

HOUSE FINANCE COMMITTEE
February 1, 2024
1:35 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Mike Cronk

ALSO PRESENT

Lacy Sanders, Director, Office of Management and Budget; Teri West, Administrative Services Director, Department of Corrections; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities; Representative George Rauscher, Sponsor; Ryan McKee, Staff, Representative George Rauscher; Representative Justin Ruffridge, Sponsor; Bud Sexton, Staff, Representative Ruffridge; Sana Efird, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Norm McDonald, Deputy Director, Division of Forestry and Fire Protection, Department of Natural Resources; Hannah Lager, Administrative Services Director, Department of

Commerce, Community, and Economic Development; David Dunlap, Vehicle Program Manager, Division of Motor Vehicles, Department of Administration ; Gordon Williams, Attorney, Ketchikan; Linda Hulbert, Self, Fairbanks; Matthew Blattmachr, Peak Trust, Anchorage; Janelle Grenier, Nikiski High School, Nikiski; Paul Layer, Vice President for Academics, University of Alaska, Fairbanks.

SUMMARY

OVERVIEW: FY 24 SUPPLEMENTAL REQUEST

HB 81 VEHICLES/BOATS: TRANSFER ON DEATH TITLE

HB 81 was HEARD and HELD in committee for further consideration.

HB 148 AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY

HB 148 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the meeting agenda.

^OVERVIEW: FY 24 SUPPLEMENTAL REQUEST

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LACY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced the PowerPoint presentation "Overview of the FY2024 Supplemental Budget" dated February 1, 2024 (copy on file).

Co-Chair Johnson noted that Ms. Sanders would provide a high-level overview of the budget.

Ms. Sanders continued on slide 2. The previous supplementals were released on December 14, 2023, and the new supplemental items were released on January 30, 2024. Both supplementals were reflected in the chart on slide 2. The items released on January 30 totaled \$154 million in unrestricted general funds (UGF) in the operating budget, \$1.8 million in designated general funds (DGF), \$3.1 million in other receipts, and a reduction of \$6 million in federal receipts for a total of \$153 million in the operating budget. She would walk through the numbers in more depth in later slides. The capital budget included

\$400,000 in UGF, \$8.9 million in DGF, and \$41.6 million in federal receipts for a total of \$50.9 million. The grand total for both capital items and operating items submitted on January 30, 2024, was \$203.9 million. The combined totals of supplemental items released on January 30, 2024, and on December 14, 2023, were as follows: \$171.5 million in UGF, \$10.7 million in DGF, \$3.1 million in other receipts, and \$38.4 million in federal funds for a combined total of \$223.7 million. She noted that the numbers listed in the fiscal summary were slightly different due to revised federal programs [known as Revised Program Legislative (RPL)] approved by the legislature during the interim. The surplus and deficit had been adjusted to reflect the changes in the combined supplementals. For FY 24, the surplus continued to be positive at \$355.7 million.

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Representative Hannan asked Ms. Sanders about the timeline of RPLs in which the authorization stood. She asked Ms. Sanders to explain the difference between the supplementals and the RPLs that had already been authorized and were not up for legislative approval due to a timelapse.

Ms. Sanders responded that the items were addressed in the interim and had been approved to move forward based on a meeting of Legislative Budget and Audit (LB&A).

Representative Hannan asked what the dollar amount of the RPLs was and how it compared to the supplementals.

Ms. Sanders responded that of the \$225.1 million reflected on slide 2, the grand total of supplementals was \$223.7 million and the RPLs comprised only about \$2 million of the total.

Representative Ortiz asked for confirmation that the projected surplus of \$355 million would still be in place after the supplementals.

Ms. Sanders responded in the affirmative. She reminded the committee that the legislature appropriated language in 2023 that provided for a surplus above a specific dollar value that would be split between the Constitutional Budget Reserve (CBR) and the energy relief payment. The calculation was currently at about \$220 million.

Representative Ortiz responded that he recently saw a fiscal summary sheet that listed the state's surplus at around \$200 million. He wondered if the split was being factored into the final figure.

Ms. Sanders replied that she was not sure what document Representative Ortiz was referring to. The Office of Management and Budget's (OMB) fiscal summary had not yet incorporated a line for the \$220 million because the total was still subject to the price of oil. She suggested that OMB could incorporate another line subtracting the \$220 million.

Representative Ortiz asked if \$220 million was the maximum amount covered by the split. He asked if it would be the complete \$500 energy subsidy or would it be the projected amount.

Ms. Sanders responded that \$500 was the current calculation based on forecasted revenue for the year, which was why it could change moving forward. She explained that the actual revenue collected during the year would determine the exact payout.

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Representative Stapp asked whether the veto amounts were included in the surplus figure. He assumed that the over \$200 million in funding that was vetoed by the governor was included in the number.

