

HOUSE FINANCE COMMITTEE  
March 14, 2023  
9:01 a.m.

9:01:15 AM

CALL TO ORDER

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

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, 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

None

ALSO PRESENT

Bernard Aoto, Staff, Representative Will Stapp; Alexei Painter, Director, Legislative Finance Division; Valerie Rose, Administrative Services Director, Department of Law; Clifton Coghill, Staff, Representative Will Stapp; Laib Allensworth, Staff, Representative Bryce Edgmon; Joe Plesha, Staff, Representative Bryce Edgmon; Brodie Anderson, Staff, Representative Neal Foster; Matt Gruening, Staff, Representative DeLena Johnson.

SUMMARY

HB 39        APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

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

HB 41            APPROP: MENTAL HEALTH BUDGET

HB 41 was HEARD and HELD in committee for further consideration.

SUBCOMMITTEE CLOSEOUT REPORTS:

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES  
DEPARTMENT OF HEALTH  
UNIVERSITY OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC  
DEVELOPMENT  
DEPARTMENT OF CORRECTIONS  
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS  
GOVERNOR  
LEGISLATURE  
DEPARTMENT OF REVENUE

Co-Chair Johnson reviewed the meeting agenda.

#hb39

#hb41

HOUSE BILL NO. 39

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

HOUSE BILL NO. 41

"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."

^SUBCOMMITTEE CLOSEOUT REPORTS

[9:02:22 AM](#)

AT-EASE

[9:03:16 AM](#)

RECONVENED

^DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

9:03:50 AM

Representative Stapp introduced himself.

BERNARD AOTO, STAFF, REPRESENTATIVE WILL STAPP, introduced himself.

Representative Stapp began discussing the Department of Family and Community Services (DFCS) subcommittee closeout report. He read through the report and recommendations (copy on file):

The House Finance Budget Subcommittee for the Department of Family & Community Services held a total of four meetings consisting of division overview presentations and discussions over the Governor's amended budget. Based on those considerations, the Subcommittee has made no changes to the Governor's operating budget and submits the following recommended operating budget for FY24 to the House Finance Committee:

RECOMMENDATIONS

Fund Source	(dollars are in thousands)
Unrestricted General Funds (UGF)	\$246,207.8
Designated General Funds (DGF)	\$28,910.2
Other Funds	\$101,406.7
Federal Funds	\$82,491.8
Total	\$459,016.5

Compared to the FY24 Adjusted Base, the Subcommittee recommendations represent an increase of \$1,609.8 (0.7%) in UGF, \$2,630.0 (10%) in DGF, \$865.0 (0.9%) in Other funds, and \$88.2 (0.1 %) in Federal funds for a total increase of \$5,193.0 (1.1%) in all fund sources.

POSITIONS

Permanent Full-Time (PFT)	1854
Permanent Part-Time (PPT)	14

Temporary  
Total

62  
1930

Compared to the FY24 Adjusted Base, the Subcommittee recommendations represent an increase of seven PFT positions (0.4%) and one PPT position (7.7%) within the Department.

#### BUDGET ACTION

The Subcommittee reviewed and discussed each of the Governor's proposed transactions in detail. After consideration, all items were adopted unchanged with unanimous consent.

Highlights (dollars are in thousands):

- \$1,250.0 (DGF) increment to support the increase in Alaska Pioneer Home residents.
- \$800.0 (UGF) increment to establish Competency Restoration and Jail-Based Restoration Pilot Programs for the Alaska Psychiatric Institute.
- \$324.0 (UGF, Fed Rcpts, I/A Rcpts) increment to allow the department to create a Complex Placement Coordination (CPC) unit to assist in placement options for high-needs, complex, and hard-to-place individuals needing services.
- Modified conditioning language for carryforward of program receipts to refer to the Department of Family & Community Services instead of the now defunct Department of Health & Social Services.

#### SUBCOMMITTEE AMENDMENTS

The Chair set an amendment deadline and welcomed amendments from all members. There were no amendments received.

#### ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Family & Community Services adopted the attached reports:

- DFCS Agency Totals
- DFCS Transaction Compare: Adjusted Base + to House Subcom

- DFCS Transaction Compare: FY24 Gov Amend to House Subcom
- Wordage

Representative Stapp concluded the report and asked if there were any questions. He reiterated that he had set a previous amendment deadline and he received no amendments.

9:08:55 AM

Representative Hannan asked about the Alaska Psychiatric Institute (API) jail-based restoration program of competency. She inquired about the way in which the Department of Corrections (DOC) was involved and where the program would occur. She asked whether DOC's budget would be impacted.

Representative Stapp deferred the question to his staff.

