

HOUSE FINANCE COMMITTEE
March 22, 2024
8:37 a.m.

8:37:05 AM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 8:37 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

Remond Henderson, Staff, Representative DeLena Johnson; Connor Bell, Analyst, Legislative Finance Division; Rob Carpenter, Deputy Director, Legislative Finance Division; Valerie Rose, Analyst, Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Marie Marx, Legislative Counsel, Legislative Legal Services.

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.

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."

[8:37:59 AM](#)

Co-Chair Edgmon MOVED to ADOPT the proposed committee substitute for HB 268, Work Draft 33-GH2492\D (Marx, 3/21/24) (copy on file).

Co-Chair Johnson OBJECTED for discussion. She asked her staff to explain the changes between the House Committee Substitute 1 (HCS1) and House Committee Substitute 2 (HCS2).

REMOND HENDERSON, STAFF, REPRESENTATIVE DELENA JOHNSON, introduced himself and would review the changes in HCS2.

Representative Ortiz asked for verification he had the correct document number.

Mr. Henderson confirmed that Representative Ortiz was correct.

Mr. Henderson reviewed the changes included in HCS2 including FY 25 operating items and FY 24 supplemental items. The bill reflected a total budget of \$10,429,085,200 for agency operations and \$620,087,000 for statewide items. Agency operations and statewide items were comprised of \$4,898,379,600 unrestricted general funds (UGF), \$892,610,400 in designated general funds (DGF), \$1,718,711,100 in other funds, and \$3,539,471,100 in federal receipts. Compared to the governor's amended budget the UGF spend in HCS2 reflected an increase of \$198,088,400 or 1.9 percent in agency operations. The increase was primarily attributable to the \$175 million in additional education funding. There was a \$3,012,500 decrease in statewide items (1.8 percent) including \$2,814,200 UGF.

[8:41:41 AM](#)

Mr. Henderson reviewed the changes between HCS1 and HCS2. He noted he did not intend to reference page and line numbers unless specifically requested to do so. He began with Section 7, a new supplemental section that incorporated the majority of the items requested in the governor's December 14, 2023, January 30, 2024, February 14, 2024, and March 13, 2024, supplemental requests. He reviewed exceptions not included in HCS2. The bill deleted \$525,000 in the Department of Administration (DOA) for an increase in billable rates by the Office of Administrative Hearings. The rate increase could be absorbed by the agencies being charged for the service or by the Office of the Governor's central service cost allocation containing \$5 million, which was available for items such as this. A multiyear \$411,000 appropriation for DOA to address backlogs in public guardian cases had been moved from the language section to the numbers section as a one-time item to eliminate duplication. There was an additional request in FY 25 to add \$429,700 to the base. Under the Department of Labor and Workforce Development, HCS2 extended FY 24 supplemental funds of \$1 million for STEP [State Training and Employment Program] to allow expenditure in FY 25.

Mr. Henderson reported that HCS2 included all of the governor's budget amendments from March 13, 2024, with one exception. Based on advice from Legislative Legal Services,

HCS2 did not include the request to transfer \$5,415,300 from the Ocean Ranger Program account to the Commercial Passenger Vessel Environmental Compliance account. He explained it was not considered a legal appropriation because the transfer would occur between subaccounts; therefore, an appropriation was not needed.

[8:44:17 AM](#)

Representative Ortiz asked Mr. Henderson to repeat the information about the Ocean Ranger Program account.

Mr. Henderson complied. He explained that on the advice of Legislative Legal Services, HCS2 did not transfer money from the Ocean Ranger Program account to the Commercial Passenger Vessel Environmental Compliance account because they were both subaccounts. He elaborated that the money could be transferred between subaccounts and did not require an appropriation.

