

HOUSE FINANCE COMMITTEE
March 28, 2024
10:09 a.m.

10:09:07 AM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 10:09 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

Representative Justin Ruffridge; Representative Andrew Gray; Representative Dan Saddler; Representative Jesse Sumner.

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. The committee would consider amendments to the operating and mental health budgets.

#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."

^AMENDMENTS

[10:09:16 AM](#)

Co-Chair Johnson noted that Amendment L 11 had already been moved [during the House Finance Committee meeting on 3/28/24 at 2:40 p.m.] and the committee would continue its discussion on the amendment.

Representative Hannan would not be supporting Amendment L 11 because an overdraw of the percent of market value (POMV) would be irresponsible. Although there was a demand for a full statutory Permanent Fund Dividend (PFD), there were many statutes with which the legislature did not comply. She did not think that the current year's budget met the demands of Alaskans and she did not think the amendment would be responsible.

Representative Galvin appreciated the time the committee took to think about the amendment. She was unsure how she would vote on the amendment. She thought it was important

that the legislature consider retaining the statutory PFD amount. The legislature should impose an aggressive broad-based revenue measure that impacted higher-earning households more than lower-earning households. She did not think that the legislature was heading in the direction of imposing such a revenue measure. The fiscal policy working group offered recommendations to the legislature but no recommended actions had been taken. The proposed budget was irresponsible and it did not "add up." The budget was not responsive to the needs of students, working families, or seniors. The path of least resistance and political expediency would chip away at the PFD year-after-year and ultimately place the bulk of financial burden onto the poorest Alaskans. The proposed amendment was a step towards a fiscal cliff and an unjust and unfair outcome for the most vulnerable individuals in the state. She reiterated that she did not think that the budget reflected the needs of Alaskans. She was uncertain whether the legislature would do what she thought to be right and impose a broad-based revenue system. She emphasized that it was a tough choice.

[10:14:19 AM](#)

Representative Josephson MOVED to ADOPT conceptual Amendment 3 to Amendment L 11. The conceptual amendment would change the funding source from the Earnings Reserve Account (ERA) of the Permanent Fund to the Constitutional Budget Reserve (CBR).

Representative Stapp OBJECTED. There was about \$3 billion in the CBR and he thought that withdrawing \$1 billion from the CBR would not be a good idea. He explained that one of his reasons for objecting to withdrawing large sums of money from the CBR was that historically, CBR withdrawals had always resulted in a significant increase in government spending. He thought the change would be "bad form" and he would not be supporting the proposed conceptual amendment.

Representative Galvin relayed that she supported the conceptual amendment because she thought it was important for there to be more deliberation around significant spending. She noted that it would be helpful for the legislature to be considerate and mindful of what Alaskans wanted. She thought it was a fair amendment.

Co-Chair Foster added that he was willing to take a chance on the conceptual amendment if it would help members vote in support of underlying Amendment L 11. He would be supporting the conceptual amendment.

Representative Ortiz remarked that the idea brought forth in the conceptual amendment was more favorable than the underlying amendment in terms of the overall fiscal picture. He appreciated Representative Josephson for bringing the amendment forward because he thought it was a more plausible pathway to get to the statutory PFD.

Representative Coulombe appreciated that the committee had the opportunity to think about the amendment overnight. She was in opposition to the conceptual amendment and she had second thoughts about supporting the underlying amendment. She did not think the committee was the right place to propose the change, though she still supported a full PFD. She wanted to see the change proposed on the House floor in order to get more input on the idea. She recalled that the Base Student Allocation (BSA) and transportation funds were combined with the broadband bill [HB 193] in the prior year and she was the only person who did not vote for the bill. She was not against the BSA but she thought certain topics needed to be discussed separately.

[10:19:10 AM](#)

Co-Chair Edgmon shared that he was grateful for the discussion. Projected reduced oil revenue would make it more difficult for him to support a full statutory PFD, at least in the short term. He would be willing to reduce the PFD slightly because he would not advocate for withdrawing funds from the ERA. He noted that a withdrawal from the CBR required 30 votes to pass and it was a monumental decision to "throw fiscal responsibility out the window." He thought it should require a three-quarters vote if the legislature did not put forth a balanced budget. He would support the conceptual amendment.