Mr. Aoto responded that the jail-based restoration program was in collaboration with DOC. He relayed that API was designing the program to support court ordered evaluations for competency. He was not aware of the specific way in which the program would be rolled out. There would be an addition of five full-time positions and four part-time positions to meet the program needs.

Representative Hannan asked for clarification on which department would receive the new positions.

Mr. Aoto responded that the positions would be housed within DFCS.

Representative Hannan wanted some additional information from DFCS on the way in which the program would work in conjunction with DOC. She did not think that jails were the best location for competency restoration.

9:11:24 AM

AT-EASE

9:11:42 AM

RECONVENED

Co-Chair Johnson asked if Representative Hannan was finished with her question.

Representative Hannan responded that she would likely contact DOC itself to inquire further on the topic.

Representative Josephson noted that SB 53 and HB 80 focused on a similar topic. There were fiscal notes for the bills that suggested there was underspending in certain areas of restoration and corrections. There was a report from Agnew Beck Consulting that stated that API needed 25 more beds in addition to the 10 beds it currently had. He reiterated that there was underspending and that it was a complicated issue.

^DEPARTMENT OF HEALTH

[9:13:43 AM](#)

Representative Stapp moved on to the Department of Health (DOH) subcommittee closeout report. He read the report as follows (copy on file):

The House Finance Budget Subcommittee for the Department of Health held a total of nine meetings consisting of division overview presentations and discussions over the Governor's amended budget. Based on those considerations, the Subcommittee has made a few changes to the Governor's operating budget and submits the following recommended operating budget for FY24 to the House Finance Committee:

RECOMMENDATIONS

Fund Source	(dollars are in thousands)
Unrestricted General Funds (UGF)	\$970,364.7
Designated General Funds (DGF)	\$54,276.5
Other Funds	\$98,055.6
Federal Funds	\$2,018,024.4
Total	\$3,140,721.2

Compared to the FY24 Adjusted Base, the Subcommittee recommendations represent an increase of \$48,319.5 (5.2%) in UGF, \$569.1 (1.1%) in DGF, \$6,915.0 (7.6%) in Other funds, and \$1,144.2 (0.1%) in Federal funds for a total increase of \$56,947.8 (1.8%) in all fund sources.

POSITIONS

Permanent Full-Time (PFT)	1459
Permanent Part-Time (PPT)	5
Temporary	75
Total	539

Compared to the FY24 Adjusted Base, the Subcommittee recommendations represent an increase of sixteen PFT positions (1.1%) and one Temporary position (1.4%) within the Department.

BUDGET ACTION

The Subcommittee reviewed and discussed each of the Governor's proposed transactions in detail. After consideration, most of the items were adopted unchanged with unanimous consent. There were several changes made by the committee with unanimous consent.

Highlights (dollars are in thousands):

The following are items unchanged from the Governor's proposal:

- \$416.4 Restorative Justice Account increment to increase statutory distribution of funding.
- \$774.2 Fed Rcpts/GF Match increment to increase recoveries and rebates with additional positions in the Division of Health Care Services.
- \$1,498.2 Gen Fund increment for the Division of Senior & Disability Services Community Based Grants and the Centers for Independent Living.

The following are items changed by the subcommittee:

- \$2,600.0 Gen Fund procedural decrement to extend Postpartum Medicaid Coverage due to the introduction of HB 59 and its progression through the legislative process.
- Adjustment of allocation sources for the Behavioral Health Mental Health: Crisis Now Continuum of Care Grants to correct error made in FY23.

SUBCOMMITTEE AMENDMENTS

The Chair set an amendment deadline and welcomed amendments from all members. There were nine amendments received. The committee adopted two and

rejected seven amendments.

Adopted Amendments (dollars are in thousands):

- \$3,295.0 Gen Fund decrement to Epidemiology allocation's base budget and substituting with a \$3,295.0 Gen Fund temporary-increment (IncT).
- \$705.0 Gen Fund decrement to Epidemiology allocation's base budget and substituting with a \$705.0 Gen Fund temporary-increment (IncT).

#### ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Health adopted the attached reports:

- DOH Agency Totals
- DOH Transaction Compare: Adjusted Base + to House Subcom
- DOH Transaction Compare: FY24 Gov Amend to House Subcom
- Wordage

Representative Stapp concluded the report and asked if there were any questions.

[9:20:07 AM](#)

Representative Hannan asked about the \$1.4 million funding request for staff for the Division of Senior & Disability Services' (DSDS) community-based grants. She asked how the increase in staff would impact the waitlist. She wanted more information on the Crisis Now Continuum of Care Grants (CNCCG) and thought it seemed as though there was less money available in the current year. She understood there were two temporary amendments related to treating congenital syphilis and asked if state epidemiologists thought the problem could be resolved in one fiscal year.

Representative Stapp asked if Representative Hannan's first question was about the intellectual or developmental disability (IDD) waitlist.

