

SENATE FINANCE COMMITTEE

May 3, 2022

1:18 p.m.

[1:18:07 PM](#)

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 1:18 p.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

Senator Mike Shower, Sponsor; Colleen Evans, Self, Juneau; Rich Anderson, Self, Juneau; Cindy Fuller, Self, Juneau; Steve Fuller, Self, Juneau; Rebecca Dundore, Self, Juneau; Darrell Harmon, Self, Juneau; Lisa Ward, Self, Juneau; Cody Grussendorf, Staff to Senator Bishop; Pete Ecklund, Staff, Senator Bert Stedman; Alexei Painter, Director, Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Matt Roe, Voting Works, California; Logan Churchwell, Research Director, Public Interest Legal Foundation, Oklahoma; Barbara Tyndall, Self, North Pole; Jean Holt, Self, Palmer; Shelly Shoupe, Self, Moose Creek; Murray Walsh, Chair, Alaska Republican Party, District 4, Juneau; Randy Ruedrich, Self, Anchorage; Charles Perrett, Self, Glennallen; Anna Mackinnon, Director, Permanent Fund Dividend Division, Juneau; Charlie Franz, Self, Homer; Gary Tyndall, Self, North Pole; Herman Morgan, Self, Aniak; Bonnie Lucas, National Federation of the Blind of Alaska, Anchorage; Robert Welton, Self, Douglas; Ann Brown, Self,

Anchorage; Cheng Saechao, Self, Mat-Su; Ray Kreig, Self, Anchorage; Carol Cooper, Self, Soldotna; Kathy Swanson, Self, Juneau; Linda Newman, Self, Juneau; Brent Turner, Self, California; Mike Swain, Self, Anchorage; Marlene Moto Karl, Self, Deering; Kelly Nash, Self, Fairbanks.

SUMMARY

SB 39 BALLOT CUSTODY/TAMPERING; VOTER REG; MAIL

SB 39 was HEARD and HELD in committee for further consideration.

SB 164 APPROP: CAP; REAPPROP; SUPP

SB 164 was HEARD and HELD in committee for further consideration.

CSHB 281(FIN) am(brf sup maj fld)(efd fld)
APPROP: OPERATING BUDGET/LOANS/FUNDS

SCS CSHB 281(FIN) was REPORTED out of committee with two "do pass" recommendations and with four "amend" recommendations.

CSHB 282(FIN)
APPROP: MENTAL HEALTH BUDGET

SCS CSHB 282(FIN) was REPORTED out of committee with three "do pass" recommendations and with three "no recommendation" recommendations.

[1:18:37 PM](#)

AT EASE

[1:19:15 PM](#)

RECONVENED

Co-Chair Bishop discussed the agenda.

#sb39

SENATE BILL NO. 39

"An Act relating to elections; relating to voter registration; relating to ballots and a system of tracking and accounting for ballots; establishing an election offense hotline; designating as a class A

misdemeanor the collection of ballots from other voters; designating as a class C felony the intentional opening or tampering with a sealed ballot, certificate, or package of ballots without authorization from the director of the division of elections; and providing for an effective date."

[1:19:59 PM](#)

Co-Chair Bishop invited the sponsor to make an introduction of his invited testifiers.

[1:20:09 PM](#)

SENATOR MIKE SHOWER, SPONSOR, noted that there were two experts available to speak to national best practices and the open-source concept.

[1:20:58 PM](#)

MATT ROE, VOTING WORKS, CALIFORNIA (via teleconference), explained that Voting Works was a non-partisan non-profit organization that built election software. He stated that the goal of his testimony was to briefly describe what open-source software was and how it applied to election administration. He stated he would be speaking from his experience implementing open-source software but would not be speaking to the specifics of Voting Works products. He explained that the "source" in open source referred to source code, which was the set of instructions written by programmers that a computer follows to achieve the desired software's behavior. He used an example of source code, which he described as "a complicated recipe for baking a cake," but qualified that for most software the source code was kept secret and available only to the original programmers. By contrast, open-source software had source code that was always available to anyone who wished to see it.

Mr. Roe continued his remarks. He asserted that much of the software used today (including all major web browsers and much of software that powered the internet) was open source. He emphasized that the key benefit of open-source technology was transparency. He cited that open-source software was used in almost every industry, including scientific research, financial services, and cyber-security. He asserted that in the world of election

administration, especially when the country was particularly polarized, open-source transparency provided a common ground of facts that could be trusted and verified. He described malicious code that changed votes as an example of a problem that could be dispelled by a technical review of the open-source code. He emphasized the importance of proper security procedures, which should be transparent. He mentioned the public accountability of election officials.