[8:44:57 AM](#)

Mr. Henderson highlighted that HCS2 added \$5 million UGF to the Alyeska Reading Academy under the Department of Education and Early Development (DEED) as proposed in the governor's original request. He noted that the \$5 million for Head Start remained. There was a new section with a one-time increase of \$174,600,000, equivalent to a \$680 increase to the Base Student Allocation (BSA) for grants to school districts. The increment was accompanied by contingency language as follows: "The appropriation is contingent on the failure of a version of the bill increasing the Base Student Allocation to be passed by the 33rd Alaska State Legislature in the second regular session enacted into law." The bill restored a \$1 million request in the governor's original bill to provide a grant to the Alaska Resource Education (ARE) for expanding statewide workforce development initiatives for the years ending June 30, 2025, and June 30, 2026. The bill added \$145,300 to the Alaska Council on the Arts to match the FY 25 federal funding. He elaborated there had been \$719,900 in the previous CS and a total level of \$865,200 was needed to fully match the allocation from the National Endowment of the Arts.

[8:46:53 AM](#)

Representative Coulombe asked if the funding for ARE was in the base or a one-time increment.

Mr. Henderson answered that the funds were in the base. He deferred to the Legislative Finance Division (LFD) for confirmation.

Representative Galvin referenced the funding for the Alyeska Reading Academy and Head Start. She asked Mr. Henderson to repeat the Head Start appropriation amount.

Mr. Henderson replied \$5 million.

CONNOR BELL, ANALYST, LEGISLATIVE FINANCE DIVISION, relayed that the Alyeska Reading Academy funding was added to the base. The Alaska Resource Education grant was a two-year appropriation of \$1 million for expenditure in FY 25 and FY 26.

Co-Chair Edgmon asked if the Head Start increment was in the base.

Mr. Bell replied affirmatively.

Representative Josephson asked if the \$1 million increment for ARE could be spent in any way the grantee chose over two fiscal years. He asked for verification that the grantee (in cooperation with the Department of Commerce, Community and Economic Development) could elect to spend all of the funding in FY 25 or divide it in any way between the two years.

Mr. Bell responded affirmatively. He believed the intention was to spend half the funding in FY 25 and half in FY 26, but there was flexibility.

[8:49:38 AM](#)

Mr. Henderson continued to review the changes between HCS1 and HCS2. Under the Department of Fish and Game (DFG), HCS2 included the addition of three fisheries assessment projects. The first project was \$300,000 for the coho salmon genetic testing of the of the upper Cook Inlet commercial harvest. He detailed that the genetic testing would allow the department to determine total run size, interception rates, productivity of specific coho stocks, and harvest patterns for different gear groups, thereby

providing for better scientific stock management. The second project was \$130,000 for the Chelatna Lake Weir for the first year startup costs and \$85,000 the following years for ongoing operational costs. He expounded that the camp was dismantled in 2020 and would need initial startup costs. The ongoing \$85,000 would provide funding for one seasonal part-time fish and wildlife technician 3 and two part-time seasonal fish and wildlife technician 2 positions to operate the weir. The third project was \$500,000 for a mark/recapture study that was necessary to gain an updated estimate of sockeye salmon abundance running through the Susitna River drainage. The data would be used to better inform managers on the total sockeye return in the Susitna drainage and to lead to additional fishing opportunities for Alaskans. There was \$77,000 for a seasonal fisheries biologist position to maintain the current efforts and to accommodate the added workflow associated with the three projects.

Mr. Henderson moved to the Department of Public Safety. He relayed that public testimony revealed significant concern about \$3.7 million for the Council on Domestic Violence and Sexual Assault (CDVSA). In response, the funds had been added to the new CS. The bill included \$1 million UGF for the Department of Transportation and Public Facilities (DOT) to fund the clearing of vegetation in the setback along the Old Glenn Highway to allow for better visibility along the highway. The Old Glenn Highway was the only alternative route out of Anchorage to Interior Alaska in the event of a closure of the Glenn Highway. Additionally, the Old Glenn Highway was a high risk rural road, ranking high on the statewide list of traffic collisions and fatalities. Also under DOT, \$1,388,700 had been moved from the numbers section to the supplemental language section of the bill to enable a multiyear appropriation for FY 24 and FY 25.