Ms. Sanders responded that the fiscal summary reflected what was enacted into law after vetoes.

Representative Josephson asked Ms. Sanders about the \$135 million that would remain if revenue remained the same. He understood that SB 140 [education funding legislation introduced in 2023] as written would elicit a fiscal note of over \$170 million. The state would be \$35 million short without considering any other bill's fiscal notes and the state would need to draw from the CBR draw in order to fund SB 140.

Ms. Sanders responded that the fiscal notes associated with SB 140 were for FY 25 but slide 2 reflected FY 24. In order to accomplish the outlined cost, a revenue source would be required in FY 24.

Representative Josephson asked if the "rather small" \$135 million surplus was the surplus for FY 24.

Ms. Sanders responded in the affirmative.

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Ms. Sanders continued on slide 3. The first portion of the presentation was the operating supplemental request. She would highlight the items in each agency's budget as she went down the list. She stressed that it would not encompass every item in the FY2024 Supplemental Bill Summary document (copy on file), but she would be happy to address other items in detail if it was the will of the committee.

Ms. Sanders relayed that the Department of Administration (DOA) had a fund source change of \$525,000 of interagency receipts to be replaced by general funds. In 2024, there was a salary increase that was received for attorneys and legal staff and other partially exempt positions. There was no funding source that was made available; therefore, the funds were replaced with general funds to pay for the positions.

Ms. Sanders continued that the Department of Commerce, Community, and Economic Development (DCCED) experienced an increase of \$50,000 for federal receipt authority to address a continuation of the State Trade Expansion Program (STEP) grant.

Ms. Sanders stated that the Department of Corrections (DOC) would receive one of the largest increases. There were several items that were combined for a total of \$40 million. She summarized that DOC and OMB had collaborated on a projection process to bring DOC in line with the department's actual expenditures. There had been a history within DOC of underfunding that had resulted in a cycle of supplementals. The projection process would bring the budget for FY 24 inline with the projections for the end of FY 24 and the budget for FY 25 also reflected the same amounts. There were costs associated with utilities, fuel, institutional supplies, as well as overtime for correctional officers. There was a fund source change of approximately \$8 million which could be seen as a decrease in federal receipts. The decrease was due to a loss in

federal receipts from the decline in man-day billings experienced by DOC as well as increases in expenses for the community residential centers, pretrial services, and health care increases.

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Representative Stapp commented that he balked at the notion that DOC had not been funded. He thought that DOC was the department that had received the most increases since 2019. He relayed that DOC's budget was 40 percent larger than it was in 2019. He asked how many vacancies were there within DOC and what happened to the salary savings if not spent on overtime.

Ms. Sanders responded that there were a substantial number of vacancies in DOC. The cost savings were used for personal services. She relayed that there was an excessive amount of personal services costs and there were letters of agreement to incentivize and retain positions within DOC. The hope was that by incentivizing recruitment and retaining employees, there would be less of a need to fund overtime in FY 25.

Representative Stapp asked how many billable overtime hours there were and how many vacant positions there were within DOC.

Ms. Sanders responded that she would follow up with the information.

Co-Chair Johnson requested that the information be distributed to the entire committee.

Representative Coulombe understood that the funding increase for DOC was requested in order to reduce the need for extensive supplementals in the future.

Ms. Sanders responded in the affirmative. The goal was for the budget to reflect the operating needs of the department. There were some things beyond the department's control, but the aim was to project the costs as accurately as possible.

Representative Coulombe replied that the increases seemed to be for items that DOC would have known would be necessary. She did not think there seemed to be many items

that would have been surprise costs. She recalled that the proposed DOC budget was presently at about \$450 million, and she thought it would be prudent to also focus on prevention. She asked if the goal was to ensure that big supplementals would not continue.

Ms. Sanders responded in the affirmative and relayed that the hope was to stabilize the budget and reduce the need for substantial supplementals.

Co-Chair Johnson asked if Ms. Sanders remembered what the DOC supplemental was in 2023.

Ms. Sanders responded that she did not know but could follow up with the information.

Co-Chair Johnson recalled that the supplemental was \$58 million in 2023 and it was \$94 million in 2024. She highlighted that the difference was considerable.

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Ms. Sanders continued on slide 3. The Department of Education and Early Development (DEED) would receive an increase related to the Mt. Edgecumbe High School (MEHS). There were contracts for utility costs, management, and food services that continued to increase as the contracts were renegotiated. There were also salary adjustments that were provided with interagency receipts and there was no funding behind the funds to support the increases. The department was requesting funding to replace interagency receipts.

Representative Josephson asked what the budget for MEHS was relative to the \$500,000 supplemental request.

Ms. Sanders would follow up with the information.