Representative Tomaszewski thought the conceptual amendment was a way to communicate disdain for paying a full PFD. He argued that the House Finance Committee was where such amendments should be brought forth before the bills were discussed on the floor. He remarked that all concerns would be repeated on the floor and the discussion would take three times as long as it did in committee, which was a

process of which he was accepting. He thought the amendment would make it more difficult for the legislature to pay a full PFD and easier for the legislature to continue behaving fiscally irresponsibly. He had heard discussion about the fact that there were many statutes that were not being followed but he thought that as the lawmakers, legislators should be following the law. If there were statutes that were unclear, the legislature should make necessary changes to add clarity. He did not think that the budget would be balanced or the legislature would develop a real fiscal plan until the PFD had been completely spent. He thought that the PFD would be spent in its entirety soon and that Alaskans needed to understand that the PFD would soon be eliminated if the current trends continued. The legislature was putting off its problems to a later date and the situation was going to be much more difficult when the decisions became more difficult. He understood the purpose of the amendment but he would not be supporting it.

Representative Stapp MAINTAINED the OBJECTION.

[10:23:51 AM](#)

A roll call vote was taken on the motion to adopt conceptual Amendment 3 to Amendment L 11.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz, Edgmon, Foster
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Johnson

The MOTION PASSED (6/5). Conceptual Amendment 3 to Amendment L 11 was ADOPTED.

[10:24:40 AM](#)

AT EASE

[10:24:58 AM](#)

RECONVENED

Co-Chair Johnson noted that Representative Justin Ruffridge and Representative Andrew Gray were present in the audience.

Representative Stapp thought the budget was balanced with a generous surplus. The passage of Amendment L 11 would create an unbalanced budget in a high revenue year and if it passed on the floor, it would draw the majority of the CBR down to an unsustainable level. He was saddened by many

of comments on the conceptual amendment and he thought passing it was a bad idea. The PFD was not paid from the CBR, but from the ERA. He stressed that pretending to give constituents a full PFD by "robbing Peter to pay Paul" was not an action in which he would like to take part. He would be opposed to the amendment and any others like it. The budget in its current state resourced education and other programs and had a large surplus, but passing the amendment would undo all of the work it took to craft a balanced budget. He emphasized that passing the amendment would act as a message to the voters that the committee was irresponsible.

10:27:18 AM

AT EASE

10:32:37 AM

RECONVENED

Co-Chair Johnson clarified that the chair was able to limit amendment debate to one turn per committee member. She explained that because Amendment L 11 had been amended by conceptual Amendment 3, there could be an additional round of debate.

Co-Chair Edgmon hoped the committee's actions on the amendment would help provide leadership to all House members as well as to the entire legislature. He hoped the message would be that the committee was willing to make tough choices and make the right decisions for Alaska. He requested that the committee make the right decision on the underlying amendment. The committee should know the numbers and the details of the budget the best and he thought it should act accordingly.

Representative Tomaszewski appreciated the debate. He thought that a vote for Amendment L 11 was saying that the committee was going to "kick the can down the road." Many legislators would not agree to any type of fiscal plan and he thought the problems would continue. He reiterated that if patterns continued, the PFD would dwindle down until it disappeared. Actions and inactions had consequences and the committee had to make hard decisions. He suggested that if the committee wanted to lead, it needed to devise a plan to cap spending, create other revenues, and find ways to become more efficient. He expressed respect for his colleagues and he appreciated the debate.

Representative Josephson thought there was strong evidence that the PFD would continue because the state had been paying a responsible dividend. He suggested that the POMV draw would settle at around a 75/25 split depending upon variables such as the make up of the executive branch. When an important amendment was adopted, the honorable action to take was to vote for the amendment; however, he would not be voting for the amendment.

[10:37:58 AM](#)

Co-Chair Johnson noted that Representative Dan Saddler and Representative Jesse Sumner were present in the audience.

Representative Galvin commented that the Legislative Finance Division (LFD) had provided a list to the committee that included costs for the broadband assistance grant (BAG) bill, Medicaid, the Alaska Marine Highway System (AMHS), fire suppression, and more. She did not think the state was in a good position. There was no headroom for deferred maintenance. She was concerned about the messages that the committee was sending with its amendment actions and she would like to see the budget rebuilt.

Co-Chair Johnson thought it seemed like Representative Galvin was speaking to the budget itself and requested that she confine her comments to the amendment.

Representative Galvin commented that the discussions would continue on the House floor and she looked forward to a hearty and honest discussion.