[8:52:28 AM](#)

Mr. Henderson relayed that there had been a significant amount of public testimony expressing concern over the absence of \$2.7 million for caregivers for senior citizens. He relayed that the funds had not been added to HCS2. He explained that there had been a misconception that a reduction had been made to their budget, which was not accurate. He detailed that the \$2.7 million had come federal COVID-19 funding. He elaborated that caregivers had

increased their rates when the federal funding was received and there was concern the rates would be reduced without the funding. He stated that according to LFD, the \$2.7 million in federal funds had not been completely expended. He relayed that LFD had asked the department to provide information on how much of the funding had been spent, but LFD had not yet received a response. He had also followed up with the department and had not received an update. Once the amount of remaining funds had been determined, it was likely the amount requested would be added to the budget.

[8:53:47 AM](#)

Mr. Henderson referenced the deletion of a section called "job class reclassification section" that had been in the budget for decades. The section was intended to direct the executive branch to not submit supplemental appropriations when jobs were reclassified. The language was no longer necessary and had not been followed in years. He stated that they found a way to fund it within the appropriations themselves. The CS extended a multiyear appropriation of \$340,000 in statutory designated program receipts (SDPR) appropriated to the Department of Commerce, Community and Economic Development (DCCED) for natural hazard planning assistance through FY 27. The bill included a new section appropriating \$16,733 from the general fund to DCCED for payment as a grant under AS 37.05.316 to the Alaska Scholastic Clay Target nonprofit organization for the maintenance of scholastic clay target programs and other youth shooting programs including travel to compete in national collegiate competitions for FY 25 and FY 26. The amount reflected the expected receipts to be collected for NRA license plate sales. The funds would lapse to the general fund if they were unexpended.

[8:55:36 AM](#)

Mr. Henderson addressed the Permanent Fund Dividend. The bill took the amount (\$143 million) that was directed in 2023 to the CBR for the waterfall effect (50 to the CBR and 50 percent to energy relief) and directed the entire amount to the energy relief checks at a total of \$286 million. The result was an additional \$444 energy payment in addition to the PFD amount. The bill also added another \$180 for energy relief by using the remaining FY 24 surplus of \$116 million after paying all FY 24 supplementals. The bill added a new

section appropriating \$1.1 billion from the Earnings Reserve Account (ERA) for a \$1,648 PFD.

Representative Ortiz asked Mr. Henderson to repeat the last statement.

Mr. Henderson complied.

Representative Ortiz asked if the action would exceed the 5 percent draw on the ERA.

Mr. Henderson replied, "No." He clarified that the funding fell within the percent of market value (POMV) percentage. He explained there were two ways to do it: the money could be appropriated from the ERA to the general fund to the PFD or the money could be appropriated straight to the PFD. The total PFD would be \$2,272 with the energy relief payments. After the appropriations made in the CS there was a remaining surplus of \$162 million based on the spring forecast. There were several things that had not been funded that would reduce the surplus including fiscal notes (e.g., fiscal notes totaling \$23.5 million associated with a senior citizens benefit legislation sunseting in 2024), ongoing employee bargaining negotiations that would result in contracts in FY 25, capital projects, and a host of other items. He explained that the surplus could be reduced quickly depending on decisions made by the legislature. He highlighted that HCS2 was a balanced budget and did not use any funds from the CBR. He elaborated that public comments had been taken into consideration and it contained a PFD that appeared to be an appropriate amount.

[8:59:48 AM](#)

Representative Ortiz thanked Mr. Henderson for the presentation. He asked how much money would be available for the capital budget. He asked if there would be anything above and beyond the governors' current capital budget.

Mr. Henderson answered that the governor's capital budget was \$297 million. He relayed that a portion of the \$152 million surplus could be used at the discretion of the legislature.

Representative Ortiz stated his understanding that the \$152 million was potentially available for the capital budget.

He asked what other operating items were in competition for the funds.

Mr. Henderson responded that the \$152 million could be used for capital projects, operating projects, and bills passed with accompanying fiscal notes.

[9:01:17 AM](#)

Co-Chair Edgmon stated the term surplus was technically correct; however, in his experience the vernacular was "headroom." He explained it was the room needed to accommodate the expenses in fiscal notes, the capital budget, any unexpected priorities from the governor or elsewhere, and for the next year.

Mr. Henderson agreed.

Co-Chair Edgmon remarked there was someone in the audience from CDVSA. He asked if the \$3.7 million added to the budget for CDVSA was in the base.