1:25:00 PM

Mr. Roe wanted to discuss how open-source voting systems were used in practice. He asserted that open-source voting systems were used just like any other voting system, with well-established practices for certifying, testing, and operating voting equipment that would not change. He stated that the only change introduced to the election process by open-source software would be increased transparency and public confidence in the election outcome. He opined that SB 39 represented a non-partisan commitment to increasing the transparency and security of Alaskan elections throughout the entire cycle of the election. He asserted that voter registration and signature verification improvements ensured that only legitimate ballots were cast. He continued that open-source software would provide transparency to ballot counting, while post-election auditing would confirm the election outcomes.

Senator Wielechowski guessed that open-source election software would be meaningless to over 90 percent of people. He asked if the open-source software made it easier for hackers to exploit security flaws in the system.

Mr. Roe thought it was well understood that open-source software increased security, as transparency encouraged secure software development. He used the example that everyone drove the speed limit when driving by a state trooper, yet many sped up when the trooper exited the highway. He suggested that lack of transparency led to sloppy shortcuts and insecure coding practices. He asserted that when software was designed in the open, it provided a strong incentive to properly design the software.

Mr. Roe continued designing in the view of the public strongly encouraged separation between the public source code and the secret bit used to operate the software. He

used the example of the secret keys used to digitally sign files. He cited that recent United States Department of Defense (DOD) memos on open-source software supported his perspective. He relayed that according to the DOD, releasing source code did not give attackers an edge, because attackers found pathways that did not involve looking at source code. He quoted the DOD in saying that making source code available to the public significantly aids defenders continuous and broad peer review to improve software reliability and security. He opined that there was no downside to releasing source code to the public, while there was plenty of upsides.

[1:29:45 PM](#)

LOGAN CHURCHWELL, RESEARCH DIRECTOR, PUBLIC INTEREST LEGAL FOUNDATION, OKLAHOMA (via teleconference), explained that the Public Interest Legal Foundation (PILF) was a non-partisan, non-profit law firm dedicated to election integrity. He told a story from 2011 about an individual named John that registered to vote in Alaska despite being a foreign national. He had used a standard paper application and indicated he was a citizen of the United States. He described the ballot, which contained qualifying information such as an address and demographic information such as a date of birth. He had a copy of the document that was redacted. The application had been approved.

Mr. Churchwell continued his remarks. He relayed that in 2014 a comparison was performed between Alaska's voter rolls against the Permanent Fund Dividend (PFD) recipients. At the time, the applicant he described had applied for the PFD and indicated he was not a U.S. Citizen, and the discrepancy was caught. The Division of Elections had sent the individual a letter informing that it was illegal for non-citizens to be registered to vote. The division had included a form indicating that he was not a citizen, which he sent back and was then removed from the rolls. He thought that the case was proof of concept that when Alaska engaged in in best practices to maintain its voter rolls on a permanent and comprehensive basis, the roll could become more accurate.

Mr. Churchwell thought the heart of SB 39 required the development of annual practices to assess faulty or outdated voter registration records such as those that were deceased, convicted of felonies, were out of state, are

foreign nationals, or other cases with questionable eligibility. The bill would require the Division of Elections to provide disclosures involving data breaches and voter registration totals relative to eligible population. He mentioned bloated voter rolls. He thought the bill proposed common-sense measures that were regularly seen in other states.

Mr. Churchwell asserted that Alaska had held more registered voters than eligible adults of voting age per the U.S. Census. He thought SB 39 followed a clear plan for voter roll maintenance updates while also envisioning necessary guardrails to make sure errors and bad data complicated the process. He discussed best practices which took Alaska's voter data and compared it with data from other government sources.

[1:34:59 PM](#)

Mr. Churchwell continued his testimony. He referenced different federal data sources, such as the national change of address system. He emphasized that Alaska was expending taxpayer funds to subscribe to the data sources. The bill required that additional data (such as social security numbers) would be matched. He discussed concerns with false positives. He discussed best practices and used the example of Kentucky, which he thought had similar problems to Alaska. He questioned how the state would tell the difference between negligence and sabotage and emphasized the need for best practices.

[1:37:21 PM](#)

Co-Chair Bishop OPENED public testimony.

COLLEEN EVANS, SELF, JUNEAU, spoke in support of SB 39. She thanked the committee members for their work. She shared that she was a parent, volunteer, and business owner in the community. She shared her desire for transparency. She thought SB 39 would provide transparency. She urged the committee to support the bill.

[1:39:44 PM](#)

RICH ANDERSON, SELF, JUNEAU, spoke in favor of the bill. He thought the system needed to be fixed. He referenced troubles with the federal elections. He thought

transparency was important from the beginning to the end of the election process. He mentioned upcoming elections. He mentioned ranked choice voting.