Representative Hannan responded in the affirmative.

Representative Stapp deferred the first question to his staff.

Mr. Aoto responded that the \$1.4 million would fund services that were already provided to DSDS and would not address the IDD wait list.

Representative Stapp noted that the second question related to the administrative processes.

Mr. Aoto responded that the specific allocation source for CNCCG was originally attributed to the wrong source. The funding was originally given to the Prevention & Early Intervention Grants when it should have been given to the Behavioral Health Treatment and Recovery Grants. It would not remove any funding but would ensure that the funding was allocated correctly.

Representative Stapp recalled that the final question related to epidemiology.

Mr. Aoto replied that when the department responded to the amendments and noted that the only change was that the department would have to request more funds every year depending upon the success of the syphilis program. The amendments would change it to a one-time increment from FY 24 through FY 30 to align with the governor's Healthy Alaskans 2030 initiative.

Representative Hannan asked if it was a five-year allocation.

Mr. Aoto responded that it was a temporary increment with the understanding that the department would return to the legislature from FY 24 through FY 30 depending upon the success of the program.

Representative Josephson understood that the governor thought that the Healthy Alaskans plan would have some impact and that less money would be needed to combat the syphilis crisis in seven years.

Representative Stapp responded that he would characterize the situation the same way.

[9:24:48 AM](#)

Representative Galvin commented that the committee had heard repeatedly from various departments that it was incredibly difficult to hire experts in particular areas.

It was concerning to her that there was the presumption that the state could hire an epidemiologist year after year. She appreciated the thought but wondered if there was any discussion around the difficulty of keeping the experts in the state.

Mr. Aoto responded that in talks with the department, he was informed that the epidemiology budget line was intended to fund a long-term non-permanent position and that there would be no additional positions requested with the funding. The long-term non-permanent positions were typically year-to-year.

Representative Cronk asked for an explanation on where the majority of the federal funds originated.

Representative Stapp responded that the funds would typically be sourced from the Federal Medical Assistance Percentage (FMAP). The main increase in health-related spending for the state was almost exclusively related to the state's Medicaid program. The reasoning was that the state was receiving an enhanced FMAP and many individuals who refrained from scheduling medical procedures due to the pandemic would begin to reschedule the procedures.

[9:27:52 AM](#)

AT-EASE

[9:29:12 AM](#)

RECONVENED

Mr. Aoto requested to hear from the Legislative Finance Division (LFD).

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, clarified that a temporary increment meant that the item would remain in the base budget. The item would be included in the adjusted budget each year for the length of time specified. For the temporary increment for the syphilis program, the monies would be included in the adjusted base from FY 24 through FY 30 and would be removed in FY 31. A temporary increment meant that the item would be included in the adjusted base for the specified length of time but also removed automatically at the end of the time period. The legislature would have to make a policy determination if it wanted to add the item back to the budget once the time period had elapsed.

Co-Chair Johnson asked if the question had been sufficiently answered.

Representative Hannan responded that her question had been answered.

Co-Chair Johnson asked if the goal of budgetary transparency within the newly formed DOH was accomplished.

Representative Stapp responded that it was more effective to discuss each line item now that the department was smaller. There were many interagency receipts transfers remaining between DOH and DFCF which could be difficult, but he thought that the problem would be sorted out in the following year.

Representative Josephson commented that along with changing the funding source, it appeared there was a \$100,000 reduction in Crisis Now funding. He asked if his understanding was correct.

Mr. Aoto deferred the question.

[9:32:44 AM](#)

VALERIE ROSE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF LAW, asked for the question to be repeated.

Representative Josephson repeated the question.

Ms. Rose responded that the Crisis Now program did not have a fund source change, but there was a change in one of the allocations in which the program was located. As Mr. Aoto had mentioned, funding had previously been allocated incorrectly. In discussions with the department, a portion of the funding was reallocated but some of the funding remained within the incorrect source. In FY 24, the funding was split, whereas the funding was in one located in FY 23. Although it appeared that there was a small decrement, it was due to removing \$900,000 that was accidentally added to the base in FY 23. The subcommittee added back in the \$667,000 that was intended to be in the allocation in FY 24.

Representative Stapp thanked the committee and concluded his report.

Co-Chair Johnson announced that the committee would proceed to the University of Alaska subcommittee closeout report.

^UNIVERSITY OF ALASKA

9:35:13 AM

Representative Stapp noted that his second committee aide would be assisting him with the presentation on the report on the University of Alaska (UA).

CLIFTON COGHILL, STAFF, REPRESENTATIVE WILL STAPP, introduced himself.