Mr. Henderson responded affirmatively. [Note: Mr. Henderson later corrected that the funding was a one-time increment. See 9:04 a.m. for details.]

Representative Josephson remarked that the language at the bottom of page 96 did not indicate that a BSA bill would be in the range of the amount appropriated as a one-time payment in the bill. He stated it suggested that any bill increasing the BSA would result in foregoing the \$174 million. He stated the language suggested that even a smaller BSA increase of something like \$300 would result in foregoing the \$174 million one-time funding. He asked if the language was intended the way he was interpreting.

Mr. Henderson believed it was the intent.

Representative Josephson believed the language worked to tamp down on efforts to increase the BSA.

Mr. Henderson answered that it was a possibility the legislature may pass a larger BSA, and the language would allow for that possibility as well.

Co-Chair Johnson relayed that the discussion [on the possibility referenced by Representative Josephson] had not

taken place. She explained that the bill had been constructed during the heated debate on education funding; therefore, the [\$680] amount included seemed to be the proper amount. She stated there had been no subtext or strategy behind the language included. She relayed the intent was to ensure education was funded.

Mr. Henderson made a clarifying statement in response to an earlier question by Co-Chair Edgmon. He clarified that the CDVSA increment was one-time funding.

Representative Galvin asked about pupil transportation funding. She recalled there had been funding in a previous bill [SB 140 passed the legislature during session 2024 and was vetoed by the governor]. She knew some districts were very concerned about the funding. She asked whether there was conversation about reading special needs. A previous bill had included support for each student with special reading needs. She knew there was funding in the bill for the Alaska [Alyeska] Reading Academy and she wondered if the funding had gone to the academy as opposed to schools and the classroom for any specialists needs.

[9:05:51 AM](#)

Mr. Henderson answered that the bill did not contain everything that had been in SB 140. He stated that "the thing that we heard the loudest and clearest was the BSA increase"; therefore, it was included in the CS.

Representative Galvin believed there was already some funding for transportation, but she believed some districts wanted an addition to existing funding.

Mr. Henderson answered there was funding in the base for pupil transportation, but no additional funding had been added.

Representative Stapp requested a quick summary of the budget highlights. He looked at the \$680 monetary placeholder for the BSA, equivalent to a boost of about \$175 million to education. He remarked that the CS reflected a balanced budget with over \$150 million in surplus, but when factoring in the capital budget and other items, most of the funding would likely be accounted for. He asked what the total PFD was estimated to be for October.

[9:07:59 AM](#)

Co-Chair Johnson answered that under HCS2 the PFD was \$2,273 per person. She stated that Alaskans had not received a full PFD since 2015. She explained that the \$2,273 figure was not a full 50/50 PFD but it was as close as possible, while critical state services were maintained. The budget started with a full statutory PFD, which would result in over \$1 billion in deficit spending. One of the goals throughout the process had been to ensure there was a balanced budget. The PFD included in the CS represented the third largest PFD in the state's history. Additionally, the bill left a surplus of \$150 million. She stated that with inflation and energy it was a way to strike a balance between state services and an education increase. The CS took public comment into account and tried to include things people made note of in addition to a healthy PFD.

Representative Hannan referenced Mr. Henderson's statement that HCS2 incorporated the supplementals. She asked about large supplemental items including fire suppression and disaster response. She asked if anything had been added to the base for fire suppression under the Department of Natural Resources.

Mr. Henderson answered that no additional funding had been added [for fire suppression] beyond the governor's request. He made a correction to his review of supplemental funding. The governor's \$40 million request for the Department of Corrections had been temporarily withheld. The co-chair's office intended to meet with the department and Senate in order to discuss the increase in cost within the department. In FY 20, the department spent less than \$300 million, while the FY 25 request was over \$400 million. There was also a request for a \$32 million increase in FY 25.

Co-Chair Johnson added it was her intent to ask the Department of Corrections to come before the committee to explain why its numbers were increasing. She noted that after that time, additional changes could be made.

