$500,000 was not grants out to individuals, but rather was for contract and temporary workers to address the backlog.

Senator Wilson said that the agencies that used AKAIMS entered the data and wondered where the funds would be distributed.

Mr. Steininger requested a lifeline. He said he would get back to the committee.

[10:14:07 AM](#)

Mr. Steininger turned to Page 7 and discussed items 66 through 73.

Senator Wielechowski wondered whether general funds were used for the project.

Mr. Steininger replied that federal funds could be used for operating costs, and were placed within the budget based on the guidance. He stated that the costs were not eligible for the program, but there were GF funds available.

Senator Wielechowski asked for a list of programs that used that similar method.

Mr. Steininger agreed to provide that information.

Senator Wilson queried the aircraft cost replacement details.

Mr. Steininger replied that it was seven aircraft, but agreed to provide detailed information.

Co-Chair Stedman asked about the expansion requests for the State Troopers.

[10:20:04 AM](#)

Senator Olson queried the amount of money related to aircraft accidents.

Mr. Steininger responded that he did not believe any money was related to accidents, but was related to an increase in flight hours.

Co-Chair Stedman requested a five-year history of funding related to accidents.

Senator Olson wondered about what happened to the pilots who experienced the accident.

Mr. Steininger replied that he would provide that information.

Mr. Steininger looked at page 8, items 74 through 80.

Mr. Steininger discussed slide 9, items 81 through 86.

Senator Wilson asked for more information about line 83, and elections. He wondered whether it was a test pilot.

Mr. Steininger agreed to provide more information, and noted that there would be a change under Ballot Measure 2.

[10:25:43 AM](#)

Co-Chair Stedman remarked that the request was for a 50 percent POMV, and queried the statutory PFD in 2022.

Mr. Steininger replied that it would be around \$2 billion, but agreed to provide more information.

Senator Wielechowski looked at item 83, and queried the reason for the discrepancy.

Mr. Steininger replied that the item sought to perform new activities.

Senator Wielechowski asked for more specifics about those activities.

Mr. Steininger agreed to provide that information.

Senator Hoffman requested details of how much and why there were election security, and queried the reasons for election security.

Mr. Steininger agreed to provide that information.

Senator Wielechowski wondered whether the direct mailings would include the names of the candidates that were running for office.

Mr. Steininger deferred to the Division of Elections.

Co-Chair Stedman asked for a detail of that answer.

Senator Wielechowski wondered whether the funding went to the Office of the Governor.

Mr. Steininger replied that the Office of the Governor included both the Governor and the Lieutenant Governor, with the Division of Elections falling under the Lieutenant Governor.

[10:30:18 AM](#)

Mr. Steininger looked at page 10, items 87 through 100.

Co-Chair Stedman wondered why the grant was included in the supplemental budget.

Mr. Steininger replied that the items were included in the FY 23 budget.

Co-Chair Stedman remarked that there would be discussions about effective dates.

Senator Wilson wondered whether any grants awarded to municipalities had extensions.

Mr. Steininger replied that the federal government had changed some guidance so there were some adjustments in grant agreements.

[10:35:29 AM](#)

Senator Wilson surmised that there would be an amendment to the supplemental budget.

Mr. Steininger agreed to provide that information.

Mr. Steininger looked at page 11, items 101 through 103.

Co-Chair Stedman queried the reason for the judgments and claims.

Mr. Steininger replied that they were in the supplementals because they were one-off costs.

Co-Chair Stedman asked whether they were the only settlements for claims against the state.

Mr. Steininger replied that there was one other judgment, but did not have monetary terms yet, so there would be an amendment.

Co-Chair Stedman wondered whether the amendment deadline had passed.

Mr. Steininger replied that the deadline was the following Tuesday, but explained that judgments and settlements frequently could occur after the deadline.

Senator Wielechowski requested more detail of subject matter of the two lawsuits.

Mr. Steininger agreed to provide that information.

Senator Wielechowski wondered whether the lawsuits included the veto against the Judiciary because there was a ruling against the governor.

Mr. Steininger deferred to the Department of Law.

[10:40:45 AM](#)

Senator Hoffman asked whether the Department of Law was available for the meeting.

Co-Chair Stedman replied that the Department of Law was not available for questions in the meeting.

Co-Chair Stedman asked if the reason for the inclusion of the supplemental requests was because of the interest accrual date in August 2022.

Mr. Steininger replied in the affirmative.

Co-Chair Bishop discussed the agenda for the afternoon's meeting.

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ADJOURNMENT  
10:43:28 AM

The meeting was adjourned at 10:43 a.m.