

HOUSE FINANCE COMMITTEE
January 25, 2023
1:34 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Neal Foster, Co-Chair

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Representative Andrew Gray.

SUMMARY

OVERVIEW: GOVERNOR'S FY 2024 OPERATING BUDGET

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Co-Chair Johnson offered information about the appropriate titles for the co-chairs of the committee.

Co-Chair Johnson reviewed the meeting agenda.

^OVERVIEW: GOVERNOR'S FY 2024 OPERATING BUDGET

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced himself and gave a brief history of his work at the Office of Management and Budget (OMB). He introduced a PowerPoint presentation titled, "FY2024 Governor's Budget HB 39, HB 40, and HB 41," dated January 25, 2023 (copy on file). He relayed that the presentation focused on some of the more significant challenges facing the state in the development, planning, and execution of the budget.

Co-Chair Johnson ensured there were no questions before Mr. Steininger began his presentation.

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Mr. Steininger began the presentation on slide 2, "Budget Lookback." The governor inherited the FY 19 budget, detailed on the far left side of the slide. Including supplementals, the FY 19 budget was slightly over \$4.8 billion with around \$4 billion dedicated to agency operations and \$663 million to statewide operations. State operations included items like debt service and deposits into savings accounts. He relayed that the capital budget for FY 19 was \$168 million. In the FY 24 proposal, the budget totaled just under \$4.8 billion in unrestricted general funds (UGF), which was roughly a 1.3 percent decrease since 2019. The majority of the decrease came from statewide operations. The \$132 million increase in agency operations from FY 19 to FY 24 represented a net reduction in some areas and investments in others. The savings were used to invest in priority areas like the protection and investment in the development of the state. The goal was to make Alaska a good place to live.

Mr. Steininger continued that on the operating side, there was just short of a 4 percent reduction from FY 19 to FY 24. There was an increase of about 2.9 percent in revenue as reported by OMB, which excluded the Permanent Fund from the total revenue. The proposed transfer into the dividend fund would come out of the percent of market value (POMV) draw. The overall POMV calculation had increased over time, however the amount that was proposed to be used for government items had decreased. There were some other adjustments that he would discuss later on in the presentation.

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Representative Hannan recalled that there was a focus in the prior year on catching up on oil and gas tax credits owed by the state. She asked if Mr. Steininger could provide more detailed information on oil and gas credit catchups. She asked if the state was caught up from the prior year.

Mr. Steininger responded that when the appropriation bill for FY 23 was passed, projections indicated that the credits would be paid off completely. The calculation for the payment included in the appropriation was based on revenue, and the number of credits represented in the calculation were less than the total amount owed. There was \$42.7 million pushed into FY 24 due to the reduced revenue projections. He indicated that Representative Hannan was correct in that the credits were intended to be paid off completely.

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Mr. Steininger moved to slide 3 relating to the usage of funds. Previously, the section would have had a different name, but it was changed to better align with statutory language and provide more clarity. In non-formula agency operations, the budget was effectively flat from year to year. The agency non-formula spending referred to more direct agency activities, which included items like discretionary grant programs, travel for state employees, and the core costs of doing business. Items like the K-12 education program, Medicaid, and public assistance programs were covered under the agency formula operations, which was down about \$52 million year over year. The programs were defined separately because there was a formula in statute that defined the amount the state would pay out. There was less discretion in the programs in terms of increasing or decreasing the amount spent.

Mr. Steininger continued that in the FY 24 budget, there was a proposal to pay the full statutory formula for K-12 at the base student allocation (BSA) level which was increased by a bill that had passed in 2022. Under statewide operations, there was a significant drop off for oil and gas credits in the "capitalizations and others" category. There was also a small reduction in debt service

due to paying off bonds and a slight increase in retirement system costs, which came from market returns on retirement investments.