[9:11:14 AM](#)

Representative Hannan stated that the prior week there had been a memo asking for authorization to move \$5 million

from the Ocean Ranger Program to the passenger vessel fund. She highlighted Mr. Henderson's statement that permission was not needed to move the funds because the funds were within the same appropriation. She asked if the entirety of the Ocean Ranger Program funds within DEC could be used in any way the department wanted without legislative authorization or appropriation. Alternatively, she wondered if it was limited to the \$5 million.

Mr. Henderson deferred the question to LFD.

ROB CARPENTER, DEPUTY DIRECTOR, LEGISLATIVE FINANCE DIVISION, answered that DEC would need to have expenditure authority to expend additional ocean ranger money whether it was in either account. He explained there were two accounts within one statutory fund framework, which only required legal appropriations from the fund. If the department had the expenditure authority, it could move the funds.

Representative Hannan stated that the \$5 million in the appropriation under discussion was money going to Alaska Industrial Development and Export Authority (AIDEA) for a dock in Whittier. She stated it was described in the memo as backfilling out of the Ocean Ranger Program from an accounting error. She was trying to determine whose spending authorization it was. She asked if the spending authorization was AIDEA's or DEC's. She asked why the committee was given a memo implying the legislature needed to authorize the expenditure if they [AIDEA and/or DEC] could do anything they wanted.

Mr. Henderson requested to hear from Legislative Legal Services.

[9:13:33 AM](#)

AT EASE

[9:17:35 AM](#)

RECONVENED

MARIE MARX, LEGISLATIVE COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), introduced herself and was available for questions.

Representative Hannan restated her above question.

Ms. Marx surmised that the question pertained to an appropriation that had happened in the past. She explained that the original restrictions would remain attached to funds deposited no matter how it was coded. She clarified that subaccounts were fund codes and were not the same things as funds. She elaborated that subaccounts were internal department accounts that did not exist in statute. When the legislature appropriated money into a fund, it was giving an entity authorization to spend money in accordance with the purposes of the fund. She expounded that fund codes were established administratively as a way for departments and LFD to track money. She relayed that transfers between subaccounts did not necessitate an appropriation. There was no basis in law for such an appropriation. She explained that under the specific circumstance, the money would be moved from the Commercial Passenger Vessel Environmental Compliance Fund into that same fund, which had no legal effects. Under statute, agencies could not transfer money between appropriations, but they could transfer money within an appropriation subject to the original restrictions established when the money was first appropriated.

[9:21:08 AM](#)

Representative Ortiz referred to the original language that created the ocean ranger fund with a \$4 tax. He asked for verification that things that transpired since the passage of the law fell within that law created by a citizen's initiative.

Ms. Marx responded that the use of the fees under AS 46.03.480 had other restrictions attached and was guided by statute. She stated that whether the money had constitutional or statutory restrictions was different than whether the legislature should be appropriating money from a fund into the same fund. The original restrictions when the legislature appropriated money into the Commercial Passenger Vessel Environmental Compliance Fund remained. How the funds were used in the fund was a separate issue. She clarified that the question at hand was about appropriating money into the fund or between subaccounts that did not exist in statute and were really an accounting mechanism. She explained that if the department had been transferring money between its subaccounts (fund codes), an appropriation was not needed to do so. She reiterated that

it was a completely separate issue from how the money was spent.

[9:23:32 AM](#)

Representative Ortiz stated the issue was still unclear. He understood how there was separate accounting that took place within the fund itself. He referred to the end of the Ocean Ranger Program that occurred when the current administration took office. He asked if the use of the funds since that time fell within the original statutory language that created the fund.

Ms. Marx deferred the question to LFD to answer how the money was spent. She did not have that detail. She stated the issue she was speaking to was how money should be appropriated into and out of the fund. She recommended asking LFD what restrictions existed when the legislature appropriated money into the fund.

Co-Chair Johnson directed the question to Mr. Carpenter with LFD.

[9:26:09 AM](#)

Mr. Carpenter would follow up on Representative Ortiz's question about whether the funds were being used for the statutory purpose. He explained that LFD tracked the intent behind revenues and how the legislature intended to appropriate them; however, moving the money within the fund was up to the agency using the funds.