Representative Cronk thought the legislature was debating the same issues year-after-year. He wanted the issue to be solved, but it was not simple. Solving the problem required a complete fiscal plan and he understood that Representative Ben Carpenter had developed a complete fiscal plan. The discussion was valuable and everyone's opinions were valid, but he did not think the committee was focusing on the fact that there was an issue and people wanted it solved. He suggested that if the passage of the amendment was the first step towards solving the problem, the committee had a valuable opportunity to act. He was frustrated and thought that the legislature needed to do a better job of educating the public about the legislative process.

10:42:36 AM

Co-Chair Johnson remarked that there was concern that the budget was unbalanced, but she thought that some of the concerned members had voted to "unbalance" the budget by drawing from the CBR. She did not think the budget was unbalanced and there was presently \$152 million in surplus. She acknowledged that the surplus could be spent in its entirety through the passage of amendments. There was also a \$300 million capital budget. The figures were likely to change as there were hundreds of bills currently in process and there was not enough money to fund all of the bills had the potential to pass. She had done in-depth research on the bills that could be forthcoming. She relayed that she would go into more depth as the budget process continued, but she wanted to clarify that some of the issues that were being discussed were not currently applicable.

Co-Chair Johnson continued that uncertainty in the laws made the messy work of crafting the budget even messier. The goal of her office was to pay out the highest possible PFD to help Alaskans that needed the money. The PFD and energy relief payments made a tremendous difference in the lives of the poorest Alaskans. She was trying to fund state services and she did not think the budget was "showboating." She would be in full support of the amendment if she thought that the amendment was an honest attempt to pay a full PFD. She did not think that three-quarters of House members would vote in support of drawing from the CBR to pay for a full PFD.

Co-Chair Johnson explained that she voted against the conceptual amendment because she thought it made the process more confusing. She stressed the importance of clarity in the legislative process for the public. She wanted to speak for individual citizens and not for political insiders. If the amendment was adopted, it would destroy the budget and reverse all of the work that had been done to craft the budget. The PFD would not survive if the amendment passed. The passage of the amendment would mean handing a budget to the Senate that was unsustainable and "dead on arrival." She would continue to support the budget and she stood behind the decisions she made. The House was an equal member of the three branches of government and she thought that it needed to stop handing over the big decisions to the Senate. She thought passing

the amendment would result in the House giving up its power and deferring to the Senate.

[10:49:51 AM](#)

Co-Chair Foster remarked that the saying "let your vote be your words" had been circulating the capitol building. He reiterated that the budget was balanced because money was not being pulled from the general fund. Services would not need to be cut because the amendment took funds from the CBR. The amendment originally withdrew funds from the ERA, which would have been problematic because the legislature would have had to choose which law it would follow: the 5 percent POMV draw or the full statutory PFD. He thought that the amendment would allow the legislature to adhere to both laws because the funding would come from the CBR and it would not exceed the 5 percent POMV draw from the ERA. His constituents viewed the PFD as a necessity and if it was reduced, it would be a regressive tax on lower-income families. He would be supporting the amendment.

Representative Stapp MAINTAINED the OBJECTION.

[10:52:31 AM](#)

A roll call vote was taken on the motion to adopt Amendment L 11 as amended.

IN FAVOR: Foster, Cronk, Tomaszewski

OPPOSED: Coulombe, Stapp, Galvin, Hannan, Josephson, Ortiz, Edgmon, Johnson

The MOTION FAILED (3/8).

[10:53:31 AM](#)

AT EASE

[10:54:49 AM](#)

RECONVENED

Co-Chair Johnson stated that her intention was to go through a few more amendments before adjourning the meeting.

[10:55:31 AM](#)

Representative Galvin MOVED to ADOPT Amendment L 12 (copy on file):

OFFERED IN: The House Finance Committee
TO: HB 268 / HB 270
OFFERED BY: Rep. Galvin
FISCAL YEAR: FY25
DEPARTMENT: Permanent Fund Dividend
APPROPRIATION: Permanent Fund Dividends
ALLOCATION: Dividend Fund 1050
ADD: \$746,746,100 PF ERA (1041)
DELETE: \$1,100,000,000 PF ERA (1041)

FISCAL YEAR: FY24
DEPARTMENT: Special Appropriations
APPROPRIATION: Energy Relief
ALLOCATION: Energy Relief
DELETE: \$260,000,000 UGF (1004)
DEPARTMENT: Fund Transfers
APPROPRIATION: Undesignated Budget Reserves
ALLOCATION: Constitutional Budget Reserve
ADD: \$143,500,000 UGF (1004)

EXPLANATION: Restore FY24 CBR deposit based on Spring 2023 Revenue forecast, delete additional Energy Relief deposit in FY24, and reduce FY25 PFD appropriation to \$746.7 million to pay out a PFD of \$1,100 per recipient.