Mr. Steininger reported that the capital budget was down about \$460 million year over year. The previous budget was fairly significant and involved a substantial amount of revenue that had built up over the years and needed to be distributed to meet some previously unmet capital needs. He explained that OMB had included a placeholder on the slide for FY 23 supplementals of \$85 million. The supplemental budget was statutorily due on January 31, 2023, and OMB would be releasing more detail in the near future. The \$85 million figure was an initial estimate made in December of 2022, but more information was now available and it had become clear that \$85 million was an optimistic estimate. When the appropriation bill for FY 23 was passed, revenue estimates were significantly higher than the estimates were currently. It had appeared that education would be fully forward funded; however, due to a decline in projected revenue only about \$49 million would be available to forward fund education instead of the originally expected sum of \$1.2 billion.

Representative Ortiz asked if there was a known minimum figure for the FY 23 supplementals.

Mr. Steininger responded that OMB was working with various departments in anticipation of the bill being released in the following week. He could not give an exact number but thought that \$85 million was optimistic and it would likely be in the \$100 million range.

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Mr. Steininger moved to slide 4 to discuss the sources of funds. The unrestricted revenue was an additional revenue to the state that was currently coming from the oil industry. There was a reduction in unrestricted revenue from FY 23 to FY 24 of about \$455 million due to the projected outlook of oil prices in the future. The POMV draw was increasing and made up for some of the losses on the traditional revenue side. The restricted revenue referred to the revenue coming in from federal sources and direct agency collections for items like direct fee for service. The draws, deposits, and adjustments section reflected elements that were not current year revenue

collections, but were monies that were available for appropriations to support state programs. In FY 23, there was a direct appropriation from a savings account that was a statutory budget reserve. Another important element was prior year carry forward, which was a term to describe times when the legislature made an operating appropriation that covered multiple years. The K-12 draw in FY 24 reflected that the \$49.4 million was available to be deposited for the forward funding of education. The federal government gave the state about \$1 billion through American Rescue Plan Act (ARPA) to offset general operating costs. It was assumed that the state had used all available ARPA funds, but as FY 22 came to a close the state found about \$10 million that was unspent.

Representative Stapp asked for a clarification on the \$49.4 million figure under UGF on slide 4. He asked if the figure still existed or if it had changed.

Mr. Steininger responded that \$49.4 million was the estimate based on the most recent official forecast from the Department of Revenue (DOR) released in December of 2022. There had not been another official forecast released since then. The figure could increase based on the changing price of oil, but it was a volatile projection.

Representative Stapp asked if it would impact the \$263.9 million deficit objective.

Mr. Steininger responded in the affirmative. Updated revenue projections were typically released in mid to late March, and at that time OMB would update its public reports to show the new revenue estimate.

Co-Chair Johnson indicated that she intended to finish the meeting by 3:00 p.m.

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Mr. Steininger moved to slide 5 to discuss the savings balances. The deficit projected for FY 24 was managed through a few transactions within the state's savings account. The department proposed that the \$49.4 million be used on K-12 education in FY 24, the remaining \$20 million from the statutory budget reserve be used to pay for the \$20 million projected deficit, and the Constitutional Budget Reserve (CBR) be used for the remainder of the

deficit. The CBR balance was projected to be about \$2.2 billion at the start of FY 23 based on the large amount of revenue received in FY 22. He acknowledged that FY 23 began six months ago, but the surpluses from FY 22 were still subject to audit. There would be updates to the projections once the audit was complete. There were no projected CBR draws in FY 23, but the account would earn some interest on the money. The draw in FY 24 would result in about a \$2.2 billion projected ending balance for the CBR. Generally speaking, the minimum CBR balance to manage cash flow and maintain the functionality of the state was about \$500 million, which would put the state in a more comfortable range than it would have been projections in prior years.

Representative Josephson noted that at a recent rally for education, he heard that K-12 needed to be funded \$260 million more than it was in 2017. He asked if the only source of revenue for education would be the CBR if there was no new revenue.

Mr. Steininger responded that if no other aspects of the fiscal picture were addressed, any increase would come from the CBR.