[1:42:13 PM](#)

CINDY FULLER, SELF, JUNEAU, spoke in support of the bill. She had registered to vote at age eighteen. She had worked as a volunteer at a voting station. She thought things had changed in the last two elections. She recounted that her ballot had not counted in the first mail-in election because of an unmatched signature, and she had no recourse. She had stood in line for 45 minutes during a previous election and had her ballot counted. She preferred to vote in person. She did not think mail-in voting was not realistic. She did not think the bill went far enough. She thought ballots should not be counted by machines.

[1:44:52 PM](#)

STEVE FULLER, SELF, JUNEAU, testified in support of the bill. He was a long time Juneau resident. He thanked the co-chairs. He wanted more trust and transparency in voting.

[1:45:37 PM](#)

REBECCA DUNDORE, SELF, JUNEAU, spoke in support of the bill. She thanked the committee. She thought the current voting situation was scary. She did not think the bill went far enough.

[1:46:29 PM](#)

DARRELL HARMON, SELF, JUNEAU, testified in support of the bill. He had lived in Juneau for most of his life. He wanted change in order to have less question about election results. He thought if the state was susceptible to being hacked by Russia to sway viewpoints for the effects of chaos, that the same was possible to affect the voting system. He thought both political parties should be equally interested in fixing the problem.

[1:48:11 PM](#)

BARBARA TYNDALL, SELF, NORTH POLE (via teleconference), spoke in support of the bill. She thanked the sponsor. She had been active in her district, by going door to door. She

had gleaned that there was great distrust in the voting system. She thought electronic elections equipment was vulnerable and should be banned. She was a precinct worker and thought the ballots could be easily counted. She mentioned ballot harvesting. She thought the state needed to reestablish voting integrity and fix the voter rolls.

[1:50:11 PM](#)

JEAN HOLT, SELF, PALMER (via teleconference), testified in support of the bill. She thanked the committee members. She thought that the present-day election process was questioned by many voters. She mentioned scare tactics used by opponents of SB 39. She thought SB 39 addressed all aspects of the voting system, and restored confidence in the election process.

[1:52:02 PM](#)

SHELLY SHOUBE, SELF, MOOSE CREEK (via teleconference), spoke in support of the bill. She thought much had been stripped from the bill, but thought the bill was a good start in fixing the problems in the state's election systems. She thought the bill should be a non-partisan issue. She mentioned cleaning up voter rolls and ballot harvesting. She emphasized that the state must move away from mail-in ballots.

[1:53:06 PM](#)

MURRAY WALSH, CHAIR, ALASKA REPUBLICAN PARTY, DISTRICT 4, JUNEAU (via teleconference), testified in support of the bill. He had sent a message to the committee regarding what he considered problems with the Senate Judiciary Committee CS. He cited that the provision for same-day registration would burden election workers and favored requiring voters to register 30 days before an election. He mentioned transparency. He asked the committee to reconsider the CS, perhaps for a more comprehensive fix.

[1:55:11 PM](#)

RANDY RUEDRICH, SELF, ANCHORAGE (via teleconference), spoke in support of the bill. He asserted that the current CS for SB 39 had several issues. He cited that the bill was completely silent on the topic of the modifying the PFD automatic voter registration. He thought the Division of

Elections had requested an opt-in provision be adopted for the method of registration. He urged that the bill be amended. He opposed same-day voter registration, and thought it was related to low integrity elections. He had a specific concern relating to four-year absentee applications. He cited that 89 percent of all the ballots mailed out were not returned. He thought the CS would prohibit any infilling of an absentee ballot application. He discussed tabulators, which had been used in four recounts. He stressed the need for trustworthy equipment.

[1:58:38 PM](#)

CHARLES PERRETT, SELF, GLENNALLEN (via teleconference), testified in support of SB 39. He lauded transparency and honesty in elections. He thought the bill did not go far enough. He expressed a concern with election integrity. He relayed that he and his circle of friends had very little confidence in the system. He thought the system had been rigged and abused. He wanted to make the act of ballot harvesting a crime greater than a misdemeanor. He thought that democracy was at stake if measures were not taken. He thanked the bill sponsor.

[2:01:04 PM](#)

ANNA MACKINNON, DIRECTOR, PERMANENT FUND DIVIDEND DIVISION, JUNEAU (via teleconference), stated she was available to answer questions.

[2:01:37 PM](#)

CHARLIE FRANZ, SELF, HOMER (via teleconference), spoke in support of SB 39. He was not satisfied that the bill had all the needed components, but he thought it was a major step forward. He thought the legislature needed to act in order to reinstate public confidence in elections.

[2:02:19 PM](#)

GARY TYNDALL, SELF, NORTH POLE (via teleconference), testified in support of the bill. He was convinced that the integrity of Alaska's election process had been compromised and needed reform. He supported in-person voting. He supported elimination of mail-in voting, electronic machines, ballot harvesting, automatic voter registration, and early voting. He thought absentee voting should be

restricted to specific categories such as active military personnel and people with disabilities. He thought voter registration rolls needed to be rebuilt. He did not support ranked choice voting.