[1:58:09 PM](#)

AT EASE

[1:59:00 PM](#)

RECONVENED

Co-Chair Johnson noted that there was a representative from DOC available to answer questions.

Co-Chair Edgmon thought it seemed appropriate to have upfront conversations about the supplemental considering how many agencies would be impacted. He asked DOC to detail why the requested budget increase was so significant.

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TERI WEST, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF CORRECTIONS, responded that the purpose of the DOC supplemental request was to get the department to a place where it could be considered "whole" and help reduce supplemental requests in the future. There were increased costs in many areas, but most significantly in the department's contractual costs.

Representative Stapp commented that it seemed that there were many structural problems within the department. Most of the fee increases were contractual obligations and it was difficult for him to understand why it was so challenging for the department to assume the natural rates. The department was required to look for more fee-for-service options for health care, which made sense considering inflationary pressure; however, there was no reflection of the efforts in the department's FY 25 budget. Since 2019, DOC was the most resourced department outside of the Department of Public Safety (DPS) and it had the largest supplemental requests every year. He asked what was causing the repeated high supplemental requests.

Ms. West replied that the department had attempted to implement processes in order to reduce its costs over the last few years; however, the cost of living and cost of goods and services had increased. Many of the increased costs were unexpected, such as a 50 percent increase in one of DOC's community residential centers. There were five more residential center contracts that would be renewed in 2024 and DOC was uncertain what to expect. The contracts would expire again in FY 31 and the department was making every effort to anticipate the increases.

Representative Stapp understood the concept of fixed costs increases. He asked why DOC was the only department with massive increases when all departments had the same fixed costs increases.

Ms. Sanders replied that OMB and DOC were working hard to ensure that the budget and the reflected costs would

represent what the department was experiencing. She hoped that the department would not experience significant changes going forward.

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Representative Josephson noted that the public seemed to want to repeal SB 91 and he was happy to oblige with HB 49 in 2019. He asked if there was any way to gauge the contribution of the aforementioned legislation on the increased costs.

Ms. Sanders responded that the population in the facilities was not driving up the costs. She stressed that inflationary cost pressures and contractual obligations such as providing medical services were responsible for the increased costs.

Co-Chair Edgmon remarked that the department was unique and was largely funded by unrestricted general funds. The department was responsible for housing, feeding, and providing health care for thousands of inmates, and populations fluctuated drastically and unexpectedly. He commented that school districts were encountering the same problems.

Representative Ortiz asked if it was possible for the committee to get an answer to Representative Josephson's earlier question as to how much of the requested supplemental increase for DEED was due to MEHS.

Ms. Sanders responded that she could not do the mental math on the record but would follow up with the information.

Representative Hannan asked if there was anyone from Ms. Sanders' staff that could answer Representative Ortiz's question in more detail.

Ms. Sanders did not think there was anyone who was prepared to provide better information.

Representative Hannan noted that Ms. Sanders had described the supplementals as the budget for MEHS. She explained that she wanted to know the total budget request for MEHS.

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AT EASE

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RECONVENED

Co-Chair Johnson asked if DOC could finish its portion of the presentation before moving on to MEHS. She asked if there were any additional questions for DOC.

Representative Galvin asked for more details on how the contractual costs and health care costs had increased. She appreciated that DOC was a people-heavy department and it made sense that costs would increase. She thought it would be helpful to know the trajectory of costs.

Ms. Sanders would follow up with cost increase percentages.

Representative Stapp commented that he appreciated Ms. Sanders' time and looked forward to hearing more from her.

Co-Chair Johnson asked about the fund transfers on slide 2. She thought the fund transfers would decrease the surplus.

Ms. Sanders responded that the fund transfers were considered non-additive and would not impact the surplus or the deficit. The funds were not leaving the treasury but required an appropriation in order to be moved.

Co-Chair Johnson asked if the energy relief payment was taken into consideration in the final surplus number.

Ms. Sanders responded that the surplus would not take into account the energy rebate or the transfer to the CBR. The surplus would be determined at the end of session after all revenue had been accounted for. The updated spring revenue forecast could change the surplus amount; therefore, the projected surplus was not yet published.

Co-Chair Johnson understood that the Legislative Finance Division (LFD) had a different transfer amount and asked why the figure was different.

Ms. Sanders responded that she understood that LFD was recording the transfer to the CBR of \$110 million. The OMB fiscal summary did not reflect the CBR transfer.

Co-Chair Johnson asked if Representative Ortiz would like to begin the conversation on MEHS.

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Representative Ortiz suggested that Representative Josephson repeat his earlier question.

Representative Josephson thought he had learned the answer to his question. He understood that the base budget for MEHS was approximately \$15 million, which was about a 3 percent increase. He explained that it was frustrating that 53 school districts did not get automatic increases built into the districts' budgets and it was a constant struggle to receive more funding.