Representative Coulombe was surprised that \$500 million was the figure determined to be the minimum savings balance to maintain cashflows. She asked where the number came from.

Mr. Steininger responded that OMB met with the Division of Finance to discuss the functional management of cash flow as the state collected revenue. The division and OMB discussed how much money would be required to simply keep the state functioning. Other elements like revenue volatility were not taken into account. The number that was decided upon was just over \$400 million, and he rounded up to \$500 million for the sake of prudence. When it came to federal programs, the state paid out of pocket and got reimbursed by the federal government later. The \$400 million figure represented the maximum amount the state would be able to spend in advance of collecting the federal dollars. If other elements were taken into account, such as revenue volatility, the figure would be significantly larger than \$500 million.

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Representative Galvin asked about the minimum savings balance on the CBR. She asked if there was any indication of the credit rating and how the rating would be affected if the CBR was drawn down to \$500 million.

Mr. Steininger clarified that the administration was not recommending that the account be drawn to \$500 million. The administration saw the \$2.2 billion figure to be much more stable. He deferred her question on the credit rating to DOR.

Representative Galvin asked if she could get more information after the meeting.

Mr. Steininger would follow up in writing.

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Mr. Steininger advanced to slide 6 which illustrated one of the bigger budget challenges facing the state. The volatility of the state's traditional revenue made it difficult to make a plan to fund state government. The graph on the slide represented DOR's FY 23 UGF traditional revenue forecast amounts over time. The FY 23 revenue estimates were \$2.2 billion higher than they were when the governor released his initial budget proposal. The projections were showing fully forward funded education and oil and gas tax credits when the budget was originally signed; however, as revenue and projections dropped, the ability to forward fund items dropped as well. From the day the FY 23 budget was signed to the day the governor's FY 24 budget was released, the projections had dropped by \$1.8 billion. The reduction showed how quickly things could change and how quickly revenue could drop. It was important to maintain flexibility in order to manage unforeseen events.

Mr. Steininger advanced to slide 7 to discuss the recruitment and retention issues in state positions. He relayed that one of the biggest challenges was bringing in the staff necessary to do the work. He highlighted the table on the left side of the slide which showed the percent of positions by agency that were vacant in December of 2022. He noted that some of the numbers were flipped and he would provide an updated report to the committee. There were some positions that were seasonal and therefore were often vacant in the winter or in the summer, but there was

a significant overall reduction in the number of positions that were filled. Additionally, the state was removing the positions that could not be filled, and what remained were only the positions that were necessary for the work that needed to be done. Another item of note was what would happen to the money budgeted for a position when the position could not be filled. He explained that there were a few appropriations that directed the administration on what to do with money made available by vacancies. The money generally went to the working reserve, which was the state's account to manage workers' compensation claims on behalf of state employees, the group health and life account, which helped stabilize health insurance costs for state employees, and the catastrophic reserve account, which was the state's self-insurance account for building insurance. The money was used with the intention of stabilizing future expenditures for the state.

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Representative Stapp asked about the difference between the vacancy rate and the vacancy factor. To him, the vacancy rate seemed significantly higher than the vacancy factor. He asked if Mr. Steininger had an idea of what the number actually was.

Mr. Steininger responded that the idea behind the vacancy factor used in OMB's reports was that with natural turnover, some positions would never be filled at 100 percent. For example, if the vacancy factor was 5 percent in a 100 employee division, five of the employees would be completely unfunded. The goal was to allow for a natural turnover rate while ensuring that there were enough employees to do the work. He wanted to leave room for an agency to hire for the positions in the future. He relayed that OMB was following guidance from previous legislatures on how the money from unfilled positions should be spent.