[2:04:06 PM](#)

HERMAN MORGAN, SELF, ANIAK (via teleconference), spoke in support of the bill. He emphasized that elections had consequences. He mentioned gerrymandering, voter fraud, and election tampering. He did not support voting by mail. He was concerned about foreign nationals voting. He quoted the Bible.

[2:06:55 PM](#)

BONNIE LUCAS, NATIONAL FEDERATION OF THE BLIND OF ALASKA, ANCHORAGE (via teleconference), explained that she was president of the National Federation of the Blind of Alaska and was a person with blindness. She emphasized that it was imperative for legislators to consider absentee digital voting options for people with disabilities when considering election reform. She also had a blind adult child. She explained that casting a private and secure ballot had been very challenging, and a digital option would solve the difficulties she had experienced. She mentioned examples such as unrecognized signatures and long wait times for voting machines. She emphasized the need for accommodations.

[2:08:56 PM](#)

LISA WARD, SELF, JUNEAU, spoke in support of the bill. She had several children of voting age. She thought there was a deep mistrust of the system and thought open clear elections should be a bipartisan issue. She thought it was important to have a ballot chain of custody. She was incredulous that PFD rolls were used for voter registration when one did not need to be a United States Citizen to receive the PFD. She supported in person voting and open polling stations. She did not support ranked choice voting. She thought votes should be hand counted in each district without machines being used.

[2:11:20 PM](#)

ROBERT WELTON, SELF, DOUGLAS (via teleconference), supported the bill. He did not agree with two of the provisions. He mentioned Section 36, which required absentee voters to reapply for absentee ballots every four years. He did not think the state should restrict the right of voting by mail unless there was compelling evidence of fraud. He cited that the Division of Elections had testified on the record that there was no significant fraud in the 2020 election. He referenced Department of Law testimony, which he thought had proved that there was no significant fraud in absentee voting. He did not agree with the signature verification requirement for absentee ballots. He referenced Section 38 and Section 39 of the bill.

Mr. Welton continued his testimony. He thought the bill would open the door to selectively reject absentee ballots. He referenced a similar law in Texas, which had resulted in up to 12 percent of ballots being rejected statewide, while before the law less than 1 percent of absentee ballots were rejected. He supported the other provisions of the bill.

[2:13:49 PM](#)

ANN BROWN, SELF, ANCHORAGE (via teleconference), spoke in support of the bill. She did not support the proposed prohibition of pre-filled information on absentee ballots. She thought the pre-filled information on an absentee ballot application increased the likelihood the voter would complete and submit the application in a timely manner. She suggested deletion of the witness signature requirement on an absentee by mail ballot envelope was not a good idea. She thought the witness signature requirement greatly aided in the cause of election integrity.

[2:15:22 PM](#)

CHENG SAECHAO, SELF, MAT-SU (via teleconference), testified in support of the bill. He supported election integrity. He felt like his vote did not count in the 2020 election. He wanted to be able to trust in the voting system.

[2:16:23 PM](#)

RAY KREIG, SELF, ANCHORAGE (via teleconference), spoke in opposition to the CS for SB 39(JUD) - Version E. He was part of an informal group looking at election integrity

reforms Anchorage. He had spoken to the sponsor's staff and understood the bill was still a work in progress. He was opposed to same-day registration, elimination of the required witness signature, and four-year absentee ballots. He questioned if there was a definition of routine forensic exams. He did not support PFD automatic voter registration.

[2:18:22 PM](#)

CAROL COOPER, SELF, SOLDOTNA (via teleconference), testified in support of the bill. She had been very concerned about election integrity in the 2020 election. She thought the bill was a good start towards correcting the problems. She encouraged the committee to pass the bill.

[2:19:14 PM](#)

KATHY SWANSON, SELF, JUNEAU (via teleconference), testified in support of the bill. She referenced mail-in ballots that were rejected with no adjudicated process. She was strongly against mail-in elections, which she thought were rife with fraud. She recounted getting extra ballots in the mail. She did not support same-day voter registration. She did not have a problem with absentee voting. She did not support automatic voter registration.

[2:21:28 PM](#)

LINDA NEWMAN, SELF, JUNEAU (via teleconference), shared that she was a person with low vision and could not drive to a polling station nor could she read a standard ballot. She used digital-access large print to access information. She emphasized that digital access be considered for people with low or no vision, who also had a right to vote.

[2:22:14 PM](#)

BRENT TURNER, SELF, CALIFORNIA (via teleconference), thanked the committee for consideration of the bill. He stated that some considered him an expert in the field of election systems security and technology. He thanked the committee for considering the bill. He praised the heightening of security and the reduction of costs by the consideration of open-source software. He discussed use of open-source software in California and Mississippi.