Representative Stapp read through the subcommittee report as follows (copy on file):

The House Finance Budget Subcommittee for the University of Alaska held a total of three meetings, made no changes to the Governor's request and submits the following recommended operating budget for FY24 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source:(dollars are in thousands)

Unrestricted General Funds (UGF)	\$308,411.0
Designated General Funds (DGF)	\$306,261.9
Other Funds	\$75,510.5
Federal Funds	\$188,325.9
Total	\$878,509.3

Compared to the FY24 adjusted base, the subcommittee recommendations represent an increase of \$98.0 (0%) in Unrestricted General Funds, a decrease of \$5,633.3 (-1.8%) in Designated General Funds, there was no adjustment (0.0%) in Federal funds, and an increase of \$445.0 (0.6%) of Other funds for a total decrease of -0.6% in all funds.

Positions:

Permanent Full-time	3,759
Permanent Part-time	185
Temporary	0
Total	3,944

BUDGET ACTION:

After reviewing and discussing each of the Governor's proposed transactions in detail, the subcommittee adopted all items by unanimous consent.

Some of the highlights of these items are:

- Expanding Health Education Centers on the UAA campus: Alaska Area Health Education Centers (AHEC) will implement multiple community-based behavioral health day camps that concentrate on behavioral health careers exploration. Locations will include Northwest, Southeast, Yukon-Kuskokwim, and others.
- Funds to grow the WWAMI program: The University of Alaska makes high-quality, accessible, and affordable post-secondary education available across Alaska. The University of Alaska's FY2024 program will help build capacity for Alaska's workforce by focusing on increasing faculty capacity, supporting Alaska Native success initiatives, reducing student indebtedness, and increasing student enrollment and retention.
- Change Technical and Vocational Education Program Appropriation to Language: The Alaska Technical and Vocational Education Program (TVEP), provides non-competitive grants to institutions that are part of a statewide vocational training system.

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline and received three amendments from the minority members.

All amendments failed to pass.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the University of Alaska adopted the attached reports:

- UA Agency Totals
- UA Transaction Compare: Adjusted Base + to House Subcom

[9:38:54 AM](#)

Representative Galvin commented that it was still a work in progress. Since 2019, overall spending for UA had been reduced by 19 percent. Every other department that had been through the subcommittee process had received updates, such as new computers every year; meanwhile, the university system was cutting programs during a time at which workforce development had never been more important. She noted that there was more work to be done.

Representative Stapp pointed out that the university was receiving a \$16,854,100 increase in FY 24 as compared to FY 23.

Representative Ortiz noted that the report summary stated, "Other funds for a total decrease of -0.6 percent in all funds." He asked how there could be an increase when the report stated that there was a decrease in all funds.

Representative Stapp responded that it was referencing the FY 24 governor's amended budget to the subcommittee recommendations. He was pointing out the differences between the FY 23 budget and FY 24 budget.

Co-Chair Johnson appreciated Representative Stapp's work on the subcommittee reports.

Representative Stapp expressed his gratitude for everyone who helped in the finance subcommittee process.

[9:41:52 AM](#)

AT-EASE

[9:43:56 AM](#)

RECONVENED

Co-Chair Johnson announced that the committee would move on to the subsequent finance subcommittee closeout report.

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Co-Chair Edgmon began the closeout report. He prefaced that the Department of Commerce, Community and Economic Development (DCCED) had historically seen a smaller amount of general funds and the funds had been used at a decreased rate over the last few years. The funding amount put

forward by the finance subcommittee at the recommendation of the administration had doubled from about \$10 million to \$20 million and was tied to three large sources of funding. There was a \$5 million one-time increment to the Alaska Seafood Marketing Institute (ASMI), a fund source switch for the Alaska Gasline Development Corporation (AGDC), and a fund source change for the Division of Corporations, Business and Professional Licensing (CBPL). He turned the remainder of the presentation over to his staff.

[9:45:46 AM](#)

LAIB ALLENSWORTH, STAFF, REPRESENTATIVE BRYCE EDGMON, read through the finance subcommittee report for DCCED. The report read as follows (copy on file):

The House Finance Budget Subcommittee for the Department of Commerce, Community, and Economic Development met a total of five times and submits the following recommendations with no changes from the Governor's Amended request for the operating budget for FY24 to the House Finance Committee:

RECOMMENDATIONS: (Dollars in Thousands)

Fund Source:

Unrestricted General Funds (UGF)	\$19,641.9
Designated General Funds (DGF)	\$59,317.0
Other Funds	\$53,590.7
Federal Funds	\$22,890.4
Total	\$155,440.0

Compared to the FY24 adjusted base, the subcommittee recommendations represent an increase of \$10,582.0 (+116.8%) in Unrestricted General Funds, an increase of \$576.1 (+1.0%) in Designated General Funds, an increase of \$2,322.9 (+4.5%) in other funds, and an increase of \$50.0 (+0.2%) in Federal Funds.