Representative Josephson referenced the Janus appropriation structure from FY 20 and FY 21 or FY 21 and FY 22. He relayed that it was currently the subject of litigation. He explained that to hem in expenditures the legislature had created a separate appropriation within the Department of Law's Civil Division in order to control how funds were spent. He asked if the legislature would need to do something of that nature to ensure funds were spent on environmental protection and not on docks in Whittier.

Mr. Carpenter responded, "For the most part yes." He explained there was a statutory framework where revenue was collected into the fund for a designated purpose and the legislature appropriated from that fund. He stated if the

legislature wanted to restrict the revenue source, it would likely require modification in statute.

Co-Chair Johnson thought it sounded like something that needed to be investigated further.

Representative Josephson referenced a recent presentation from LFD Director Alexei Painter titled "Fiscal Update" [dated March 20, 2024] (copy on file). He looked at slide 6 of the presentation showing major outstanding items. He excluded education, which he noted was partially funded in the budget if the governor did not veto it. The slide showed \$23 million for senior benefits, \$38 million for a shortfall in the Alaska Marine Highway System (AMHS) budget, and union contracts. He estimated the slide showed costs in excess of \$70 million. Slide 7 highlighted an additional \$41 million for renewable energy fund, school construction, major maintenance, and deferred maintenance, bringing the total from slides 6 and 7 to over \$100 million. Slide 8 included fiscal notes and community assistance. He did not know the status of community assistance in the budget. The slide showed other potential items including the replacement of one-time items including funding for the Council on Domestic Violence and Sexual Assault (CDVSA). Funding for CDVSA was in the budget. Additionally, there was the fire and disaster fund and the hiring of new employees. The committee was told that the cost of hiring new full-time employees could be \$11 million. He stated the above items were in the range of \$200 million. He considered the scenario where the budget was passed by the House and the public believed it was getting a \$2,272 PFD. He asked if it was realistic.

[9:30:35 AM](#)

Mr. Henderson responded that the \$152 million [in remaining funds] could disappear rapidly. He clarified that the items listed in the LFD presentation could potentially happen and were not set in stone. He explained that the presentation mentioned \$35 million to \$38 million for AMHS. He stated that based on how AMHS would be operating, LFD did not believe it would occur; it was a possibility depending on the AMHS schedule. He explained that all of the items were potential additions to the budget. He agreed that if the items occurred, they would reduce the amount of the PFD.

Representative Coulombe commended Mr. Henderson on his work on the budget. She noted that much had changed as a result of public testimony. There had been a lot of consensus around things that were added to the CS. She knew the PFD was always controversial, but Alaskan families were hit hard with inflation. She appreciated the effort to make the PFD as large as possible to help families. She remarked that although there were still numerous budget items "hanging out there," there was a comfortable surplus to cover expenditures. She pointed out that the House was put on the spot to put the first operating budget out and many things changed and shifted throughout the process. She thanked Co-Chair Johnson.

Co-Chair Johnson appreciated the comments. She remarked that it was quite a lift to analyze every fund source and consider everything that may need to be changed. She was grateful for all of the work put in by committee members' finance staff throughout the process. She stated that the House operating budget was the first budget out and she was pleased with its composition. She noted that if the current version did not get changed it would be the first time in state history.

Representative Ortiz appreciated the work done by Mr. Henderson and the other finance staff. He looked at the breakdown of the PFD. He asked for more detail about the percent of market value (POMV) split pertaining to the \$2,227 [\$2,272] PFD in the CS.

9:35:09 AM
AT EASE

9:35:46 AM
RECONVENED

Mr. Henderson referred to page 72, lines 12 through 17 of HCS2 where \$3,657,263,378 was appropriated from the ERA as follows: \$1.1 billion to the dividend fund and \$2.5 billion to the general fund.

Representative Ortiz asked about the idea of 50 percent of the money going to the CBR and 50 percent to a fuel subsidy. He understood the CS directed 100 percent of the funding to the fuel subsidy. He asked for the current balance of the Constitutional Budget Reserve (CBR) and how

much the balance would not increase as a result [of directing the funds to the fuel subsidy].

Mr. Henderson believed the current CBR balance was about \$2.7 billion. He stated that whether or not there was any growth would depend on how much was spent when the budget reached its final composition. There could be some reductions made, vetoes that could occur, which could add to the CBR.

