

HOUSE FINANCE COMMITTEE
March 6, 2024
2:03 p.m.

[2:03:12 PM](#)

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 2:03 p.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

David Goff, Staff, Representative Frank Tomaszewski; Sue Stancliff, Staff, Representative Mike Cronk; Edra Morledge, Staff, Representative Julie Coulombe; Rob Carpenter, Deputy Director, Legislative Finance Division; Matt Gruening, Staff, Representative DeLena Johnson.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 270 was HEARD and HELD in committee for further consideration.

SUBCOMMITTEE CLOSEOUT REPORTS:

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
DEPARTMENT OF FISH AND GAME
DEPARTMENT OF ADMINISTRATION
DEPARTMENT OF REVENUE

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; 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. 270

"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."

[2:04:02 PM](#)

^SUBCOMMITTEE CLOSEOUT REPORTS

[2:04:07 PM](#)

^DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[2:04:11 PM](#)

Representative Tomaszewski asked his staff to provide the subcommittee report for the Department of Transportation and Public Facilities (DOT).

DAVID GOFF, STAFF, REPRESENTATIVE FRANK TOMASZEWSKI, reviewed the finance subcommittee recommendations for the Department of Transportation and Public Facilities (copy on file):

The House Finance Budget Subcommittee for the Department of Transportation held a total of four meetings and submits the following recommended operating budget for FY 25 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$176,635.6

Designated General Funds (DGF) \$70,395.6

Other Funds \$441,465.6

Federal Funds \$78,740.7

Total \$767,237.3

Compared to the FY 25 adjusted base, the subcommittee recommendations represent an increase of \$21,476.1 million (+.13.8 percent) in Unrestricted General Funds, \$25.5 thousand (+0.0 percent) in Designated General Funds, an \$11,238.95 million (-2.5 percent) decrease of other funds, as well as a decrease of \$9,827.1 million (-11.1 percent) in Federal Funds for a total increase of \$435.6 thousand (0.1 percent) all funds.

Positions:

Permanent Full-time 3011

Permanent Part-time 281

Temporary 147

Total 3,439

Representative Tomaszewski clarified the total DGF increase was \$25,500.

Mr. Goff continued reviewing the subcommittee recommendations.

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:

- Commodity increases in all three regions to adjust for inflation - \$4,578.0 (UGF)
- Fund change from one-time COVID federal relief funding to General Fund - \$9,827.1 (UGF)
- Airport lighting repairs - \$626.5 (UGF)
- Increase utilities cost - \$1,309.2 (UGF)
- Increase share of billed contract work for tunnel maintenance - \$2,875.0 (UGF)
- Alaska Marine Highway operating budget may have a large budget deficit based on unknown federal grant funding levels.
- Create a new allocation for contracted statewide snow removal- \$915.5 (UGF)

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee received three amendments. After discussion, none of the amendments were adopted.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities adopted the attached reports:

- DOT&PF Agency Totals
- DOT&PF Transaction Compare: Adjusted Base + to House Subcom
- Wordage

[2:09:43 PM](#)

Co-Chair Johnson remarked the intent was to hear the subcommittee reports and not to go back through what the subcommittees had done.

Representative Ortiz referenced the above bullet point specifying that the Alaska Marine Highway System (AMHS) may have a large deficit. He asked for a ballpark figure of the potential deficit.

Mr. Goff answered the projected budget gap for FY 25 was \$37,958,000.

^DEPARTMENT OF FISH AND GAME

[2:11:10 PM](#)

Representative Cronk asked his staff to provide the subcommittee report for the Department of Fish and Game.

SUE STANCLIFF, STAFF, REPRESENTATIVE MIKE CRONK, reviewed the finance subcommittee recommendations for the Department of Fish and Game (copy on file):

The House Finance Budget Subcommittee for the Department of Fish and Game held a total of three meetings, and submits the following recommended operating budget for FY 25 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$63,435.9

Designated General Funds (DGF) \$12,670.9

Other funds \$76,906.0

Federal funds \$95,516.3

Total \$248,529.1

Compared to the FY 25 Adjusted Base, the Subcommittee recommendations represent a decrease of \$1,167.1 million (-1.8 percent) in Unrestricted General Funds, a decrease of \$673.5 thousand (-5.0 percent) in Designated General Funds, an increase of \$5,412.1 million in Other state funds (7.6 percent), and an increase of \$5,250.0 million (5.8 percent) in Federal funds, for a total increase of \$8,821.5 million (3.7 percent) for all fund sources.