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Ms. Sanders continued on slide 3. There was a request of \$1 million in statutory designated program receipt authority within the Department of Family and Community Services (DFCS) due to the rising cost of pharmaceuticals at the pioneer homes. The request was to ensure that the department had sufficient funds for reimbursement purposes.

Ms. Sanders continued that there were several items within the Department of Fish and Game (DFG) that brought about statutory designated program receipt authority for various projects such as kelp genetics research. The department was requesting \$35,000 for laboratory services and \$610,000 in Pittman-Robertson funds. The funding was not presently sufficient to pay for the department's activities.

Ms. Sanders continued to the Department of Health (DOH). The primary change within DOH was the request for \$7.6 million in UGF for a Medicaid projection. On December 15, 2023, the department provided an updated projection and it was not ready during the governor's budget process, which was why it was part of the supplemental request. The request would bring Medicaid services to the appropriate match amount.

Representative Stapp remarked that in 2023, a Medicaid economist told the legislature that it was underbudgeting the FY 24 Medicaid costs by \$15 million. He hoped that if a Medicaid economist was employed by the state that the economist would provide the legislature with accurate Medicaid advice.

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Co-Chair Johnson understood that federal funding related to the COVID-19 pandemic was coming to an end.

Representative Josephson noted that there was some concern about the administration's position to not continue the Summer Food Service (SFS) assistance program. He noticed that the media had two explanations for the choice: the focus had to be on the Supplemental Nutrition Assistance Program (SNAP) backlog and the SFS program was cost inefficient. He asked if the governor stood by the stance to discontinue SFS.

Ms. Sanders responded that there was currently no funding in the budget to address SFS.

Ms. Sanders continued on slide 4. She explained that there were two changes within the Department of Labor and Workforce Development (DLWD). There was a supplemental request for the Workers' Compensation Benefits Guarantee Fund (WCBGF), which provided payments to employees when claims for injuries on the job were submitted. At the end of FY 22, the fund balance was swept and there were insufficient funds to pay for the claims in 2024, which brought about the need for a supplemental request. In addition, there was a \$1.4 million request for the State Training and Employment Program (STEP) because there were insufficient funds for the grant payments required in statute.

Ms. Sanders continued to the request from the Department of Natural Resources (DNR), which was the largest item in the budget. The request was for fire suppression preparedness and fire suppression activity. There were updated projections from DNR through the end of July of 2024. The request provided the initial estimate in general funds required for FY 24 fire season expenditures. Anticipated invoices and obligations exceeded the base operating unrestricted general fund appropriation of about \$14 million. The FY 24 disaster declaration of \$61 million included the costs of prepositioning firefighting resources to areas of high fire danger, fire suppression costs, and importing aviation resources and vendor contracts for wildfire incidents through August 30, 2023.

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NORM MCDONALD, DEPUTY DIRECTOR, FIRE PROTECTION, DIVISION OF FORESTRY and FIRE PROTECTION, DEPARTMENT OF NATURAL RESOURCES (via teleconference), explained that the 2023 fire season started out slowly but after the fiscal break on July 1, 2023, there was a significant uptick in fire activity. There were 150 new fires in the state at the end of July and early August, four of which were in high-risk areas and required a majority of the Division of Forestry and Fire Protection (DOFFP) resources. As a result of the fires, the division imported fire fighters from around the state and country to support fire suppression efforts. The cost breakouts were in three primary areas: importing fire fighters, aviation costs, and logistical support and contracting costs needed during times of emergency.

Representative Galvin asked Mr. McDonald whether future emergencies were being considered. She asked if the supplemental request would fund emergencies that had already occurred or would the funds be allocated towards supporting possible emergencies in the future.

Mr. McDonald responded that part of the funds were to support the efforts the division made in the prior fire season. The disaster declaration submitted in September 2023 was for \$61 million and an additional \$26 million was allocated in January 2024 and captured the costs that were not accounted for during the first wave of the disaster declaration funds. He explained that \$7 million of the \$26 million was intended to help support the beginning of the 2024 fire season which was anticipated to begin around April.

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Representative Hannan asked Mr. McDonald what percentage of the firefighting crews were made up of firefighters from outside the state.

Mr. McDonald responded that he would follow up with an exact figure and offered assurance that the division was working diligently to develop its workforce in Alaska. He relayed that around 2018 and 2019, the division imported 35 percent to 46 percent of firefighters and the percentage had grown to about 75 percent.

Representative Hannan stated that she did not need the specifics and was satisfied with Mr. McDonald's response.

Co-Chair Johnson asked Mr. McDonald if there was an unusually high number of fires in 2023.