OFFERED IN THE HOUSE
TO: CSHB 268(FIN), Draft Version "D"
Page 70, lines 3 - 21:
Delete all material.

Renumber the following bill sections accordingly.

Page 72, line 14:
Delete "\$1,100,000,000"
Insert "\$746,746,100"

Page 72, line 17:
Delete "\$2,557,263,378"
Insert "\$2,910,517,278"

Page 79, line 27:
Delete "secs. 28(c) - (e)"
Insert "secs. 27(c) - (e)"

Page 95, line 28:
Delete "sec. 47"
Insert "sec. 46"

Page 96, lines 6 - 7:
Delete "secs. 21(b), 26(a), (b), (c)(1), and (d),
28(c) - (e), 35, 39(b) and (c), 41, 42(a) -
(k) and (m) - (o), and 43(a)"
Insert "secs. 25(a), (b), (c)(1), and (d), 27(c) -
(e), 34, 38(b) and (c), 40, 41(a) - (k) and
(m) - (o), and 42(a)"

Page 96, line 16:
Delete "19 - 21, 40(d), 42(d) and (e), and 49"
Insert "19, 20, 39(d), 41(d) and (e), and 48"

Page 96, line 18:
Delete "22 - 39, 40(a) - (c), 41, 42(a) - (c) and (f)
- (o), 43 - 48, 50, and 52"
Insert "21 - 38, 39(a) - (c), 40, 41(a) - (c) and (f)
- (o), 42 - 47, 49, and 51"

Page 96, line 29:
Delete "sec. 27(b)(1)"
Insert "sec. 26(b)(1)"

17 Page 96, line 30:
Delete "sec. 30(g)"
Insert "sec. 29(g)"

Page 97, line 2:
Delete "Section 51"
Insert "Section 50"

Page 97, line 5:
Delete "19 - 21, 40(d), 42(d) and (e), and 49"
Insert "19, 20, 39(d), 41(d) and (e), and 48"

Page 97, line 8:
Delete "secs. 53 - 56"
Insert "secs. 52 - 55"

Representative Cronk OBJECTED for discussion.

Representative Galvin stated that in response to the discussion about solidifying the PFD, she would suggest a friendly amendment to Amendment L 12 because some of the

issues included in the amendment had already been considered. She proposed that all of the content of the amendment be deleted apart from lines 6 through 12, which would provide for a PFD amount of \$1,100 [although not expressly stated, she moved conceptual Amendment 1 to Amendment L 12]. The conceptual amendment would delete "\$1,100,000,000" on page 72, line 14, and insert "746,746,100" which was a decrement to the budget of \$353,253,900. In addition to the \$1,100 PFD, the \$644 energy relief check would be distributed to Alaskans, totaling \$1,744. She thought there was a way to hold the corpus in place indefinitely if the PFD was not "super-sized" and the POMV draw was adhered to. She relayed that it was responsible to include some headroom in the budget. The amendment would provide for \$353 million in headroom as well as enable the legislature to offer Alaskans a hearty \$1,744 check. The Alaskans with whom she had spoken wanted to see children, seniors, and ferries be protected. The amendment would act as a compromise.

Co-Chair Edgmon commented that although he viewed the amendment as well intentioned, he would be voting in opposition to the amendment. There were negotiations occurring between the House and the Senate and he wanted the process to continue to move forward. He expressed that the balance was difficult between providing a dividend that would help impoverished communities and all of the other financial components. He would not be voting for the amendment.

Representative Stapp understood that Representative Galvin moved a conceptual amendment to Amendment L 12. He asked if his understanding was correct.

Co-Chair Johnson responded in the affirmative. She thought the explanation of the conceptual amendment was confusing and she was inclined to adjourn the meeting.

11:00:36 AM

AT EASE

11:01:00 AM

RECONVENED

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 agenda for the afternoon meeting.

ADJOURNMENT

[11:01:31 AM](#)

The meeting was adjourned at 11:01 a.m.