Positions:

Permanent Full-time 843

Permanent Part-time 594

Temporary 1

Total 1,438

BUDGET ACTIONS:

After reviewing and discussing each of the Governor's proposed transactions in detail, the Subcommittee adopted the Governor's proposed FY 25 operating budget without objection, and with the addition of intent language and the following modifications:

- Commercial Fisheries: Added \$150.0 to the Central Region Fisheries Management allocation in support of the Upper Cook Inlet test fishery. The Subcommittee also denied the removal of a Temporary Increment for CFEC IT systems upgrades which the Governor proposed to replace with a Multiyear in language. This can be addressed in the full House Finance Committee.
- Anchorage and Fairbanks Sport Fish Hatcheries: Changed base operating funding from \$5,000.0 of UGF to \$5,000.0 in Federal funds to leverage Dingell-Johnson receipts. The Subcommittee also modified the fund source of a \$350.0 Increment for utilities cost increases from UGF to Federal receipts.
- Subsistence: Added \$250.0 UGF and 1 PFT position to restore the Director of Subsistence to re-establish Subsistence as a division. The Subcommittee also modified location of two Resource Specialist from Wildlife Conservation to Subsistence. The positions are funded with I/A receipts in the amount of \$300.0.

Added Intent Language:

- It is the intent of the Legislature to restore Subsistence as a Division, and that the agency shall report to the Co-chairs of Finance and the Legislative Finance Division on the status of these efforts by December 20, 2024.
- It is the intent of the Legislature that the agency shall provide a report detailing the activities of the Marine Mammal Protection Program and the threatened and Endangered Species Program to the Co-chairs of Finance and Legislative Finance Division by December 20, 2024.

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee received one amendment; that amendment was not adopted.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Fish and Game adopted the attached reports:

- DFG Agency Totals
- DFG Transaction Compare: Adjusted Base to House Subcom
- DFG Transaction Compare: GovAmend to House Subcom
- DFG Wordage

[2:16:21 PM](#)

Representative Cronk spoke to the importance of subsistence to rural Alaska. He thought the absence of a subsistence division and director was a slap in the face. He did not expect there to be a traditional subsistence director. He remarked "we are far beyond having an anthropologist or customary and traditional use person." He stated the department needed someone who understood the myriad issues including the introduction of bison, the Alaska National Interest Lands Conservation Act (ANILCA), intensive management, and working with tribes. He stressed the importance of subsistence across the state.

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Co-Chair Edgmon supported intent language. He suggested adding the words "shall provide and report" to the first intent language to align with the second intent language.

Co-Chair Johnson stated she would figure out the change with the permission of the subcommittee chair.

Representative Stapp asked about the fund source change from \$5 million in general funds to federal receipts. He thought it looked like general funds and no match. He asked if there were existing funds or if the subcommittee was adding receipt authority to obtain federal funds.

Ms. Stancliff asked for clarification on the item.

Representative Stapp replied that he was looking at subcommittee item 32. He read from page 3 of the Budget Analysis sheet provided by Representative Cronk's office (copy on file):

Fund source change to leverage available federal Dingle Johnson funding for sport fish hatchery operations.

Ms. Stancliff confirmed that the increment pertained to [federal] Dingle Johnson funds the department already had.

[2:19:51 PM](#)

Representative Ortiz was very supportive of language regarding a return to a subsistence division. He asked if there had been any discussion on the benefit of restoring a habitat division. He highlighted issues pertaining to salmon in the western part of the state and warming ocean temperatures. He noted that the previous habitat division had been removed at the same time as the removal of the subsistence division.

Representative Cronk answered that the subcommittee had not discussed the idea.

Representative Hannan asked if there had been any discussion about invasive species that may intersect with subsistence.

Ms. Stancliff answered there had been an at length discussion, but she did not recall a specific attached amount. She noted the department was active on the issue.

Representative Hannan supported the restoration of a division of subsistence. She believed the department would start to talk about habitat, invasive species, and other issues "we may have been in denial over."

Ms. Stancliff thanked Representative Hannan for the comment. One of the things that the subcommittee had struggled with was related to the current lack of oversight of those items as they pertained to subsistence.

^DEPARTMENT OF ADMINISTRATION

[2:22:20 PM](#)

Representative Coulombe asked her staff to review the subcommittee report for the Department of Administration (DOA).

EDRA MORLEDGE, STAFF, REPRESENTATIVE JULIE COULOMBE, reviewed the finance subcommittee recommendations for the Department of Administration (copy on file):

The House Finance Budget Subcommittee for the Department of Administration reviewed the Governor's FY25 budget proposal and recommends the items contained in the below details.