[2:23:55 PM](#)

MIKE SWAIN, SELF, ANCHORAGE (via teleconference), testified that he believed in less government. He thought people were farming personal information. He was against replicating data. He considered that the signatures on the outside of ballots were a violation of privacy. He mentioned felons. He emphasized the need for standardized procedures. He the referenced separation of powers.

[2:26:47 PM](#)

MARLENE MOTO KARL, SELF, DEERING (via teleconference), testified that she had concerns about the last state election. She discussed a lack of election workers. She discussed ballot counting. She described working as a poll worker. She pondered whether it was legal for city elections and state elections to be held at the same time.

[2:30:11 PM](#)

KELLY NASH, SELF, FAIRBANKS (via teleconference), spoke in support of the bill. She was the founder of Interior Patriots. She was appalled at the amount of fraud that had happened in the previous two days with absentee ballots. She did not support ranked choice voting. She thought some elected officials did not want fair elections. She did not think the 2020 election had been safe and secure.

[2:32:00 PM](#)

Co-Chair Bishop CLOSED public testimony.

Senator Shower thanked the committee.

Co-Chair Bishop handed the gavel to Co-Chair Stedman.

[2:32:24 PM](#)

AT EASE

[2:42:00 PM](#)

RECONVENED

Co-Chair Stedman relayed that the committee would consider the SB 164.

#sb164

SENATE BILL NO. 164

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making supplemental appropriations; and providing for an effective date."

2:42:24 PM

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 164, Work Draft 32-GS2436\0 (Dunmire, 5/2/22).

Co-Chair Stedman OBJECTED for discussion.

2:42:52 PM

CODY GRUSSENDORF, STAFF TO SENATOR BISHOP, explained that the changes to Version 0 of the bill incorporated all the amendments that were adopted by the committee the previous day. Additionally, the CS fixed a technical drafting error. There had been an incorrect reference in Section 30 (d), on page 72, line 6. There had been a citation to Section 1, which was changed to Section 4.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Olson OBJECTED for discussion. He asked about what would happen to a number of amendments that were considered but had not passed the previous day.

Co-Chair Stedman asked for clarification.

Senator Olson asked if the amendments that did not pass the previous day would be reconsidered.

2:44:02 PM

AT EASE

2:44:26 PM

RECONVENED

Senator Olson WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The CS for SB 164 was ADOPTED.

#hb281

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; and making capital appropriations, supplemental appropriations, and reappropriations."

[2:44:51 PM](#)

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 281(FIN), Work Draft 32-GH2686\K (Marx, 4/28/22).

Co-Chair Stedman OBJECTED for discussion.

[2:45:13 PM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, recalled that the committee previously considered Version L of the bill, at which time it considered 29 amendments. The amendments that were adopted had been incorporated into the new CS, Version K.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[2:46:13 PM](#)

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 281(FIN), Work Draft 32-GH2686\Y (Marx, 5/3/22).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund explained that the proposed CS for CSHB 281 (Version Y) simply merged the previously adopted CS from SB 164 (Version O) and the previously adopted CS from CSHB 281 (Version K). The proposed CS was an omnibus appropriation bill that had capital items, supplemental items, and operating items.

Senator Wielechowski asked if the proposed CS contained only amendments passed in the committee.

Mr. Ecklund answered affirmatively.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The CS for CSHB 281(FIN) Version Y was ADOPTED.

[2:47:50 PM](#)

AT EASE

[2:49:20 PM](#)

RECONVENED

Co-Chair Stedman explained that the committee had adopted the omnibus bill and mentioned that copies of the different versions of the bill were available. Additionally, there was a spreadsheet entitled "Handout D" (copy on file) that would show school bond debt reimbursement figures. He relayed that the Legislative Finance Division (LFD) would be posting more fiscal reports on the omnibus bill and other matters to its website.

[2:50:17 PM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, introduced himself. He showed slide 2, "Outline":

- Volatility and Spring Revenue Forecast
- Updated Fiscal Summary with Senate Finance CS (SFIN budget)
- Operating Budget Growth
- Position Count Growth

Mr. Painter addressed slide 3, "Oil Price Forecast Update," which showed a line graph. He cited that the data was pulled from the futures market the previous day. The spring forecast was depicted by the red line and called for \$101 per barrel (bbl) price of oil for 2023. The futures market the previous day had shown the price to be about \$99/bbl, while the oil price for FY 22 was running about \$2 under the forecast. He summarized that the fiscal summary was close to the spring forecast, but currently the futures were slightly below. He commented on the price volatility throughout the year.