Mr. McDonald responded that it was a slow fire season as far as acreage was concerned; however, that did not mean that it was inexpensive. Some fires occurred in high risk and remote areas and required a high resource investment and others occurred in low risk. There were areas of the state where fires were monitored but little action was taken. The fires in 2023 covered a smaller area but required a high resource investment.

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Representative Stapp thought there were too many variables to adequately budget fire suppression. He noted that the legislature did not budget up to the amount of its ten-year average spend on firefighting. He asked Mr. McDonald if he could discuss the methodology as to how the specific amount for the supplemental request was derived.

Ms. Sanders responded that there were many factors that played into fire suppression, and it was complex and difficult to try to predict what resources would be needed. She explained that it was also complex because most fire-related disaster declarations were open over a substantial amount of time. She was happy to engage in strategic conversations to discuss ways to improve the process. She shared that the ten-year history of the firefighting budget was variable.

Representative Coulombe understood that there were some elements that were difficult to estimate; however, she recalled a conversation in 2023 about wildfire spending allocation totaling \$13 million. The state might not know exactly what the spend would be, but it was known that the spend would not be \$13 million. She emphasized that she wanted fire suppression to be funded in the budget at a reasonable rate. She was frustrated because she thought that the large supplemental could have been avoided if there had been better planning. She was curious why the funding for firefighters from outside of the state was included in the supplemental and not in the original

budget. She noted that importing firefighters from around the country was not a new phenomenon.

Mr. McDonald responded that it was not a new issue and it was becoming a larger problem. The division had put a huge emphasis on building workforce capacity and there were budget requests to support a larger workforce. He thought that the division was taking steps to mitigate the problem and the number one thing that could be acted upon to reduce fire costs was to increase preparedness in Alaska and keep fires small. The state could experience significant savings by utilizing Alaskan resources rather than outsourcing.

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Representative Hannan asked what was included in the DNR budget for fire suppression.

Ms. Sanders responded that the fire suppression funds were the same as the prior year and totaled about \$13 million.

Co-Chair Johnson remarked that she would rather have a supplemental than inflated costs. She thought supplemental requests were positive because it allowed for increased transparency in how funds were being used.

Ms. Sanders continued on slide 3 and explained that there were additional supplemental requests for DPS. One of the requests was for contractual agreements that were in place for the Alaska State Troopers (AST) and Alaska Wildlife Troopers (AWT) and the other request was funding for the completion of a class study for the forensic scientist class series. The department would need additional funds in order to implement the changes proposed. The department also needed additional funding for increased leasing and utility costs for AWT housing. The combination of the supplemental requests was about \$2.2 million in general funds.

Ms. Sanders relayed that the Department of Revenue (DOR) was also requesting additional funding for a class study. She explained that DOR's study was in the Division of Personnel and Labor Relations and would fund a salary grade alignment for the Child Support specialist job class and impacted 107 positions. The total increase was just under \$600,000 and was divided between federal receipts and

general fund match. She noted that there were multiple smaller items within DPS as well.

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Representative Josephson asked if the Child Support specialist class was the first accomplished sub report.

Ms. Sanders responded that there were class studies conducted constantly throughout the year. She asked for clarification as to whether Representative Josephson was referring to a salary study.

Representative Josephson responded in the affirmative.

Ms. Sanders responded that the salary study was separate. The class study was separate from the salary study and was looking at a multitude of positions across the state comparing the salaries. The Child Support specialist class study was one unique classification and was intended to ensure that the pay for the position was fair.

Representative Josephson asked what the study would portend. He understood that on some level, all of the class studies were salary reports.

Ms. Sanders replied that she did not want to make an assumption as to what the outcome of the salary study was. She shared that in her experience with the classification studies, the department generally would demonstrate difficulty in hiring and retaining positions and the studies would compare the work that was completed by one class to ensure that there was alignment with comparable classes.

Representative Josephson commented that Anchorage had experienced unprecedented winter weather over the past few years that brought about emergency events. He thought that \$8 million in emergency funds were appropriated in 2023 and should have covered the expenses. He wanted the Department of Transportation and Public Facilities (DOT) to have the resources but thought that the department already had the resources. He was worried about the level of preparation for winter weather.

Ms. Sanders deferred the question to DOT.

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DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, replied that over the prior three years, DOT had requests appropriation for extreme weather and catastrophic events. The appropriation was roughly \$7.6 million in 2023 and there was about \$3 million remaining. The department had been changing the way in which it addressed and approached the events as the events became more intense and frequent.

Co-Chair Johnson added that DOT was scheduled to present on extreme weather events to the House Finance Committee the following day.

Representative Stapp referred to the \$6 million DGF appropriation for the Health Payment and Utilization Database (HPUD). He asked where the \$6 million in funding came from and why the project was not completed in 2022 as originally intended.