RECOMMENDATIONS:

Fund Source:

Unrestricted General Funds (UGF) \$87,648,100
Designated General Funds (DGF) \$33,031,500
Other Funds \$199,831,500
Federal Funds \$1,243,600
Total \$321,754,700

Compared to the FY25 Adjusted Base, the Subcommittee recommendations represent:

- An increase of \$964,000 (1.1 percent) in Unrestricted General Funds (UGF)
- An increase of \$285,100 (0.9 percent) in Designated General Funds (DGF)
- A decrease of \$1,132,100 (-0.06 percent) in Other Funds
- A decrease of \$214,000 (-14.7 percent) in Federal funds
- For a total net decrease of \$97,000 (0.0 percent)

Positions:

Permanent Full-Time 1181
Permanent Part-Time 7
Temporary 25
Total 1213

BUDGET ACTION:

After holding five meetings, reviewing and discussing each of the Governor's proposed transactions in detail, the Subcommittee adopted the Governor's proposal with the following changes:

The subcommittee approved a request for \$45,000 for large screen monitors to assist Payroll Section employees with the need to operate three programs

simultaneously, helping to ensure timeliness and accuracy of processing payroll for State employees.

The subcommittee removed \$50,000 in Other Funds for recruitment and retention for the Payroll Section, leaving intact \$600,000 in I/A receipt authority.

BUDGET HIGHLIGHTS:

- \$525,000 in Unrestricted General Funds (UGF) to offset a 5 percent salary increase for exempt and partially exempt employees, and an additional 15 percent for attorneys in the Office of Administrative Hearings.
- \$600,000 in I/A Receipt Authority for recruitment and retention incentives to Payroll staff.
- \$180,000 in One-time Unrestricted General Funds (IncOTI UGF) to move the Payroll Section to the State Office Building.
- \$1,030,000 for cost increases for Microsoft licensed products.
- Replace \$214,000 Federal Grant Receipt Authority (Other Funds) with Unrestricted General Funds (UGF) for the Court Appointed Special Advocate (CASA) Program.
- \$411,000 in Unrestricted General Funds (UGF) for two temporary Public Guardians and two support staff for the Office of Public Advocacy.

SUBCOMMITTEE RECOMMENDATIONS:

- It is recommended that the amendment adopted in subcommittee for large screen monitors have a fund source change to Interagency Receipts, allowing the agency to include it in their rate structure. Further, it is recommended this item be designated as a One-time Item (IncOTI).
- It is also the intent of the Chair to recommend the Office of Public Advocacy be moved to the Department of Family and Community Services, and the Division of Motor Vehicles be moved to the Department of Community and Economic Development,

in an effort to move the department toward focusing solely on shared and centralized services.

- It is also recommended that the Department of Administration provide information to the full House Finance Committee on the effectiveness of the payroll incentives that were provided in the last two fiscal years, including information on how many individuals were affected, how many of those were ultimately recruited as a result of the financial incentives, and provide the retention data of each individual affected by the incentives. This would assist the legislature in determining the appropriate amount of financial incentives, or what other action should be taken, to recruit and retain employees in the Payroll Section.

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee entertained three amendments, two of which were adopted as noted above.

ATTACHED REPORTS:

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

- Agency Totals
- Transaction Compare: Adjusted Base to House Subcommittee
- Transaction Compare: Governor's Amended to House Subcommittee
- Wordage

[2:28:19 PM](#)

Representative Josephson asked about the \$50,000 reduction from the governor's request for recruitment and retention incentives. He looked at the increment adding funding for large screen monitors. He asked for details on the subcommittee dialogue.

Representative Coulombe answered that one of the subcommittee members had met separately with the DOA payroll manager and had asked what one thing would help the person do the job. The answer had been larger screens. Currently the manager was working on one 22-inch screen, which was challenging and time consuming. She gathered the screens had been found in storage and given to payroll. She relayed that the subcommittee member had asked her if there was any way to provide the screens to make payroll more efficient. She remarked there were questions as to whether the payroll incentives were working and being put out correctly. She thought the tools people needed to do their jobs were more important; therefore, she had made a decrement to the incentives in order to pay for the screens.

Representative Josephson looked at the 5 percent salary increase for exempt and partially exempt employees. He asked if it was in anticipation of a bill that may require a pay hike.

Representative Coulombe asked if Representative Josephson was referring to the \$525,000 increment.