[2:51:33 PM](#)

AT EASE

[2:51:51 PM](#)

RECONVENED

Mr. Painter advanced to slide 4, "Oil Prices, FY 22 to Date," which showed a line graph entitled 'ANS West Coast Price.' He noted that the brackets on the graph indicated that the Department of Revenue had done the spring forecast on the period based on the futures in that week. Since that time, prices had been extremely volatile, dipping down as low as \$100/bbl and up to \$120/bbl. He asked members to keep in mind that the level of volatility during the year had been high.

Mr. Painter addressed slide 5, "FY Oil Price Sensitivity Chart," which showed a graph entitled 'FY23 UGF Revenue by ANS Price (Excluding POMV).' He summarized that as prices increased, revenue increased. The spring forecast showed \$101/bbl oil, which was down to about \$99/bbl, which signified a reduction in revenue of about \$190 million. He explained that there were "stair-steps" in DOR's forecast. He noted that the line was not a fixed curve. He noted that when the state was trying to balance the budget while relying on high oil prices rather than savings accounts, LFD had historically recommended that the legislature use a sensitivity chart to give a better idea of where the state would be if prices did not meet the forecast expectation. He encouraged members to consider a wider span of the line than just looking specifically at \$101/bbl oil.

[2:54:07 PM](#)

Mr. Painter spoke to slide 6, "Fiscal Summary: Senate Finance Budget, Spring Forecast (UGF only)," which showed a data table. He highlighted that the top showed revenue, projected to be just shy of \$7 billion of Unrestricted General Fund (UGF) revenue in FY 22, and about \$8.3 billion in FY 23. He pointed out appropriations on line 6, with the operating budget in FY 22 (including supplementals) at \$4.9 billion and a bit over \$5 billion in FY 23. He pointed out agency operations shown on line 8 increasing year to year by \$263.9 million.

Mr. Painter noted that there was a placeholder for the K-12 disparity test. There was still an ongoing concern that the state might fail the K-12 disparity test, with an ongoing appeal with the federal Department of Education. If the state failed the test, it would add \$72.4 million to the state's UGF expenditures in FY 22 and \$74.6 million in FY 23. He included the amount in the fiscal summary on line 9.

Mr. Painter continued to address the fiscal summary table on slide 6. He highlighted that line 10 showed statewide items, with an increase of \$349 million from FY 22 to FY 23, primarily caused from oil and gas tax credits. There was \$54 million paid out in the FY 22 budget, and \$349 million in the current budget. The other major increase was a deposit to the retirement funds to make up for the zero funding of healthcare by the Alaska Retirement Management (ARM) Board. He noted that he would discuss the item more later in the presentation.

Mr. Painter summarized that there was a bit over \$500 million of operating supplementals in the budget, the largest of which referred to school bond debt reimbursements that paid back past amounts unpaid in previous years. Similarly, the funds would go towards paying unpaid amounts for Regional Educational Attendance Area (REAA) Fund and Community Assistance, and oil and gas tax credits. He summarized that the primary supplemental items made up for past years. Three were other increases relating to fire suppression and the Disaster Relief Fund. Line 12 showed the capital budget, which was split. The previous year there had been \$242.9 million in capital appropriations. The current capital budget was split with \$324.6 million in FY 22, and \$407.4 million in FY 23. He summarized that up for consideration was a capital budget of about \$730 million of UGF across the two fiscal years.

[2:57:50 PM](#)

Mr. Painter pointed out that line 16 showed the Permanent Fund Dividend. He recounted that the previous fall there was an approximately \$1,100 PFD paid out, and the current budget included a dividend of 50 percent of the percent of market value (POMV) draw, which was estimated to be between \$2,500 and \$2,600 per person. Line 18 showed that the budget included \$199 million to deposit past unpaid royalties into the corpus of the Permanent Fund to make up for amounts that were not paid in FY 17 and FY 18. There was a pre-transfer surplus in FY 22 of about \$550 million and about \$1.2 billion in FY 23.

Mr. Painter pointed out that forward funding for K-12 education was moved down to the fund transfers on line 23, in order to be consistent with how LFD treated forward-funding of K-12 in the previous period when it was forward-

funded. He explained that when the state did not forward fund, the Public Education Fund behaved like a fund capitalization and would be in a different part of the fiscal summary. He thought the method made for a cleaner fiscal summary than prior versions, because the forward funding was a form of savings.

Mr. Painter highlighted the bottom line of the fiscal summary, which showed a post-transfer surplus of \$832 million in FY 22. The line above showed \$660 million being deposited into the Statutory Budget Reserve (SBR), and the combined amounts would result in just shy of \$1.5 billion expected to go into the SBR in FY 22. In FY 23, there was a post-transfer surplus of \$87.4 million that would similarly go in the SBR. In FY 23, the budget-balancing oil price was about \$99/bbl. If the oil price was above \$99/bbl, the surplus would go into the Permanent Fund as shown on line 22. He qualified that the K-12 forward funding amount would prorate downward if the revenue was not available. The budget balancing oil price without forward funding dropped down to \$84/bbl.