Positions:

Permanent Full-time	544
Permanent Part-time	0
Temporary	14
Total	558

BUDGET ACTION:

After reviewing and discussing the Governor's proposed transactions in detail, the subcommittee adopted all items by unanimous consent. There were no increases or decreases to the FY24 Governor's Request.

Some Items of Note:

- \$2,200 in a fund switch for Corporations, Business, and Professional Licensing from licensing receipts to Unrestricted General Funds to stabilize licensing fees by offsetting investigative costs.
- \$3,086.1 in a fund switch for the Alaska Gasline Development Corporation from the AGDC-LNG Fund to Unrestricted General Funds for their continued operations after exhaustion of that fund.
- \$5,000.0 in Unrestricted General Funds for the Alaska Seafood Marketing Institute to promote Alaska Seafoods in new markets after significant downturn in current markets.

Subcommittee Amendments:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee received no amendments.

Attached Reports:

- DCCED Agency Totals
- DCCED Transaction Compare: Adjusted Base + to House Subcom
- Wordage

[9:49:37 AM](#)

Representative Hannan asked about the AGDC fund source moving to general funds. She did not recollect whether the allocation would be a one-year fund source change or if it was expected to be a permanent change.

Co-Chair Edgmon responded that it was a one-year appropriation. It was related to SB 138 [passed in 2016], which created a fund consisting of around \$100 million. The fund had since been depleted and the fund source change would allow AGDC to remain operational.

Representative Hannan asked if the money would be rolling through the base in perpetuity. She asked if there had been discussions on recapitalizing the fund. She thought there was an initial narrative about being on the brink of a privatization fund. She wondered if there were other conversations outside of the subcommittee that led to conclusions about rolling the funding into the base.

Co-Chair Edgmon deferred the question to Mr. Allensworth.

Mr. Allensworth responded that the funding was being rolled into the base. A fund capitalization into the AGDC fund would produce the same effect and require further capitalization for a few years. The long-term plan was to continue towards privatization, and rolling the funding into the base would contribute to the long-term goal.

Representative Ortiz thanked Co-Chair Edgmon for pointing out that DCCED had received the largest percentage of reductions during the years in which the state was trying to reduce its overall expenditures. He was aware that there was an opportunity cost that came with the reductions. He asked if Co-Chair Edgmon knew how the number of positions within the department had fluctuated over the past five to seven years.

Co-Chair Edgmon responded that he did not know the answer from memory. He recalled that the department had been continuing its work and there had been many instances of fund source shifts to designated general funds, federal funds, and other funds. During the pandemic, the department had seen a substantial amount of additional spending flow through the federal government. He thought the number of positions had remained fairly consistent.

Mr. Allensworth added that the 24 new positions were largely added to handle new responsibilities of the department, which included the broadband office and new Infrastructure Investment and Jobs Act (IIJA) funds. There was some growth within the department due to the new responsibilities.

Co-Chair Edgmon added that the broadband section of the department was "pass through" money, meaning that the broadband office was in the initial stages of development.

[9:54:38 AM](#)

Representative Ortiz explained that he brought up the issue of positions because he had received a significant increase of communications from his constituents surrounding receiving licenses quickly. He noted that the department had always been responsive and helpful when he brought forth concerns from constituents. He relayed that there were improvements to still be made in the area of licensing in particular. He clarified that he was not intending to criticize DCCED, but that the licensing difficulties were likely due to reductions in funding.

Mr. Allensworth added that 12 of the 24 positions were added to assist with professional licensing.

Representative Coulombe asked if the department had discussed the intended use of the \$5 million for ASMI.

Co-Chair Edgmon responded that the director of ASMI was consulted during the subcommittee process. He thought it was the first increment increase ASMI had received since FY 18. The \$5 million was to be used to work on a number of items, especially considering a variety of marketing dynamics and external circumstances that had caused many changes in the seafood industry. There had been concerns about the funding being allocated to a private entity but historically, ASMI had received more significant funding than was currently proposed. He thought Alaska seafood was a huge driver in the state's economy and was the largest private sector employer. The seafood industry was interconnected with many other industries in the state and could greatly benefit from \$5 million in funding.

Representative Coulombe thought it sounded like the funding was necessary. She asked if the institute shared with the subcommittee any information on particular goals it would like to reach.

Mr. Allensworth responded that ASMI had a working plan but as markets changed, the plan would likely change. The institute was trying to find new markets for Alaska seafood such Europe, Africa, Latin America, and the Middle East.

Co-Chair Edgmon wished Mr. Allensworth a happy birthday.

[10:01:48 AM](#)

Co-Chair Johnson invited Co-Chair Edgmon to provide the report on the next finance subcommittee.