Representative Josephson responded affirmatively.

Representative Coulombe responded that it stemmed from a 5 percent increase for attorneys the previous year. She explained that DOA did not correct the amount it was charging other departments for the services and the mistake had been identified too far into the year. The department helped school districts and municipalities and did not want to throw everyone for a loop mid-year; therefore, the department was requesting UGF to pay the difference and the increment would be adjusted the next year. She deferred to the Legislative Finance Division for more detail.

[2:31:26 PM](#)

ROB CARPENTER, DEPUTY DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the agency had received considerable increases the previous year (a combination of 20 percent for its attorneys), which caused the Office of Administrative Hearings to increase its rates to compensate for the salary increase. He explained that the office had raised rates from approximately \$230 to \$270, which was a

fairly impactful increase to agencies being served. The [\$525,000] increment was a way to soften the blow.

Representative Josephson thought the salary increase the previous year merely used more UGF. He did not know why it would require a rate adjustment.

Mr. Carpenter answered that the attorney pay increase had been made across the board and the Office of Administrative Hearings had not received any money in the fiscal note. The agency generally billed out its services.

Representative Josephson stated they were not typical employees. He understood that the Office of Administrative Hearings did things like workers' compensation deals. He asked for an example of why those attorneys could be treated differently than a prosecutor.

Mr. Carpenter answered that he could not say why they should be treated differently; it was a policy decision.

Co-Chair Edgmon lauded the subcommittee for finding \$45,000 to affect a major change for processing payroll for state employees.

[2:33:57 PM](#)

Representative Hannan thanked Representative Coulombe and stated she had enjoyed serving on the subcommittee. She referenced the language about moving the Office of Public Advocacy [to the Department of Family and Community Services] and the Division of Motor Vehicles (DMV) [to the Department of Commerce, Community and Economic Development]. She asked if there had been any similar dialogue or consideration given to [moving] the Public Defender Agency in order to limit the scope of DOA's work to a shared services duty.

Representative Coulombe answered she was trying to incrementally suggest things. The recommendation had started with the Office of Public Advocacy. She explained that the commissioner had been clear the office needed more support. She had reached out to [Department of Family and Community Services] Commissioner Kim Kovol who had stated the office would fit better in her department. She agreed that the Public Defender Agency likely did need to move,

but she had selected two obvious agencies to include in her recommendation.

Representative Cronk asked if there had been any request for additional money for retaining workers at DMV. He highlighted that Tok was the first place across the border, and it was inundated with traffic. He remarked that it was difficult to retain employees there.

Representative Coulombe recalled the department had stated the vacancy rates were low and stable. The subcommittee did not receive a breakdown pertaining to specific DMV locations. She added that the department did not request any funding specifically for employee retention for DMV.

^DEPARTMENT OF REVENUE

[2:36:21 PM](#)

MATT GRUENING, STAFF, REPRESENTATIVE DELENA JOHNSON, reviewed the finance subcommittee recommendations for the Department of Revenue (copy on file):

The House Finance Budget Subcommittee for the Department of Revenue held a total of three meetings and submits the following recommended operating budget for FY 25 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$32,411.9
Designated General Funds (DGF) \$2,456.3
Other Funds \$339,419.9
Federal Funds \$89,356.5
Total \$463,644.6

Compared to the FY 25 adjusted base, the subcommittee's recommendations represent an increase of \$2,662.3 million (+8.9 percent) in unrestricted general funds, \$5,605.1 million (+1.7 percent) in other funds, \$560.0 thousand (+.6 percent) in federal funds, as well as a decrease of \$13.4 thousand (-.5 percent) in designated general funds. Compared to the Governor's proposed FY 25 amended budget, the subcommittee's recommendations represent an increase of \$133.5 thousand (+.4 percent) in unrestricted

general funds and a decrease \$1,359.0 million (-.4 percent) in other funds for an overall decrease of \$1,225.5 million (-.3 percent) in all funds.