Co-Chair Edgmon remarked that slide 7 had caught his attention and he thought it attempted to encapsulate where the state was in the vacancy factor. He wanted to focus on the vacancy issue and thought that it was a pivotal policy challenge for the entire legislature. He recalled that last year, Representatives Josephson, Ortiz, and others spent a good amount of time on the issue and heard from the Department of Transportation and Public Facilities (DOT) among other departments about all of the various vacancies

across agencies. He had learned from last year's presentations that a quarter of the workforce was not filled. He wanted to hear from the administration what the plan was to fill the vacancies and the strategies that would be in place to mitigate the problem. Many people were unable to get the assistance that they needed because there were not enough workers to fulfill the needs. Considering what was happening across the state and nation, the problem was likely to worsen.

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Representative Hannan thought Representative Edgmon set up her question well. She considered the vacancy rates for the Department of Health (DOH) and the Department of Family and Community Services (DFCS), formerly the Department of Health and Social Services (DHSS). She knew that the numbers were percentages and that the vacancy rates for the two new departments could not be added together to estimate what DHSS rates would have been. She speculated that there would have been a higher vacancy rate if DHSS was not split in two. She understood that the legislature funded many positions that were not even advertised. She wondered what the vacancy rate would have been if DHSS was not split.

Mr. Steininger responded that he could do the calculations and speculated that the rate would be an average between DOH and DFCS. He thought that the vacancy rate would be closer to 22.8 percent when blended together. In the Division of Public Assistance (DPA), the commissioner was now able to focus on public assistance more readily and more directly. The increased focus was one of the biggest benefits of the department split.

Representative Hannan wanted to hear from OMB. On paper, it was known that there was a deadline and it was anticipated that more employees would be needed. It was important to deliver the most vital services to the most vulnerable and the crisis had left families unfed for the winter. In practice, the state was nowhere near its target.

Representative Josephson was curious about the impacts on the Department of Law (DOL). He was involved in a bill in the prior year that focused on giving a substantial pay raise to attorneys and noted that the vacancy rate at DOL was only 11.4 percent. He asked if it was possible that state jobs simply had lost curb appeal. He noted that

defined benefits were a priority of the other body and that it was an ongoing issue.

Mr. Steininger responded that Representative Josephson was correct to note that the vacancy rate at DOL was low. Addressing the pay disparity among attorneys by implementing 20 percent pay adjustment had an immediate impact. He did not think that state employment was seen as unattractive, but he was aware that pay was always an issue. However, the state tried to make cost of living adjustments for state employees. The wages that attorneys were previously earning were a good example because attorneys were not receiving cost of living adjustments, and the 20 percent adjustment moved the attorneys up to the going rate as determined by the bargaining units. The concerns about executing the plan on paper was why he included it in the budget challenges. He was sure the administration would be happy to have a more robust conversation on the topic.

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Representative Ortiz recalled that Mr. Steininger spoke earlier about the ways resources were used when vacancies were unfilled. He asked if Mr. Steininger had the ability to use the resources that came from unfilled positions to increase recruitment and create incentives in order to stem the tide.

Mr. Steininger responded in short, yes. The state had used the strategy in various agencies to create hiring and recruitment incentives to try to attract more candidates. In DOT, there was a strategy called mission critical pay incentives, which was utilized when the department was experiencing extreme difficulty in staffing. He noted that all incentives were negotiated through personnel with the respective bargaining unit associated with the agency.

Representative Ortiz understood that the decision of whether to use the resources to create greater incentives would begin with the relevant commissioner.

Mr. Steininger responded that the Division of Personnel was within DOA and the process would generally begin with a conversation with the commissioner of DOA.

Representative Ortiz understood that the vacancy percentages meant more when an agency's ability to contract and permit projects was inhibited. He asked if someone was looking at the overall health of the economy and whether there was a plan to address the impact of the shortages.

Mr. Steininger responded in the affirmative. He explained that DOA had been working closely with the cabinet to understand the impacts and the root cause. It was sometimes difficult to determine why recruitment was more difficult in some agencies than it was in others. Some solutions could be seen in the budget, such as rural housing solutions and pay incentives. However, the issue was a budgetary execution problem and many solutions were non-budgetary acts. When an agency was unable to meet its mission, a problem was created for the public. An important thing to note was that the slide offered vacancy percentages as of December of 2022, but many of the agencies had naturally higher vacancy rates in the winter due to the seasonality of the work. Even so, the vacancy rates were higher than OMB preferred.