^DEPARTMENT OF CORRECTIONS

Co-Chair Edgmon explained that the Department of Corrections (DOC) was funded largely from UGF. The subcommittee did not receive any amendments from members, but it collaborated with DOC and put forth intent language to provide more information on the way in which the \$10 million in funding would be used in community jails and how the funding would be split between the 15 communities participating in the program.

10:02:59 AM

JOE PLESHA, STAFF, REPRESENTATIVE BRYCE EDGMON, introduced himself and read from the report as follows (copy on file):

The House Finance Budget Subcommittee for the Department of Corrections submits the following recommended operating budget for FY24 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$365,572.2
Designated General Funds (DGF)	\$14,355.5
Other Funds	\$22,343.6
Federal Funds	\$17,389.6
Total	\$419,660.9

Compared to the FY24 adjusted base, subcommittee recommendations represent a decrease of \$5,559.6 (-1.5%) in Unrestricted General Funds, no change in Designated General Funds, an increase in \$125.0 (0.7%) in Federal funds, as well as an increase in \$12,906.2 (136.8%) in Other funds for a total increase of \$7,471.6 (1.8%) in all funds.

Positions:

Permanent Full-time	2,109
Permanent Part-time	0
Temporary	0
Total	2,109

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Corrections reviewed the FY24 budget request and adopted all items by unanimous consent, with the addition of intent language. There were no increases or decreases to the FY24 Governor's Request.

Some of the highlights of these items are:

- Replaced \$5,809.6 in general funds with Restorative Justice Account funds due to increased statutory availability.
- Reduced \$7,500.0 in Physical Health Care based on projected cost reductions, while increasing general fund by \$7,500.0 for operational costs of institutions around the state.
- Added intent language to the Regional and Community Jails allocation that directs the Department on how to divide funding between each community participating in the program.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Corrections adopted the attached reports:

- DOC Agency Totals
- DOC Transaction Compare: Adjusted Base + to House Subcom
- Wordage

[10:06:53 AM](#)

Representative Galvin asked about the \$7.5 million increment reduction in physical health care. Her understanding was that DOC felt that due to the reduction in cost of some items like the treatment of Hepatitis C, the costs would be rolled into general operating costs. She wondered if there was discussion about providing mental health care, specifically considering the increase in suicide-related deaths in the state.

Co-Chair Edgmon responded that mental health funding was discussed during the subcommittee process. The department had never had enough money to properly address mental health problems or provide adequate mental health care to inmates. He understood that about 60 percent of currently incarcerated individuals in the state were afflicted with some type of mental health problem. The department did the

best it could, but it was focused on corrections rather than mental health. In a perfect world, there would be more money to allocate towards mental health issues.

Representative Galvin responded that she understood the complexities of the issue and the costs. She hoped that there was a discussion around the inclusion of mental health care within physical health care. She thought more appreciation around mental health and physical health could be offered during the intake process. She understood that the \$7.5 million was likely needed for operational costs as well.

Co-Chair Edgmon responded that the department had been creative with the money it had, and he thought it deserved credit for its resourcefulness. An individual's mental health needs would sometimes increase suddenly, and the department did the best it could with the resources it had.

[10:11:23 AM](#)

Representative Josephson noted that the Larger Permanent Fund Dividend (PFD) resulted in more money in the hands of incarcerated persons. He asked for more details on the restorative justice account. He wondered if the account was being used properly to supplant general funds.

Co-Chair Edgmon responded that the restorative justice account was created in 2019 and the specific application of the funds was prescriptive. The first place the money should be applied was to the Violent Crimes Compensation Board (VCCB), the next category was the Office of Victims' Rights (OVR), then to grantees of mental health and domestic violence, and finally to DOC, which was the overriding category. He shared that 79 percent to 88 percent of all restorative justice funds went to DOC for costs related to incarceration and probation. The account itself resided in the Department of Revenue and fluctuated every year depending on the size of the PFD. The PFD in calendar year 2022 was the largest in the history of the dividend in the state and was circulated into the FY 24 budgeting process. There was an allocation from the restorative justice fund to the Department of Health itself. The allocation of the account might need to be revisited again in a few years.

[10:14:57 AM](#)

AT-EASE

[10:16:54 AM](#)

RECONVENED

Co-Chair Johnson introduced the next closeout report.

^DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Co-Chair Foster introduced himself.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, introduced himself.

Co-Chair Foster began reading the report (copy on file):

RECOMMENDATIONS: The House Finance Budget Subcommittee for the Department of Military and Veterans Affairs submits the following recommended operating budget for FY2024 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$16,858.8
Designated General Funds (DGF)	\$28.5
Other Funds	\$12,000.7
Federal Funds	\$33,412.6
Total	\$62,300.6

The Unrestricted General Fund difference from FY24 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$753.1 thousand of Unrestricted General Funds, which is 4.7% above the FY24 Adjusted Base.