Ms. Sanders responded that the nature of capital projects was that the projects occurred over an extended period of time. She explained that it was a time-consuming process to release contracts and begin the work.

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HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT (via teleconference), responded that the HPUD had been implemented in December of 2023. The initial \$1.5 million in funding was expended at the point of implementation and there was a supplemental request because there was between \$1.3 million and \$1.5 million in costs per year in ongoing database maintenance and management. The capital appropriation would continue supporting the database.

Representative Stapp understood that the database was specifically the collection of Medicaid data, Medicare data, and AlaskaCare data. He commented that the state had access to all three data sets. He asked why it would take two years to get data that the state could already access.

Ms. Lager responded that she would have to check with the insurance director and follow up with the information.

Representative Stapp noted that the data was collected under DOA and the Division of Insurance (DOI) was separate. He understood that the goal was for DOA to provide the AlaskaCare data to DOI. He asked why it took two years to provide the information.

Ms. Lager responded that she would follow up.

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AT EASE

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RECONVENED

Representative Hannan understood that the classification studies were initiated by a commissioner. She asked if her understanding was correct.

Ms. Sanders responded that the work was done by a combination of the government's office, OMB, and DOA.

Representative Hannan understood that if a legislator thought that DOA should do a classification study on its payroll clerks and thought that the clerks should receive a higher pay and the pay range should be higher, a budget item directing the study could be added or the study could be initiated from the department.

Ms. Sanders responded that she would not focus on the ranges and steps of various positions. The important element in the classification studies was the description of the work that was being completed.

Representative Hannan understood that a legislator could suggest that a classification of payroll clerks should be done but OMB could also make the suggestion.

Ms. Sanders responded in the affirmative.

Co-Chair Johnson announced that the supplemental would be heard the following day.

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AT EASE

3:01:21 PM

RECONVENED

Co-Chair Foster began chairing the meeting.

#hb81

HOUSE BILL NO. 81

"An Act relating to the transfer of a title on the death of the owner; and providing for an effective date."

[3:02:33 PM](#)

REPRESENTATIVE GEORGE RAUSCHER, SPONSOR, introduced HB 81. He read the sponsor statement (copy on file):

The process of probate in the state of Alaska can take anywhere from six months to several years, and can cost family members and beneficiaries thousands, potentially tens of thousands of dollars in legal and filing fees. While the State Legislature has already taken great strides to reduce the costs of probate, there is still much room for improvement.

House Bill 81 continues in spirit with the Uniform Real Property Transfer on Death Act (URPTDA), which unanimously passed both the House and Senate in 2014. URPTDA created the Transfer on Death (TOD) deed, which allows for nonprobate transfers of real property. TOD deeds allow Alaskans to select a beneficiary who will receive the property at their passing and removes that property from the process of probate.

In 2016, legislation similar to HB 81 was introduced but the legislation failed to pass that session. HB81 is nearly identical, although it expands the concept to apply both to vehicles and boats that are issued titles through the state.

HB81 continues the ongoing effort to reduce the costs of probate for Alaskans and creates a streamlined service through the DMV through which they can designate beneficiaries for both cars and boats through a simple form. The TOD titles will be available for all boats and vehicles for which the DMV provides titles, which also includes some mobile manufactured homes under AS 45.29.102(66). The program will be self-sustaining through fees.

At no cost to the state, HB 81 will allow countless Alaskans to pass down boats, vehicles, and some manufactured homes to beneficiaries with more ease, and will help simplify and streamline the potentially complicated, costly, and painful process of probate following the death of a loved one.

RYAN MCKEE, REPRESENTATIVE GEORGE RAUSCHER STAFF, noted there were testifiers online available to answer questions.

Representative Galvin understood that the bill would come at no cost to the state. She asked if the Division of Motor Vehicles (DMV) could provide information on whether the bill would require additional paperwork or that staff work overtime hours. She liked the bill but wanted to ensure that it was clear whether more support would be needed.

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DAVID DUNLAP, VEHICLE PROGRAM MANAGER, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), responded that there was a small cost associated with the programming changes that would be required in order for the DMV to facilitate the process. He emphasized that the bill would not be excessively prohibitive for the public.

Representative Hannan relayed that she was supportive of the bill. She asked if there was a way to add airplanes into the transfer of ownership upon death in addition to vehicles and boats.

Representative Rauscher responded that he would be amendable to the addition of planes if Representative Hannan were to suggest adding it.

Representative Hannan noted that the remainder of the bill addressed transfer of ownership through an already established process. She had been asked by constituents how ownership of airplanes was tracked or whether it was federally regulated. She did not want to derail the bill or overinflate the cost. She asked Co-Chair Foster if he could comment because she was aware that he owned a plane.

Co-Chair Foster replied that he had to register his plane with the Federal Aviation Administration (FAA). The

question might require some additional research but he was certain that the FAA would be involved.