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Representative Galvin calculated that she added the personal services expenses on the bottom right of slide 7 to be \$69.5 million. She was curious to know if Alaska's process was a common way for states to approach accounting. She thought it seemed like a very large sum of money. She noted that many of the agencies were not performing up to standard and Alaskans were suffering. For example, she relayed that many Alaskans were concerned about the state roads not being maintained properly with the influx of snow, the public bus system not functioning well, safety officers being unable to respond to a situation quickly enough, and many other problems. She wondered if a legal defense fund needed to be implemented. She thought it would be interesting to know if there was a plan for the funds to fill in the holes to ensure that the services Alaskans needed would be available. She did not expect him to have the answer about other states on hand but wondered if he could supply the information in the future.

Mr. Steininger responded that the personal services categories, which consisted of the working reserve, group health life, and catastrophic reserve, may be called by different names in other states, but all states had similar

funds. The state took a percentage of the payroll expenses to fund the accounts. The mechanism for unspent general funds flowing into the accounts was a structure set up in the language of the budget and had been established prior to his time in OMB. He was unsure if the exact mechanism was used by other states.

Co-Chair Johnson asked for questions to be held until the end.

Mr. Steininger advanced to slide 8 to discuss another budget challenge: the match rate for the Medicaid program. Under the COVID-19 public health emergency, the state received an enhanced federal medical assistance percentage match (eFMAP) of 6.2 percent resulting in \$17.3 million in state savings per quarter. On December 29, 2022, the federal government authorized a phase out of eFMAP over the course of state FY 23 and FY 24. The phase out was not incorporated into the state budget crafted in December of 2022 because it was announced after the budget was created. There would be some budget amendments to address the updates from the federal government. He relayed that OMB was working with DOH to determine how the phase out would impact the state's share of Medicaid. He summarized that the phase out would allow the state to redetermine Medicaid eligibility.

Representative Coulombe understood that the eligibility redetermination would begin on April 1 and asked who would be doing the determination. She noted that DOH had a high vacancy rate and she thought that there would need to be an increased hiring effort. She asked if the plan was to hire more people to manage the eligibility redetermination.

Mr. Steininger responded that the Division of Public Assistance would be responsible for the work, which was within DOH. He explained that OMB was working with the division to devise a plan. He confirmed that the process would begin on April 1 and would revolve around rolling redetermination over the subsequent 14 months.

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Representative Josephson asked if the result of the redetermination would be an increased number of uninsured people. He asked if the increase in uninsured individuals

might be an argument for increasing behavioral health fund transfers to nonprofits organizations.

Mr. Steininger responded that he would defer the question to DOH to determine where the line should be for Medicaid eligibility. Individuals might have found a job that provided health insurance and might not know that they were still on Medicaid.

Mr. Steininger advanced to slide 9, which showed the relative size of every state agency included in the operating budget. The largest agency was the Department of Education and Early Development (DEED), and the vast majority of the money was going towards the K-12 formula program. The next largest agency was DOH due to the Medicaid program. Following DOH was the Department of Corrections (DOC), which was almost completely funded through general funds. He indicated that the K-12 formula and Medicaid made up the bulk of state offerings.

Representative Coulombe asked if the numbers for DEED and DOH included federal funds.

Mr. Steininger responded that it was just UGF.

Mr. Steininger advanced to slide 10 to cover some high points from the FY 24 budget proposal. He reported that UGF operating was down almost 4 percent since FY 19. The budget proposal included a full statutory Permanent Fund Dividend (PFD), which was estimated to be \$3,860. The budget fully funded the \$5,960 per student BSA, which resulted in a net UGF reduction of \$1.7 million. The reduction was because the state share was slightly lower due to some changes in the amount covered by the communities and it resulted in a larger amount distributed out to the districts. The proposal included year two funding of \$6.4 million for the Reads Act, fully funded school bond debt and municipal debt, and fully funded power cost equalization (PCE) and scholarship programs.