Positions:

Permanent Full-time	270
Permanent Part-time	0
Temporary	0
Total	270

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Military and Veterans reviewed the FY 2024 Governor's budget request, including amendments, and recommends the following actions:

1) Accept all the Governor's proposals for the Alaska Military Youth Academy (AMYA) with one technical sub-committee change to correctly classify \$475 thousand in UGF funding used to match federal funding as UGF/Match.

This includes the following items:

- Increase \$ 1.9 million in federal authority and decrease UGF funding by \$1.9 million in UGF savings.
- \$475 thousand in UGF match funds
- \$881.9 thousand in UGF to upgrade and modernize AMY A campus as a onetime increment.
- Resulting in a net UGF savings of \$543.1 thousand at AMYA

2) Approve all other transactions other than the Alaska State Defense Force

3) Reduce the Governor's \$2.5 million request to \$1.25 million for the Alaska State Defense Force:

- Approve the transfer of the Alaska State Defense Force out of the Commissioner's Office with all related funds into a separate allocation.
- Approve 4 out of the 5 positions requested including the Director position.
- Provide \$414.8 thousand for Expanded Operations

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Legislature adopts the attached reports:

1. Agency Totals
2. Transaction Compare FY24AdjBase+ and House Subcommittee
3. Transaction Compare FY24GovAmd and House Subcommittee
4. Wordage

[10:21:22 AM](#)

Co-Chair Johnson introduced the next closeout report.

^GOVERNOR

[10:21:37 AM](#)

Co-Chair Foster read the subcommittee recommendations for the governor's budget as follows (copy on file):

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Office of the Governor submits the following recommended operating budget for FY2024 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$27,213.9
Designated General Funds (DGF)	\$0.0
Other Funds	\$533.3
Federal Funds	\$234.5
Total	\$27,981.7

The Unrestricted General Fund difference from FY24 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$8,086.6 thousand of Unrestricted General Funds, which is 42.3% above the FY24 Adjusted Base.

Positions:

Permanent Full-time	145
Permanent Part-time	0
Temporary	24
Total	169

BUDGET ACTION:

The House Finance Budget Subcommittee for the Office of the Governor reviewed the FY 2024 Governor's budget request, including amendments, and recommends the following actions:

- 1) Accept all the Governor's proposed budget. This includes the following highlighted items:
  - \$ 1.0 million in general funds to maintain the Federal Infrastructure and Jobs Act Implementation Office with 2 positions.
  - \$5,680.7 thousand to reverse and restore UGF to the Numbers Section from the Language Section
  - \$113.0 thousand for recruitment and retention of election clerks
  - \$504.3 thousand maintaining the two-year language appropriation for ongoing costs of election worker pay increases currently

supported with FY 23 operating funds and a  
FY22-23

- \$293.0 thousand to increase Governor's Security Detail by two positions.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Office of the Governor adopts the attached reports:

1. Agency Totals
2. Transaction Compare FY24AdjBase and House Subcommittee
3. Wordage

[10:24:28 AM](#)

Representative Ortiz asked about the impact of moving an item from the language section to the numbers section. He asked for the reasoning behind the choice.

Co-Chair Foster responded that change was at the request of the governor. The numbers section was straightforward and the language section was more narrative in nature. He deferred the question to his staff.

Mr. Anderson responded that at the end of conference committee in the prior year, the decision was made to pull out roughly \$5.6 million from the numbers sections, which was the agency operations component of the governor's budget, and insert it into the language section. Removing the component from the numbers section also removes it from subcommittee purview. The desire from the governor's office was to put the component back into the numbers section which gave the appearance of a 42.3 increase in the numbers section. He emphasized that the governor's budget had not increased, but it appeared to increase by \$5.6 million due to a lateral move that was now reflected in a different section.

Representative Josephson asked what the motivation was for the legislature to move the component from the numbers section to the language section.

Mr. Anderson responded that when the governor's budget left the House and was transferred over to the Senate in the prior year, the \$5.6 million was reflected in the numbers section. The Senate decided to move the monies from the numbers section to the language section, which resulted in

the version of the budget that was put before the governor at the end of conference committee. The governor decided to move the money back into the numbers section of the budget.

Representative Galvin noted that two more positions were being added for the governor's security detail. She wondered if the positions would exist in perpetuity.

Co-Chair Foster responded that the positions were permanent and full-time. There had been security gaps in the past and the intention was to fill the gaps.

[10:29:23 AM](#)

Co-Chair Johnson introduced the next closeout report.

^LEGISLATURE

Co-Chair Foster read through the closeout report for the legislature's budget as follows (copy on file):

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Legislature submits the following recommended operating budget for FY2024 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$73,716.0
Designated General Funds (DGF)	\$402.3
Other Funds	\$1,046.1
Federal Funds	\$0.0
Total	\$75,164.4

The Unrestricted General Fund difference from FY24 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$300.3 thousand of Unrestricted General Funds, which is .4% above the FY24 Adjusted Base.