Positions:

Permanent Full-time 836

Permanent Part-time 24

Temporary 23

Total 883

BUDGET ACTION HIGHLIGHTS:

After reviewing and discussing each of the Governor's proposed transactions in detail, the following items were amended, added, or removed by unanimous consent of the subcommittee (dollars are in thousands):

- Added funding to support a long-term care assistant ombudsman position (\$133.5 GF/MH) within the Alaska Mental Health Trust Authority (AMHTA). This recommendation by AMHTA was not included in the Governor's budget.
- Partially funded the Alaska Permanent Fund Corporation's (APFC) \$100.0 travel request at \$30.0. The subcommittee's reduction of \$70.0 reflects the travel costs associated with the Anchorage satellite office.
- Denied APFC's request for \$60.0 in lease and technology support costs associated with the Anchorage satellite office.
- Partially funded APFC's request of \$50.0 for furniture, supplies, and equipment at \$5.0. The reduction of \$45.0 reflects costs associated with the Anchorage satellite office.
- Partially funded APFC's request for a 6 percent merit increase and corresponding benefit costs at 3 percent (The \$920.0 request was reduced to \$506.0).
- Partially funded APFC's incentive compensation request of \$915.0 at \$445.0. The remaining \$445.0 will be targeted at operations staff, who currently receive no incentive compensation.
- Reduced incentive compensation in APFC's base budget for investment staff by \$300.0. This action still leaves \$2,500.0 in APFC's base budget for incentive compensation for investment

staff plus the \$445.0 in new incentives for operations staff.

- Added intent language specifying that APFC should not establish or maintain new office locations without corresponding budget increments for those purposes and that APFC submit a report to the Legislature by December 20th, 2024, that details actual expenditures to date related to the Anchorage satellite office.

SUBCOMMITTEE AMENDMENTS:

The Chair set an amendment deadline, welcomed amendments from all members, and the committee received one amendment, which was not offered.

ATTACHED REPORTS:

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

- DOR Agency Totals
- DOR Transaction Compare: FY25 Adjusted Base to House Subcom
- DOR Transaction Compare: FY25 Gov Amend to House Subcom
- Wordage

[2:41:39 PM](#)

Representative Stapp asked if the furniture budget had been reduced from \$50,000 to \$5,000.

Mr. Gruening responded affirmatively.

Representative Stapp asked if the subcommittee had included intent language that the department needed to shop at Value Village. He remarked that \$5,000 would not go far to furnish an office.

Co-Chair Johnson replied that the subcommittee had not included that intent language.

Co-Chair Edgmon looked at the partial funding of \$445,000 for the Alaska Permanent Fund Corporation's (APFC) original request of \$915,000 for incentive compensation. He

referenced above language in the budget highlights specifying that the remaining \$445,000 would be targeted at operations staff who currently receive no incentive compensation. He asked if the language had been added by the subcommittee. He presumed it had not been in the governor's budget.

Mr. Gruening answered that the \$445,000 for operations staff had been broken out of the original request of \$915,000. The remainder would go to investment staff as incentive compensation. He noted the \$915,000 had been included in the governor's budget.

Co-Chair Edgmon looked at the denial of \$60,000 for lease and technology support costs associated with the Anchorage satellite office. He asked for the rationale behind the denial.

Mr. Gruening answered that the Anchorage satellite office had been established outside the legislative appropriation process. He relayed there had been meetings held where the co-chairs had denied approval for APFC to move forward with the Anchorage office outside the appropriation process, but APFC had gone forward with the office anyway. He believed the intent was to safeguard the legislature's power of appropriation and ability to approve expenditures proposed by the APFC board.

[2:44:40 PM](#)

Representative Josephson thanked the Co-Chair Johnson for her work on the DOR subcommittee.

Co-Chair Johnson clarified that the committee appreciated the work by the investment staff at APFC. She underscored there was no intention to indicate they were not doing a great job. She relayed that the \$2.5 million remaining in the base budget for incentive compensation was more than adequate to fully incentivize and reward staff. She reported that APFC's investment staff earned \$1.6 million in incentive compensation in FY 22, \$1.7 million in FY 23, and \$2 million in bonuses had been paid in FY 24 with \$800,000 set to lapse to the Earnings Reserve Account (ERA). The incentive compensation had never exceeded \$2 million and the \$2.5 million remaining in the base should be more than adequate. She noted that if for some reason the funds were insufficient, a supplemental request would

be appropriate. She noted that APFC had substantial flexibility in the ability to shift funds around. She stated that in a year when the board established a new office outside of the appropriation process, the subcommittee action reflected prudent budgeting. She reiterated that the subcommittee recommendation was not a reflection on the investment staff.

[2:46:38 PM](#)

Representative Galvin looked at the DOT narrative and noted a typo in the addition of the fund sources. The total should read \$767,237,500.

Co-Chair Johnson noted that Representative Tomaszewski's office could make the correction.

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the schedule for the following meeting.

ADJOURNMENT

[2:49:40 PM](#)

The meeting was adjourned at 2:49 p.m.