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Mr. Steininger moved to slide 11 to continue to speak to the budget high points. One of the biggest challenges when recruiting in rural Alaska was finding enough housing. The problem had existed in the past, but it used to be experienced only by public safety professionals, and it was

now experienced across multiple agencies. The budget proposal included \$5 million for rural public professional housing which would apply to a wide variety of workers. The budget also included \$5 million for the Department of Commerce, Community and Economic Development (DCCED) to market Alaska and encourage new businesses to come to the state. Oil and gas tax credits would be fully paid off in FY 24 to the tune of \$42.7 million. The Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program had an increase of 10 seats since 2022 for medical students, which would cost \$2 million in capital investments and funding.

Mr. Steininger continued to review slide 11. The Alaska Marine Highway System (AMHS) was funded at a level that allowed the ships to be running a full schedule if the capacity was there. The details of the federal funding for AMHS were still uncertain and OMB was working with the federal government on some of the match issues. He noted there may be budget amendments to address the finality of the negotiation. Additionally, there was \$4 million for new public use cabins and park sanitation. Finally, there was \$56.2 million in net salary adjustments included in the budget, with \$31.3 million of that being UGF.

Co-Chair Edgmon asked how much of the \$31.3 million would flow through the Department of Public Safety (DPS).

Mr. Steininger responded that he would follow up in writing.

Co-Chair Edgmon thought it was a disproportionate number relative to the other state agencies.

Representative Galvin asked about the \$5 million for marketing Alaska. She wondered if he could elaborate on whether the money was intended to be utilized for tourism in addition to resource development opportunities. She also asked if there was there a plan to replace or maintain vessels with regard to the federal funds for AMHS.

Mr. Steininger responded that the marketing efforts would be through DCCED and the intention was to spread information to other states about Alaska and the opportunities in the state. He thought DCCED could offer more information on the plan to encourage resource development and industry growth. He assumed that there

would be budget amendments related to AMHS once the details of the federal funding had been worked out.

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Representative Tomaszewski asked for more information about the \$2 million WWAMI funding.

Mr. Steininger responded that the \$2 million was intended to fund a capital project to build out classroom space at the University of Alaska Anchorage (UAA). He would send more details in writing.

Representative Ortiz stated his understanding that AMHS was fully funded through federal dollars and there were no UGF dollars allocated to it under the governor's budget proposal.

Mr. Steininger clarified that there was some state funding in the budget for the ferry system. He did not know the exact breakdown but could provide it in writing.

Mr. Steininger advanced to slide 12. He indicated that the statehood defense investments had continued, including \$10 million in funding for litigation, expert witnesses, studies, and outside counsel. Previous appropriations in the area had been more narrowly focused on litigation but dedicating the funds to a wider variety of subjects allowed for a broader look at statewide defense issues. Additionally, there was funding for the Department of Fish and Game (DFG) for wildlife research and funding for the Department of Environmental Conservation (DEC) for air quality monitoring. In DOH, there was a \$9.5 million initiative to address congenital syphilis and tuberculosis and provide health coverage to post partum mothers. There were a few food security investments as well, including \$4.6 million for DFG and the Department of Natural Resources (DNR) for fisheries and livestock, \$3 million for power infrastructure for the Delta Junction farm region and co-op, and \$3 million for produce processing at Point Mackenzie.

Mr. Steininger continued to slide 13 and spoke about new public safety investments. There have been a number of new Alaska State Trooper (AST) positions added in the last few years which were becoming filled as new troopers graduated from the academy. He relayed that the AST academy had been

successful, and the budget was fully funding the new positions. Additionally, there were 30 new administrative support positions to allow the troopers to focus on public safety work. There was also \$14.2 million in assorted capital investments. Other investments included an appropriation for \$2.5 million for the Department of Military and Veteran Affairs (DMVA) to fund the Alaska State Defense Force, \$10 million for the University of Alaska's (UA) drone program, and \$2 million for the Business Enterprise Program (BEP). He explained that BEP was a program to help blind and disabled businesses with startup costs. The fund was subject to the CBR sweep in previous years and the proposed \$2 million in UGF would help rebuild the fund.