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Mr. Painter spoke to slide 7, "Fiscal Summary: Senate Finance Budget, \$84 Oil (UGF only)," which showed a data table. He highlighted changes in the case of \$84/bbl oil, including statewide items on line 10. The oil and gas tax credit amount would decrease, as it was a formula based on oil revenue. He highlighted that the deposit to the Permanent Fund shown on line 22 would not happen, and at \$84/bbl oil there would be \$36 million extra put into forward funding.

Co-Chair Stedman asked if Mr. Painter could discuss backstop or backfill language from the SBR.

Mr. Painter explained that many times there would be language in the budget in the case of a deficit that allowed for the difference to be drawn from the Constitutional Budget Reserve (CBR) or SBR. He believed the language was in the budget for the SBR, but the mechanism would only kick in after the \$84/bbl amount.

Co-Chair Stedman asked Mr. Painter to get back to the committee with information regarding the oil price

threshold that included evaporation of the forward-funding and the SBR.

Mr. Painter agreed to address the topic.

Co-Chair Stedman explained that there were several issues with increases in the FY 23 budget that would not be recurring. He asked for Mr. Painter to get back to the committee with what FY 24 recurring costs would look like. He asked Mr. Painter to consider the governor's submitted budget and wanted to look at the base rate of change for FY 24 in percentages.

Mr. Painter agreed to provide the information.

Mr. Painter referenced slide 8, "Major Increases in FY23 Governor's Budget from FY22":

- \$45.0 million for Medicaid
- \$33.6 million UGF increases to offset DGF lost in CBR sweep
- \$25.5 million UGF for union contracts, health insurance, and other contractual items
- \$17.4 million combined increases in Department of Public Safety (adding troopers, VPSOs, and support positions)
- \$12.9 million combined increases in Department of Corrections (booking and MH unit at Hiland Mountain, adding non-CO support positions)
- \$5.7 million for DEC to take primacy of federal permitting programs
- \$4.0 million for Department of Law for statehood defense
- \$3.8 million for fire suppression preparedness

Mr. Painter explained that the next few slides covered major increases in the current budget compared to the previous fiscal year. The governor's budget called for several major increases (listed on the slide), and the following few slides would show increases in the Senate budget that were not in the governor's original budget. He reviewed the increases on the slide.

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Mr. Painter highlighted slide 9, "Many FY23 Increases Reverse Past Budget Reductions":

- Several increments in the Governor's FY23 budget request reverse reductions or vetoes made since FY23:
 - \$45.0 million Medicaid increase - Medicaid was reduced by \$35.0 million in FY22.
 - \$4.0 million University of Alaska increase - UA was reduced by \$54.3 million from FY20-22.
 - \$2.0 million for Legislative per diem - vetoed by Governor in FY22.
 - \$0.7 million - GF/MH items vetoed by the Governor in FY22.
- Several other items reverse reductions made from FY15-FY19 under previous governors:
 - \$4.9 million for DEC 404 Primacy - this was cut in FY15.
 - \$3.8 million for wildfire prevention and academy - this was cut in FY16.
 - \$2.4 million for Village Public Safety Officers- this was cut in FY16.
 - \$1.2 million for Judiciary for increased hours- this was cut in FY16.

Mr. Painter noted that many of the increases on the previous slide were reversing past budget reductions from the previous seven or eight years. He commented that many of the items were bringing the state back to levels of service provided before revenue decline starting in FY 15.

Co-Chair Bishop commented that the \$4 million increase to the University of Alaska was in light of a \$101 million reduction since FY 16 to date.

Senator Olson went back to slide 8 and referenced the Department of Environmental Conservation primacy federal permitting. He thought the funds had been cut.

Mr. Painter answered affirmatively. He shared that the item was not in the Senate version of the budget, but was an increase requested by the governor.

Mr. Painter showed slide 10, "Major Increases in SFIN Agency":

- Operations from Governor Proposal
 - \$60.0 million K-12 Outside BSA Formula
 - \$59.4 million for AMHS (Governor eliminated UGF)

- \$27.0 million for fuel trigger to offset high oil prices
- \$16.1 million DOH to Increase Personal Care Attendant Wages
- \$14.1 million for University of Alaska
- \$5.0 million for ASMI
- \$4.3 million for Food Bank pilot program
- \$4.3 million for 50% increase to K-12 residential schools

Mr. Painter explained that both the House and Senate versions of the budget had an amount of UGF for the Alaska Marine Highway System (AMHS) that was equal to the amount of funding the previous year. It was not an increase but showed as one if compared to the governor's proposed budget. He discussed the fuel trigger to offset high oil prices for agencies and particularly the AMHS. He mentioned that the increase to residential schools did not include Mt. Edgecumbe High School.