Representative Hannan reiterated that she did not want to derail the bill and thought it would cover more Alaskans. She noted that the only issue she had heard about relating to the bill was the potentiality for airplanes to be included.

Co-Chair Foster OPENED public testimony. He detailed the way in which written testimony could be submitted to the committee.

[3:11:21 PM](#)

GORDON WILLIAMS, ATTORNEY, KETCHIKAN (via teleconference), testified that he was an attorney and a member of ATEP [Alaska Trust of Estate Professionals] and his practice focused on probate, estate planning, wills and trusts, and trusts administration. Probate received a bad reputation which he thought was unfortunate because the probate process in Alaska was done online. He thought the bad press on probate was mostly unwarranted. The probate on the transfer of death title was a good process which with he was intimately familiar. He was familiar with Colorado law and relayed that Alaska law had safeguards that did not exist in Colorado. In Alaska, people were required to go to the DMV and obtain a new title with the beneficiaries on board. There would also be a fee charge for the new title which meant that there would be incoming revenue. The fiscal note might not have taken into consideration the fees collected. He noted that the transfer of death deed took into account issues that occurred in probate. He thought the bill would help expediate the transfer process.

Co-Chair Foster understood that Mr. Willams was a member of "ATEP" and he asked what it was.

Mr. Williams responded that ATEP stood for Alaska Trust of Estate Professionals, which was a troop of professionals responsible for reviewing law. He thought that the legislature had consulted with ATEP in the past.

[3:16:01 PM](#)

LINDA HULBERT, SELF, FAIRBANKS (via teleconference), testified that she had been an agent for New York Life

Insurance Company for 35 years and she thought the bill would be favorable for a vast number of Alaskans. She explained that everyone needed to make a plan regarding asset ownership. When a vehicle or boat was only in a deceased individual's name, it was not possible to ensure the vehicle or boat. She thought the bill would be an important tool to help Alaskans make a plan and keep costs down. She urged support for the bill.

[3:18:46 PM](#)

MATTHEW BLATTMACHR, PEAK TRUST, ANCHORAGE (via teleconference), agreed with the comments made by Ms. Hulbert and Mr. Williams. He added that the bill would create more efficiencies within the Alaska Court System. The probate process in Alaska was deficient in comparison to many other states and the bill would help modernize the process. The bill would also help allow more vehicles and boats to pass through direct assignment rather than involving the courts. He thought that the cost savings to the courts would be more substantial than any costs associated with implementing the bill.

Representative Hannan asked Mr. Blattmachr to describe the process of transferring ownership of an airplane upon the death of the owner.

Mr. Blattmachr responded that the transfer would be federally regulated and not managed at the state level. He did not think the bill would successfully change the process. He understood that it would be helpful to include airplanes in the bill, but he did not think federal regulations would allow for any changes.

Representative Hannan asked if trusts for airplane owners were generally established as a separate entity.

Mr. Blattmachr replied that airplanes were an important asset for many Alaskans. He explained that airplanes were not typically held in trusts for the majority of trusts he administered.

Co-Chair Foster thought that it sounded like an act of the U.S. Congress.

Representative Rauscher noted that he especially appreciated the testimony from Mr. Williams because he made

the point that the majority of title transfers would help pay for the process due to fee collection.

[3:23:26 PM](#)

Co-Chair Foster CLOSED public testimony.

HB 81 was HEARD and HELD in committee for further consideration.

#hb148

HOUSE BILL NO. 148

"An Act relating to the Alaska performance scholarship program."

[3:24:35 PM](#)

REPRESENTATIVE JUSTIN RUFFRIDGE, SPONSOR, introduced himself and relayed that he appreciated the committee's time.

Co-Chair Johnson MOVED to ADOPT the proposed committee substitute for HB 148, Work Draft 33-LS0624/U (Marx/Bergerud, 1/30/24).

Co-Chair Foster OBJECTED for discussion.

Representative Ruffridge indicated that his staff would go through the summary of changes in the committee substitute (CS).

BUD SEXTON, STAFF, REPRESENTATIVE JUSTIN RUFFRIDGE, reviewed the summary of changes (copy on file). The first change was related to a new subsection within Section 2 of the bill which would alter notification timelines. The subsection ensured that students would receive information about the Alaska Performance Scholarship (APS) program earlier in high school, which could positively influence students' decisions to attend a postsecondary institution in Alaska. He continued that Section 4 and Section 7 were related and would ensure that high schools that did not award grades on a four-point or five-point scale would be able to participate in the APS award program.

Co-Chair Foster OPENED public testimony.