Mr. Steininger moved to slide 14 which included a clipping from the ten-year plan. He highlighted rows six and seven which illustrated two fund sources: total available revenue and status quo deposit or draw. Under the status quo, there would be significant deficits going into future years and all reserves would be eliminated by FY 27. It would also jeopardize the PFD and require significant reductions in public services. In the governor's ten-year plan, a target for new revenue was included, which referred to the amount of revenue that would be necessary to provide a full statutory dividend, maintain a healthy CBR balance, and provide for conservative growth in service levels. He noted that row four on the slide represented a match-only capital budget, which would also involve some constraint on the upward boundaries of state spending.

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Representative Ortiz understood that if the increased revenue goals were reached, the capital budget would not increase any further. He did not think it would address growing deferred maintenance costs. He wondered how it was a ten-year plan in terms of addressing the state's future needs.

Mr. Steininger responded that the \$220 million in FY 25 was enough to cover the match for programs such as surface transportation, village safe water, and other primary capital projects. It also included some room for discretionary capital to address other needs. There was a designated fund that was not included in the numbers on the slide that would produce about \$30 million per year to fund

deferred maintenance for state facilities. It also did not reflect federal programs for which the state might qualify.

Representative Hannan asked about the statehood defense fund allocation on slide 12. She noted there was a lawsuit filed last week in Juneau regarding a parcel of land that was Alaska Native owned. She wondered if such a case would qualify for statehood defense funds.

Mr. Steininger responded that he was not familiar with the lawsuit but could say that DOL's civil division had budgets for pursuing different types of cases. He thought DOL could offer more information.

Representative Josephson referred to slide 14. He noted that the projected operating budgets in the ten-year plan were just slightly higher than the current operating budget. He thought there could be a higher population in the state in the future and wanted to know how the world could look so fiscally similar in eight years.

Mr. Steininger responded that there was more detail in the expanded ten-year plan. On the agency operating and agency formula side, the projected spending grew by 1.5 percent each year. The growth was offset by paying off debts and the state had not incurred new general obligation debts in a while. There were a few other statewide items dropping off the books, such as oil and gas tax credits. While the overall change in the operating budget from FY 24 to FY 23 looked small, it was netted with reductions in other rows that were collapsed.

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Representative Galvin returned to slide 7. She asked if the vacancy rate listed for DEED simply referred to the department, or if it included the vacancy rate for teachers and other classroom support employees. She had heard from various districts that they were experiencing the highest vacancy rates in decades.

Mr. Steininger responded that the number represented just the department employees, not teachers.

Representative Galvin thought the number would look very different if it included teachers and other classroom workers.

Mr. Steininger remarked that OMB did not collect the data.

Representative Galvin noted that in an earlier conversation about DOC, she was told that there was a line item added to ensure that recruitment and retention efforts were taking place in order to maintain an appropriate level of public safety officers.

Representative Stapp summarized what he had learned from the presentation. He understood that there would be substantial Medicaid redetermination efforts which would involve an additional liability for the state in the operating budget of \$69.2 million; however, the liability monies would not be included in the budget until the redeterminations took place. He asked if he had understood correctly.

Mr. Steininger thought Representative Stapp's understanding sounded fair.

Representative Stapp asked if there was a resource that would show the breakdown of Medicaid dollars.

Mr. Steininger responded that OMB had reporting information on the Medicaid population based on type through DOH, but there was no way to know how many people would be found ineligible until the redetermination work was actually done.

Co-Chair Johnson reviewed the following meeting's agenda.

#

ADJOURNMENT

[3:03:10 PM](#)

The meeting was adjourned at 3:03 p.m.