Co-Chair Johnson noted that the CBR was not invested at the same level as some of the other funds and did not see the same large investment return.

Representative Ortiz understood. He asked about the opportunity cost of not putting the 50 percent into the CBR. He asked for the amount that would not be deposited into the CBR [that would have been if it were not directed to the energy relief payments].

Mr. Henderson answered \$143 million.

Representative Stapp remarked that due to high vacancy rates in the state's departments, payroll services funds lapsed and continued to add to the balance of the CBR. He noted it was similar to what had taken place the previous year. He highlighted that a couple of years ago the federal government ruled that energy relief money was tax exempt from federal income taxes. He stated that net value to Alaskans during a high inflation period was impressive.

[9:39:12 AM](#)

Representative Ortiz believed the budget originally included \$14 million for fire suppression. He remarked that the committee had seen that the average was much higher. He asked if the budget increased funding for fire suppression.

Mr. Henderson asked if Representative Ortiz was referring to the FY 25 request or the FY 24 supplemental.

Representative Ortiz answered FY 25.

Mr. Henderson responded that it was clear the legislature was not budgeting enough for fire suppression. Consequently, there continued to be supplemental funds appropriated for fire suppression. He relayed that LFD had

suggested that perhaps more money should be allocated towards fire suppression to reflect truth-in-budgeting. He could not specify what the amount would be or should be. He remarked that perhaps the budget should include the average annual cost for fire suppression.

Representative Ortiz asked for verification that the CS did not include any additional funding for fire suppression.

Mr. Henderson agreed.

Co-Chair Johnson shared that there had robust discussions on the topics in her office. She relayed that fire suppression was funded at the level of the administration's request. She would rather see the department come back with true numbers for fire suppression costs rather than appropriating more money that may not be needed. She preferred to wait for the supplemental request. She remarked that the number was changeable.

[9:42:06 AM](#)

Representative Galvin appreciated the work that went into the CS. She thanked the chair for the conversation as she had not been privy to the conversation in Co-Chair Johnson's office. She agreed there had clearly been substantial attentiveness to public testimony. She stated there had been substantial testimony from care providers for day healthcare provider wages. She asked if it had been factored in. She asked about the pieces of education funding. The public testimony had not come in for education because the public had been told education funding was in a separate bill. She explained that at the time, SB 140 had been the vehicle for K-12 public education. She noted that it was no longer the vehicle. She believed the committee did not get a chance to hear as much as it potentially would have on education components like transportation, reading help, early learning, and the Alaska Reads Act had SB 140 not been in play.

Mr. Henderson believed the first question related to \$2.7 million for caregivers. He explained that they were still trying to determine how much of the money received was still available before appropriating any additional funds. Pertaining to the second question [related to education funding], the only thing addressed was the \$175 million for the \$680 BSA increase.

[9:45:56 AM](#)

Representative Josephson asked if Mr. Henderson was certain the \$2.7 million for senior and disability services was connected to the testimony on personal care attendants.

Mr. Henderson believed so. He stated his understanding that the funding was for increased rates for caregiver providers to take care of individuals. There was concern that the rates would have to be dropped when the \$2.7 million disappeared.

Representative Josephson thought it was \$7.5 million for the services described by Representative Galvin in the current fiscal year. He thought they were different funds.

VALERIE ROSE, ANALYST, LEGISLATIVE FINANCE DIVISION, responded that they were talking about a variety of rates and legislative actions over the past few years. The testimony from the previous week was related to the senior and disability services (SDS) American Rescue Plan Act (ARPA) funds, which were set to expire at the end of FY 24. The governor requested an extension of the funds into FY 25 in his supplemental budget request, which was reflected in the CS. She believed the carryforward for the services was \$2.8 million in FY 24 and \$3.9 million in FY 23, meaning approximately \$1.1 million in ARPA fund grants had been expended in FY 23. She believed the funds had to be liquidated by the end of January 2025. She did not know how much the department was projecting to carry forward into FY 25, but if they were keeping pace with prior years, there should be sufficient funding to carry forward into FY 25 if the supplemental funds were approved by the legislature.