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Co-Chair Stedman referenced the AMHS and thought the funds were put in if the ferries ran the schedule and there were high oil prices. He did not think there would be crew to run the AMHS schedule. He mentioned backfill language for federal funds and expected a lot of the funds would not be spent.

Senator Olson asked if Co-Chair Stedman was referencing the \$60 million going to the AMHS listed on the slide.

Co-Chair Stedman answered affirmatively. He noted that there would be \$200 million in federal funds coming to AMHS. He unsure of the timing of when the funds would be available. He thought there would be a more refined number during the following year's budget process.

Mr. Painter spoke to slide 11, "Major Increases in SFIN Statewide Items from Governor Proposal":

- \$89.3 million for PERS/TRS pension fund (amount that would have gone to healthcare fund but for ARM Board decision to leave it unfunded)
- \$1.2 billion for K-12 forward funding (more of a savings item than an expenditure)

- \$199.0 million to PF corpus in FY22 to satisfy audit finding relating to FY17-18 royalties
- \$220.8 million in FY22 to pay past unfunded School Bond Debt Reimbursement from FY17-21
- \$84.0 million in FY22 to repay past unfunded REAA deposits from FY17-21
- \$60.0 million in FY22 to pay oil tax credits at statutory amount
- \$38.9 million in FY22 to bring Community Assistance distributions to \$30 million in FY22 and FY23

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Mr. Painter addressed slide 12, "What's the True Operating Budget Growth Rate?"

- Several changes from FY22-23 give the FY23 agency operations budget a lower starting point than FY22.
- The Governor's FY23 budget increases agency operations by \$95.6 million (2.5%) over the FY23 baseline.
- However, the Governor's budget uses temporary federal funds in place of UGF for the Alaska Marine Highway System. Keeping UGF funding level (as the House and SFIN budgets do) would result in a \$155.0 million (4.0%) over the baseline.
- SFIN Operating Budget is \$319.7 million (8.3%) over the baseline. The House is \$266.9 million (6.9%) over the baseline, although \$10.3 million of salary adjustments were submitted after the House's process was complete.

Mr. Painter noted that the fiscal summary had shown that agency operations were up by 6.7 percent, which could be understating the true level of budget growth due to built-in decreases before the budget work was started. The decreases were listed in a small table on the right side of the slide. He mentioned changes in retirement funds, the decrease in student count, the removal of one-time items, and contractual changes. The baseline before starting budget work was \$55.5 million below the previous year's level with no change in service levels. He summarized that doing a comparison using the baseline rather than to FY 22, it would provide a clearer picture of growth.

Mr. Painter explained that the House budget had a growth rate of 6.9 percent above the baseline, while the Senate

Finance Committee budget had an 8.3 percent growth rate above the baseline. He noted that there had been some governor's amendments that may have increased the budget and exaggerated the difference between the two. He commented that the proposed budget was a significant growth rate after years of flat or declining budget, but the Senate Finance budget was a bit over \$300 million beyond the baseline.

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Co-Chair Stedman discussed the timing process after the governor's budget was submitted on December 15 and noted that there were quite a few amendments and adjustments after the House had done its work, and the budget cycle stayed open until the very last requested changes from the governor. He noted that the Senate did not have the same time frame as the House and dealt with the end of the budgetary cycle.

Mr. Painter showed slide 13, "Full-Time Position Count Comparison," which showed a table of the position count in different versions of the budget. He noted that the governor's budget had proposed to increase the statewide position count by 260 from the previous year, while the Senate Finance budget was 43 positions below the governor's request. There was still a substantial increase of 217 positions higher than FY 22.

Senator Hoffman asked about Conference Committee.

Co-Chair Stedman explained that the following major step after floor action on the bill would be working out the budget with the other body.

Co-Chair Bishop MOVED to report SCS CSHB 281(FIN) out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CSHB 281(FIN) was REPORTED out of committee with two "do pass" recommendations and with four "amend" recommendations.

Co-Chair Bishop MOVED that the Senate Finance Committee direct the Divisions of Legislative Finance and Legislative Legal make technical and conforming changes to the bill as necessary. There being NO OBJECTION, it was so ordered.

#hb282

CS FOR HOUSE BILL NO. 282 (FIN)

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

[3:21:22 PM](#)

Co-Chair Bishop moved to report ~~MOVED~~ to report SCS CSHB 282(FIN) out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CSHB 282(FIN) was REPORTED out of committee with three "do pass" recommendations and with three "no recommendation" recommendations.

Co-Chair Bishop moved that the Senate Finance Committee direct the Divisions of Legislative Finance and Legislative Legal make technical and conforming changes to the bill as necessary. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman discussed the schedule.

#

ADJOURNMENT

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The meeting was adjourned at 3:22 p.m.