Positions:

Permanent Full-time	270
Permanent Part-time	281
Temporary	28
Total	579

BUDGET ACTION:

The House Finance Budget Subcommittee for the Legislature reviewed the FY 2024 Legislative Budget & Audit, as well as the Legislative Council budgets, and recommends the following actions:

1) Accept the Legislature's proposed budget.

This includes the following highlighted items:

- \$661.3 thousand replacement of general funds with Restorative Justice Funds resulting from increased funds available.
- \$200.0 thousand for 2 new positions, 1 in the Mat-Su Legislative Information Office, 1 in Supply
- \$ 100.0 thousand increase for security services at the Anchorage Legislative Information Office
- \$107.0 thousand salary increase for attorneys in the Office of Victims' Rights (if legislation is passed, SB81)

2) The subcommittee removed a Legislative Council increment for special session expenses and recommends \$1.0 million of lapsing funds be authorized in the Language section as a multi-year appropriation (FY24-FY25).

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Legislature adopts the attached reports:

1. Agency Totals
2. Transaction Compare FY24AdjBase and House Subcommittee
3. Transaction Compare FY24GovAmd and House Subcommittee

[10:32:39 AM](#)

Representative Josephson expressed that Co-Chair Foster had done well in explaining the various departments. He provided a hypothetical situation where a "wonky" constituent asked him if the legislature used more than half a million in restorative justice funds in order to fund its own agencies. He asked what Co-Chair Foster would suggest that he say to the constituent.

Co-Chair Foster deferred the question to his staff.

Mr. Anderson responded that OVR existed within the structure of the legislature. The money for restorative justice was only paying for items that OVR used.

Representative Josephson asked if he could tell the constituent that there was a "firewall" and none of the funds would go to a legislator's personal salary or to something like the electric bill for the capitol building.

Mr. Anderson responded in the affirmative.

Co-Chair Johnson invited any closing comments.

Co-Chair Foster did not have closing comments. The motivation behind the legislature's choices was not always known but the language section was typically under the purview of the finance committee.

[10:35:52 AM](#)

AT-EASE

[10:36:35 AM](#)

RECONVENED

Co-Chair Johnson introduced the final closeout report.

^DEPARTMENT OF REVENUE

[10:36:56 AM](#)

MATT GRUENING, STAFF, REPRESENTATIVE DELENA JOHNSON, read through the report as follows (copy on file):

The House Finance Budget Subcommittee for the Department of Revenue held a total of three meetings, made no changes to the Governor's request, and submits the following recommended operating budget for FY24 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$27,688.7
Designated General Funds (DGF)	\$3,596.6
Other Funds	\$329,185.4
Federal Funds	\$88,235.9

Total \$448,706.6

Compared to the FY24 adjusted base, the subcommittee recommendations represent an increase of \$31.0 (+.1%) in Unrestricted General Funds, \$342.6 (+10.5%) in Designated General Funds, \$5,149.0 (+6.2%) in Federal Funds, as well as a decrease of \$222.6 (-.1%) of other funds for a total increase of \$5,300.0 (+1.2%) all funds.

Positions:

Permanent Full-time	827
Permanent Part-time	24
Temporary	18
Total	869

BUDGET ACTION:

After reviewing and discussing each of the Governor's proposed transactions in detail, the subcommittee adopted all items by unanimous consent.

Some of the highlights of these items are:

- Tax Revenue Management System (TRMS) Cloud Server Hosting: \$373.6 UGF
- Replaced \$342.6 UGF with \$342.6 Higher Ed in the Treasury Division for Investment Management Fees for the Higher Education Investment Fund (HEIF)
- Permanent Fund Dividend Application Information System Maintenance and Support: \$326.4 PFD Fund
- 5% Cost of Living Adjustment in line with HB 226 for AHFC Employees: \$2,166.6 split between Fed Rcpts, CIP Rcpts, and AHFC Rcpts
- Fully Funded Incentive Compensation for Direct Investment Staff at the Alaska Permanent Fund Corporation: \$1,200.0 PF Gross

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee received no amendments.

ATTACHED REPORTS The House Finance Budget Subcommittee for the Department of Revenue adopted the attached reports:

- DOR Agency Totals
- DOR Transaction Compare: Adjusted Base + to House Subcom
- DOR Wordage

[10:41:58 AM](#)

Co-Chair Johnson concluded the closeout reports. She explained that the committee substitute would be available on March 20, 2023, and she anticipated setting an amendment deadline of March 24, 2023. She reviewed the agenda for the afternoon's meeting.

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

HB 41 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:43:40 AM](#)

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