Ms. Rose addressed the one-time UGF increment of \$7.5 million appropriated in FY 24 to boost childcare wages. She stated her understanding there was not a similar increment in the FY 25 budget.

[9:49:36 AM](#)

Representative Josephson clarified that he was referring to money used for DPS and PCA [personal care assistance] to keep seniors and disabled individuals in their homes rather than in institutions. He thought there was an amount similar to the childcare number [of \$7.5 million] included

in the budget. He highlighted that the committee had heard testimony from over 20 caregivers earning \$18 to \$21 per hour who had continually said they could not afford to do the work. He wondered if it had been added to the budget.

Ms. Rose answered that the legislature had included one-time funding in FY 23 and FY 24. She believed there was intent language to the one-time funding in FY 23 specifying that the legislature was adding one-time funds on top of a set rate for services with the intent for providers to use the funds to support worker wages. She explained that when it came to privately held businesses, the legislature could only do so much to direct how it wanted funding to be spent and there was limited legal authority to ensure compliance. She did not have the figures on hand and would follow up with the information. In FY 24, there was another one-time item with no attached intent language. Currently, there was not any one-time funding in the budget for FY 25.

[9:51:46 AM](#)

Representative Cronk shared that his office had been examining true fire costs. He stated it looked like the supplemental provided a more accurate cost. He believed in FY 23 there was \$19 million that was more than needed. He thought providing the funds through the supplemental was the right way to address the issue. He suggested investing money into a forestry program that helped to suppress fires. He remarked that the investment may look like a substantial amount of money, but the state would hopefully save hundreds of millions from actively fighting fires. Additionally, it would produce business and product. He thought they were doing it backwards. He explained that the state had been spending a lot of money and getting nothing out of it. He recommended spending a lot of money and getting something out of it instead.

Mr. Henderson was finished with his explanation of the changes.

Co-Chair Johnson WITHDREW the OBJECTION.

There being NO further OBJECTION, Work Draft 33-GH2492\D for HB 268 was ADOPTED.

[9:53:50 AM](#)

Co-Chair Foster MOVED to ADOPT the proposed committee substitute for HB 270, Work Draft 33-GH2490\U (Marx, 3/20/24) (copy on file).

Co-Chair Johnson OBJECTED for discussion.

Co-Chair Johnson asked her staff to explain the changes in the committee substitute (CS).

REMOND HENDERSON, STAFF, REPRESENTATIVE DELENA JOHNSON, explained the changes in the CS. He stated that the governor had submitted one amendment on March 13, 2024, which had been accepted. The CS added \$500,000 in general fund/mental health funds for Crisis Now and \$250,000 in general fund/mental health funds for crisis services grants. The CS reflected all of the items approved and requested by the Alaska Mental Health Trust Authority (AMHTA) in its operating budget request.

Representative Josephson believed the governor's original budget required AMHTA to spend money it held that AMHTA did not necessarily want to spend. He believed the CS dispensed with that.

Mr. Henderson agreed.

Representative Josephson asked if he was correct that the budget did not include all of the budget recommendations made by AMHTA.

Mr. Henderson clarified that all of the AMHTA operating budget recommendations were included in the CS. Capital items were not reflected in the operating budget.

Representative Josephson highlighted that AMHTA recommended the use of state general funds. He thought it meant the items would be in the regular operating budget [HB 268], not the mental health budget [HB 270].

Mr. Henderson was unclear on the question. He explained that the AMHTA had presented a document [to the committee on January 31, 2024 (copy on file)] showing AMHTA budget recommendations, items the governor left out of his budget, and items in the governor's budget funded with Mental Health Trust Authority Authorized Receipts (MHTAAR). He stated that the governor had taken them out in his

amendments. The CS reflected exactly what the AMHTA board adopted.

[9:57:27 AM](#)

Co-Chair Johnson WITHDREW the OBJECTION.

There being NO further OBJECTION, Work Draft 33-GH2490\U for HB 270 was ADOPTED.

Co-Chair Johnson set an amendment deadline of 12 p.m. on Tuesday, March 26.

Mr. Henderson thanked committee members and their staff in addition to Legislative Legal Services.

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

[9:59:42 AM](#)

The meeting was adjourned at 9:59 a.m.