[3:28:37 PM](#)

JANELLE GRENIER, NIKISKI HIGH SCHOOL, NIKISKI (via teleconference), testified in support of the bill. She relayed that Alaska needed nurses, teachers, accountants, biologists, firefighters, and many other professions that required secondary education. She thought that HB 148 would help support students. She told kids at Nikiski High School that APS was one of the best opportunities available. She did not think there were many scholarships available and it was increasingly hard for students to receive loans, and parents often had to cosign. She relayed that 20 of the 40 high school seniors with whom she worked were at a 3.0 grade point average (GPA). Only one student had qualified for the highest level of the SATs. She argued that in order to do well on the SATs, students needed to have a solid background in math. There needed to be incentives for students to go to school in Alaska in order for there to be a qualified workforce in the state. She added that it was often difficult to access the SAT for students in rural areas. College was expensive in Alaska and she had found cheaper options for her students outside of the state. Many of her students wanted to go to college in Alaska but could not afford it.

[3:33:35 PM](#)

PAUL LAYER, VICE PRESIDENT FOR ACADEMICS, UNIVERSITY OF ALASKA, FAIRBANKS (via teleconference), was calling in support of the changes to the bill in the CS. He thought the changes helped students in Alaska, particularly through the increased accessibility of APS. The university would be able to put together more competitive aid packages to help keep more students in Alaska. The changed testing requirements would increase testing eligibility and allow for more scholarship packages to be offered to more students. He thought that the current APS process worked for the state and students, but the changes in the CS would make it more accessible and help keep more students in the state. He relayed that less than 25 percent of students leaving the state for college would return to Alaska after completing schooling, but more than 90 percent of APS recipients stayed in Alaska after graduation.

[3:35:38 PM](#)

Co-Chair Foster CLOSED public testimony.

Co-Chair Foster WITHDREW the OBJECTION to the adoption of the work draft for HB 148.

There being NO further OBJECTION, Work Draft 33-LS0624/U was ADOPTED.

Representative Josephson asked about lines 20 through 23 on page 2 of the bill, which would delete a portion of the law stating that APS was for in-state students. The law currently required that a student be in good academic standing and study at a post-secondary institution in the state to qualify for APS. He asked why Representative Ruffridge disliked the portion of the law that he proposed to delete.

Representative Ruffridge responded that much of the language was only removed from the current placement within the law and it was moved to a different section.

Representative Galvin referred to page 4, lines 10 through 20 of the committee substitute. She asked how the award level amounts were determined as the amount did not seem to be proportionate. She also wondered if there was consideration of the cost of tuition at the time the award program was initiated and if inflation had been considered.

Representative Ruffridge responded that the intent of the bill was to drive an incentive for performance. He relayed that the step-up provisions were in place to ensure that students would continue to strive for the highest possible performance award amount. He added that rising tuition costs were the impotence to raising scholarship costs in general.

[3:40:13 PM](#)

SENA EFFIRD, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded to Representative Galvin that she understood that the dollar amounts for the awards were proportionate. She referred to a PowerPoint presentation "House Education Committee Bill HB 148" dated January 26, 2024 (copy on file) and moved to slide 9 to show the cost of attendance changes from 2010 through 2023. The APS increase of 47 percent aimed to mitigate the increases in cost of attendance. She reiterated that about 96 percent of

APS recipients attended a university campus. The intention was to arrive at a dollar amount that would keep the scholarship as level as possible. If a student was in a post-secondary program and reached the continuing eligibility GPA, the student would have the ability to step up to a higher level of the scholarship.

Representative Galvin asked if there was consideration of the current students through a survey to determine whether there was a trigger-point to encourage more students to participate.

Representative Ruffridge responded that the Alaska Commission on Postsecondary Education (ACPE) report (copy on file) highlighted the issue of students choosing to leave Alaska. He thought APS was not being utilized at its highest level. There was more information from students inside the report. Vocational and technical education students were currently ineligible for APS, but the bill proposed to change the eligibility requirements.

Ms. Effird responded that all of the anecdotal responses received by DEED were included in the ACPE report. The department generally did not hear from students that there was a specific dollar amount that would keep students in the state, but students reported there were many barriers to becoming eligible for APS. The testing requirement had been a particular barrier to rural students because students were required to take the test in person with qualified proctors. The APCE report showed that the department waived the testing requirement from 2020 through 2021 during the COVID-19 pandemic and the eligibility numbers jumped dramatically. Unfortunately, the usage of APS did not experience a similar increase because students were not going to secondary education school due to the pandemic.

[3:45:55 PM](#)

Co-Chair Foster explained how to submit written testimony for the bill.

Co-Chair Foster WITHDREW the OBJECTION. There being no further objection, Work Draft 33-LS0624/U was ADOPTED.

HB 148 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the following day's meeting.

ADJOURNMENT

3:47:51 PM

The meeting was adjourned at 3:47 p.m.